

SECTION A (40 MARKS)
ANSWER ALL QUESTIONS

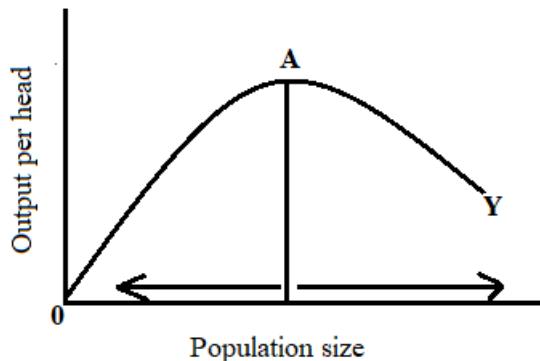
Question 1

Read the following questions carefully. For each question there are four alternatives: [15] A, B, C and D. Choose the correct alternative and circle it. If there are more than one choice circled, No score will be awarded.

i. An additional income added to the total revenue is called

- A total revenue.
- B total product.
- C marginal product.
- D marginal revenue product.

ii. Study the diagram given below.



What does point A indicate in the diagram?

- A Output per head
- B Over population
- C Under population
- D Optimum population

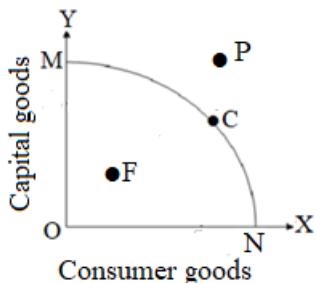
iii. Which of the following was **NOT** a cause of rupee shortage in Bhutan?

- A Large import of capital goods from India
- B Pilgrims coming to Bhutan from India
- C More import of medicines from India
- D Low volume of export to India

iv. Identify the type of tax in which the tax burden can be shifted to another person.

- A Land tax
- B Sales tax
- C Income tax
- D Vehicle tax

v. Study the graph.



What does point 'P' in the above graph indicate?

- A economic growth
- B economic decline
- C unattainable combination
- D underutilization of resources

vi. If Bhutan's population was 700,000 in the year 2017 and if population growth rate was recorded at 1.3% per annum. Calculate the population projection for the year 2018.

- A 709,900
- B 709,100
- C 709,000
- D 700,900

vii. Supervision of school activities by the principal is an example of

- A mental labour.
- B skilled labour.
- C physical labour.
- D administrative labour.

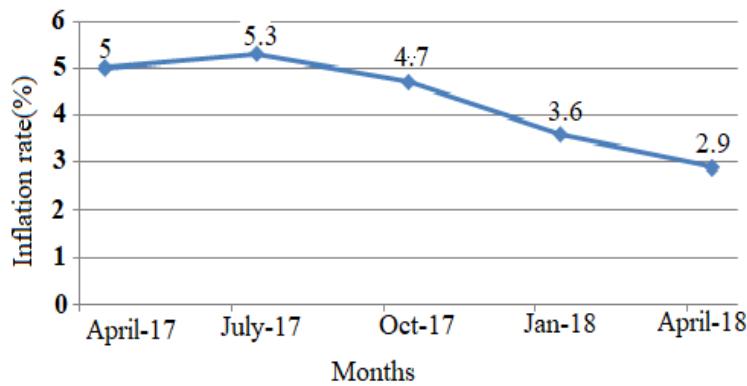
viii. The following are examples of public expenditures.

- I maintenance of roads
- II purchase of new medical equipments
- III supply of stationeries to central schools
- IV providing professional development workshops to teachers

Which of the following combination is the current expenditure of the government?

- A I, II and III
- B I, III and IV
- C I and III
- D II and IV

ix. Study the given graph below.



The graph shows trend in inflation rate of Bhutan over the months. The gradual fall in inflation rate indicates

- A cheaper exports and imports.
- B expensive exports and imports.
- C expensive exports and cheaper imports.
- D cheaper exports and expensive imports.

x. Which of the following is **NOT** a similarity between internal and external trade?

