

**SECTION A: (40 MARKS)**  
**ANSWER ALL QUESTIONS**

**Question 1**

**Read the following questions carefully. For each question there are four alternatives: 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.**

[15]

- i. ‘A singer fails to record a new song.’ This is an example of
  - A skilled labour.
  - B physical labour.
  - C unproductive labour.
  - D administrative labour.
  
- ii. In economics, income is the sum of
  - A wage + rent + interest + fees.
  - B rent + wage + interest + profit.
  - C rent + interest + profit + pension.
  - D interest + profit + wage + royalty.
  
- iii. According to Tourism Council of Bhutan, a total of 274,097 tourists of which 202,290 regional and 71,807 international tourists visited Bhutan in 2019.  
Why did the number of tourists visiting Bhutan increase in the recent years?
  - A Introduction of brand Bhutan
  - B Bhutan emphasis on mass tourism
  - C Availability of off season packages
  - D Strict compliance to high value and low volume policy
  
- iv. Who stated the two most common trade theories?
  - A Adam Smith and Karl Marx
  - B Karl Marx and P.A. Samuelson
  - C Adam Smith and David Ricardo
  - D David Ricardo and P.A. Samuelson
  
- v. With globalization, almost all countries in the world are benefitted by international trade. One benefit of international trade is
  - A high pollution rate.
  - B hurdles to industrialization.
  - C greater dependence on other countries.
  - D expanding the basket of consumer goods.

vi. Bhutan's total export value in 2019 was Nu.31.2 billion excluding electricity export. However, its import value stood at Nu.68.8 billion.

(Source: *kuenselonline*, April 13, 2020)

What could have caused the deficit in the Balance of Payment?

- A The exports and imports are equal.
- B The receipts from the rest of the world is equal to its payment.
- C The receipts from the rest of the world is less than its payment.
- D The receipts from the rest of the world is more than its payment.

vii. Which of the following is the most common tool used for measuring economic growth of a country?

- A The size of a country
- B The population of a country
- C The high growth rate of GDP
- D The rich biodiversity of a country

viii. With wage rate remaining constant, there are other factors that affect the supply of labour in a firm.

Which of the following factors will increase the supply of labour?

- A Decrease in the demand for goods and services
- B Increase in demand for goods and services
- C Presence of better facilities in a firm
- D Increase in productivity of labour

ix. Different movements in the Production Possibility Frontier indicate different situation of a country's economic growth.

What does the movement along the Production Possibility Frontier show?

- A Technical progress
- B Reallocation of resources
- C Underutilization of resources
- D Exhaustion of natural resources

x. A country will resort to borrowing when its

- A grants are more than the domestic revenue.
- B revenue is more than its expenditure.
- C revenue is less than its expenditure.
- D expenditure is equal to its revenue.

xi. Study the information in the table.

| <b>Country</b>     | <b>Cost of production in Nu. (million)</b> |             |
|--------------------|--|-------------|
|                    | <b>Red rice</b>                            | <b>Wool</b> |
| <b>Bhutan</b>      | 12   | 16          |
| <b>Switzerland</b> | 20   | 20          |

What is the comparative cost advantage of producing wool in Switzerland?

- A 1.25 million
- B 1.24 million
- C 1.23 million
- D 1.22 million

xii. Despite Bhutan's balance of payment being negative, its capital account has always been in surplus.

What has attributed to the country's surplus capital account?

- A Non-tax revenue
- B Internal borrowing
- C Donations and grants
- D High inflow of external loans and assistance

xiii. Different countries use different trade strategies that will benefit their country the most.

Which one of the following should Bhutan adopt to enhance Gross National Happiness values?

- A Free trade
- B Export promotion
- C Import substitution
- D Trade liberalization

xiv. The banks charge interest on the borrowed amount.

One of the reasons for paying interest is

- A inflation.
- B contingencies.
- C social security.
- D future investment.

xv. Agriculture is the backbone of any economic system. It not only provides food but also raw materials and employment opportunities.

Which of the following will not contribute in the development of agriculture sector?

- A Increase in factor productivity
- B Investment in health and education sectors
- C Use of advanced technology in production process
- D High rates of investment in research and development

### Question 2

a) Some countries favor international trade, while others put restrictions on what their citizens should import.