- A cost
- B profit
- C specification
- D extent of market

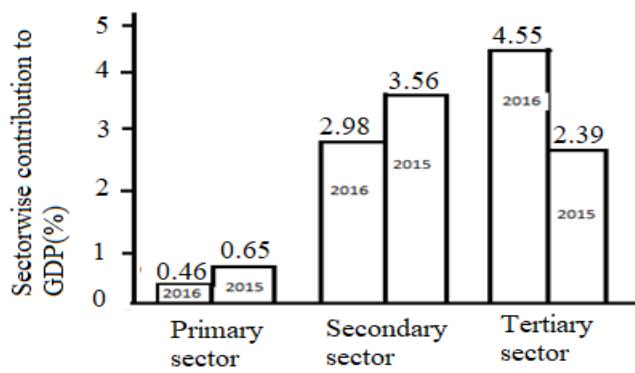
xii. Bhutan's total export value in 2017 was recorded at Nu. 25,303.90 million, out of which 76.5% of the total exports was made to India. Interpret the value of export to India in terms of Ngultrums.

A Nu. 19357.5 million
 B Nu. 19357.6 million
 C Nu. 19357.7 million
 D Nu. 19357.8 million

xiii. The type of deposit from which people do not earn any interest is

A fixed deposit.
 B saving deposit.
 C current deposit.
 D recurring deposit.

xiv. The graph shows contribution by different sectors to GDP for two years.

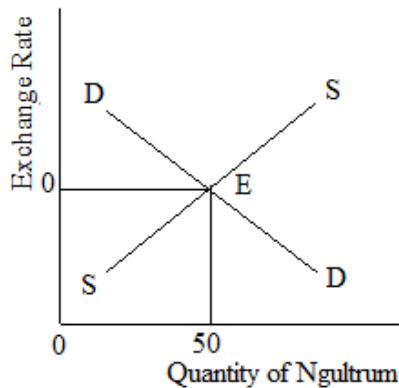


Source: National Accounts Statistics, 2017

Which sector is the highest contributor to Bhutan's GDP?

A Manufacturing sector
 B Secondary sector
 C Primary sector
 D Tertiary sector

xiv. Study the graph.



Suppose the demand for Ngultrum increases to 80 million and supply of Ngultrum decreases to 40 million, what would happen to the equilibrium exchange rate?

- A falls due to excess supply of Ngultrum
- B rises due to excess supply of Ngultrum
- C falls due to excess demand for Ngultrum
- D rises due to excess demand for Ngultrum

xv. Tashi, an employee of Tashi Commercial earns a monthly income of Nu.10,000. He spends Nu. 5000 as rent, his tax deducted at source is Nu. 800 and incurs Nu.1000 as miscellaneous expenses. What is his savings?

- A Nu.3200
- B Nu.4000
- C Nu.4200
- D Nu.5000

Question 2

a) Explain economic growth in your own words.

[1]

b) With the help of a table, show the trade between Bhutan and Nepal where Bhutan has absolute advantage in producing apples and Nepal in mangoes. [2]

c) Following is the Exchange Rate of Ngultrums against US\$ provided by RMA. [2]

Selling rate	Buying rate
Nu. 67.65	Nu. 69.75

Suppose you want to import an iPhone worth US\$ 1000 from USA.

Calculate the cost of the phone in terms of Ngultrums.

Question 3

a) Differentiate between revenue from tax and revenue from grants. [2]

b) “Export promotion trade strategy is similar to import substitution”. Do you agree? [2]
Support your opinion with **TWO** justifications.

c) Study the information given below.

Trade(Amount in Ngultrum millions)	2015	2016
Exports	35901.8	32704.5
Imports	61923.4	68533.2

i. Calculate deficit in the balance of payment for 2016.

ii. Suggest **ONE** measure to correct this deficit in balance of payment.

[1]

d) Study the following diagram.



i. Dorji wants to set up a business firm. Write down any **TWO** factors he would hire from the household sector?

ii. What would be the return paid by Dorji to the household for hiring the factors stated in i.?

e) Employment rate of women has increased from 54.8% in 2014 to 55.9 % in 2015. [2]
NSB report, 2017

How does women employment contribute towards economic development?
Mention any **TWO** points.

Question 4

a) “Free trade is often blamed for creating environmental problem in a country”. [2]
Mention any **TWO** environmental issues in Bhutan.

b) “International trade is vital for Bhutanese economy but it is associated with certain negative impacts”. State any **TWO** measures to reduce these negative impacts. [2]

c) Do you think human resource is the key factor for economic development? Justify [2] with **TWO** reasons.

d) Distinguish between earned and unearned income with an example each. [2]

e) The population growth rate as per the Population and Housing Census of Bhutan (PHCB) 2017, was 1.07%. It was 1.3% in the PHCB 2005. Do you think it is good for the country's economy? Justify with **TWO** points. [2]

SECTION B (40 MARKS)
ANSWER ANY FOUR QUESTIONS

Question 5

a) Aum Peki sells momo @ Nu.40 per plate.

No. of cooks	No. of momos cooked per day	Marginal product	Marginal Revenue Product
3	100	-	-
4	150	A	2000
5	190	B	C
6	220	30	D

i. What are A, B, C and D?

[2]

ii. If she is willing to pay Nu.1500 as wage rate, how many cooks will she be able to employ and why? [1]

b) Bhutan accords the highest priority to environmental conservation and the [2] constitution mandates to maintain at least 60% of the total land area under the forest cover for all times to come.

Source: Economic Development Policy, 2016

Why is it important for Bhutan to pursue sustainable economic development?

c) Many productive Bhutanese move to foreign countries every year to work and also [3] for better opportunities.

Suggest **THREE** measures to retain productive Bhutanese from migrating to other countries.

d) A corporate employee earns Nu. 15000 as her monthly salary. She saves 20% of her salary every month in the bank. Explain any **TWO** benefits of saving. [2]

Question 6

a) What is globalization?

[2]

b) Explain bilateral trade agreement with an example.

[2]

c) In recent years, Bhutan has purchased helicopters for emergency purposes. Do you think the government can sustain this type of expenditure? [2]

d) Population distribution by age and sex in Bhutan during 2016 -2017 is shown [2] below.

Age group	Male	Female
5-9	40,975	40,238
10-14	32,292	31,898
15-19	34,530	33,706
20-24	38,010	37,406
25-29	36,881	37,916
Total	182,688	181,164

Calculate the percentage of females between the age group of 15 to 24 years.

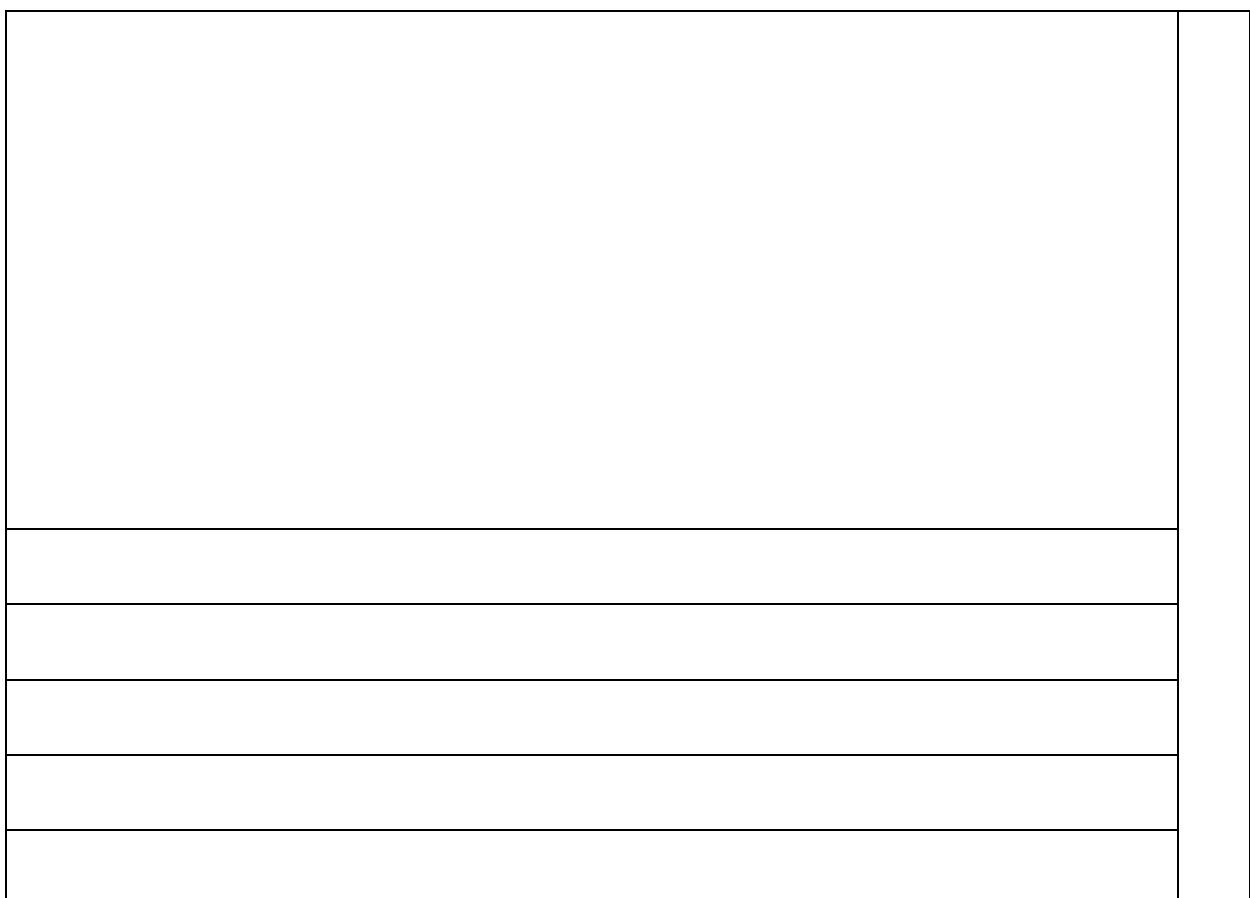
e) Bhutanese currency is pegged at par with the Indian Currency. If the value of Rupee is Rs 1 = Nu.2, how will it affect our economy? [2]

Question 7

a) Study the information provided in the table below.

Wage rate per day	No. of labour demanded	No. of labour supplied
300	5	1
320	4	2
330	3	3
340	2	4
350	1	5

i. Draw a demand curve using the above information to show the equilibrium wage [2] rate.



ii. Calculate the excess supply of labour at the wage rate of Nu.340. [1]



b) According to Economic Development Policy 2016, provision of selective health services would be opened to private investment and practices. However, participation of the private sector or foreign companies would not lead to privatization of the public health services. [3]

What will be **THREE** positive impacts on the government expenditure if public health services are privatized?

c) More than 78 metric tons of vegetables imported from India were seized since 2016 [2] due to high pesticide content.

Source: *Kuensel*, February, 2018

Will such a measure taken by the government affect the Bhutanese economy?

d) The table below shows the buying and selling rate of Singaporean dollar.

Currency	Buy	Sell
1 S\$	49.85	51.3

i. Mr. X wants to go for a holiday to Singapore and plans to spend Nu.100,000 on shopping. How much Singaporean dollar will he get for the amount? [1]

ii. At the end of his stay, he was left with Singaporean \$ 500. How much Ngultrum [1] will he get in exchange for it?

Question 8

a) Provide any **TWO** reasons why lenders charge interest on their borrowers. [2]

b) Bhutan's sustainable socio-economic development is guided by the philosophy of GNH. This development paradigm strives to take care of the needs of both the present and future generations. [2]

How do you think ‘Good Governance’ as a pillar of GNH help in achieving the goal of sustainable development?

c) According to PHCB 2017, the urban unemployment rate was higher @4.6% compared to 1.3 % in rural areas. Why is unemployment rate higher in the urban areas? [2]

d) With the information given in the table below, construct a pie chart to show the percentage share of each sector to the country's GDP. [2]

Source of Revenue	Amount(Nu. in millions)
Tax	19884.63
Non Tax	8149.19
Grants	14889.61

e) Why is it important to study the country's balance of payment?

[2]

Question 9

a) If most of the Bhutanese hoard money rather than save them in the banks, what could be its negative consequences on the economy? Write any **TWO** consequences.

[2]

b) The average life span of the Bhutanese people has increased from 65 to 75 years as per the PHCB report 2017. Do you feel the government has put in place enough arrangements to meet the needs of the growing number of ageing population? Give any **TWO** reasons. [2]

c) Mention an example each of productive and unproductive labour.

[1]

d) The GDP in Bhutan expanded to 8% in 2017. Annual growth rate in Bhutan averaged 7.94% from 1996 until 2017.

NSB report, 2017

What factors do you think would have influenced the growth rate in Bhutan?

e) The Royal Government of Bhutan has to incur a huge expenditure on public welfare goods. Identify any **TWO** areas and give reasons. [3]

Question 10

a) Write down the differences between bilateral and multilateral trade with an example each. [2]

b) How is economic growth affected by savings, investment and interest rates? [3]

c) The current tourist tariff of Bhutan is US \$250 per day. If you were given the authority to revise the tariff, would you increase or decrease the rate? Justify with any **TWO** reasons. [2]

d) GNH is an alternative indicator to GDP to measure economic growth and development. Explain any **THREE** reasons to support the above statement. [3]