Why do you think some countries disapprove international trade?

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b) Bhutan does not believe in using GDP as an indicator of economic growth because the use of GDP claims to have many negative impacts.

What do you have to say about GNH as the development philosophy for Bhutan?  
Justify with any **TWO** valid reasons.

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c) You have been importing raw materials for your printing firm until the nationwide coronavirus lockdown was imposed. If the current stock gets exhausted, how will you supplement the raw material shortage? [1]

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d) The Financial institutions of Bhutan have waived off the interest on all kinds of loans for three months.

Give **ONE** positive impact of this decision on the beneficiaries.

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### Question 3

a) There is increase in demand for commodities that a firm produces.  
i. What will be the effect on the demand for labour?

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ii. Illustrate and explain the change in equilibrium wage rate and quantity of labour demanded.

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b) The petrol price in Thimphu has reduced from Nu. 58.63 to Nu.49.91 a liter. Similarly, the price of diesel has decreased from Nu.53.52 to Nu.46.73 a liter.

(Source: *kuenselonline*, April 3, 2020)

Will the fall in the price of fuel impact the Bhutanese economy? Explain with **THREE** reasons.

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c) The Covid-19 pandemic has led to the closure of border gates for foreign workers which have resulted in labour shortage in the construction industry.

Explain any **TWO** measures to overcome the labour shortage.

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d) The total domestic revenue for the fiscal year 2018-2019 was estimated to be Nu.33,943.967 million. Of the total domestic revenue, Nu.25,037.460 million was tax revenue and Nu.8906.507 million was non-tax revenue.

(Source: MOF(National budget financial year 2018-2019)

Do you think the government will be able to generate the same amount of revenue during the FY 2019-2020?

[2]

**Question 4**

a) Although internal trade and external trade share many similarities, they are also different in many ways.

Explain any **TWO** differences.

[2]

| <b>Internal Trade</b> | <b>External Trade</b> |  |
|-----------------------|-----------------------|--|
|                       |                       |  |

b) According to Simon Kuznets, one of the features of modern economic growth is 'high rate of increase in factor productivity'.

What suggestions would you give to the government to increase the productivity of the country's work force? Explain any **TWO** suggestions.

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c) The domestic revenue for fiscal year 2020-2021 is estimated at Nu. 33,189 million, which is one of the lowest in the recent past. This is 14 percent lower than that of the previous year.

*(Source: kuenselonline, June 3, 2020)*

How can we make up for the deficit in the domestic revenue? State any **TWO** points and explain.

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d) Food Corporation of Bhutan Limited's auction yard in Phuntsholing is struggling to export cabbage because the markets across the border are flooded with cabbage from other Indian states.

*(Source: kuenselonline, June 25, 2020)*

If you were a farmer facing such a situation, how would you promote your product? Explain any **TWO** ways.

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e) Tourism industry is one of the highest revenue contributors to the government.

What measures can the government take to improve the industry and enhance its services?

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**SECTION B: (40 MARKS)**  
**ANSWER ANY FOUR QUESTIONS**

**Question 5**

a) Differentiate between labour and labourer with an example each.

[2]

| <b>Labour</b> | <b>Labourer</b> |  |
|---------------|-----------------|--|
|               |                 |  |

b) Study the information in the table.

| Interest rate (%) | Demand for capital (Nu. in '000) | Supply of capital (Nu in '000) |
|-------------------|----------------------------------|--------------------------------|
| 10                | 100                              | 100                            |

With the help of a diagram, explain the effect on interest rate if

i. demand for capital is more than supply of capital.

[1.5]

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ii. supply of capital is more than demand for capital.

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c) The temporary ban on the import of selected fruits and vegetables as a measure against COVID 19 by agriculture ministry has encouraged farmers to increase their farm produce. Though the citizens appreciated the ministry's move to go local but shared concerns on the increased price of the local products.

*(Source: kuenselonline, March 26, 2020)*

i. What has led to the inflation of the price of vegetables in the country?

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ii. How can the price inflation be controlled? Suggest any **TWO** measures.

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d) Demonstration effect and lack of research and development are two factors causing deficit in the balance of payment among many others.

How will these factors lead to a deficit in the balance of payment?

[2]

## Question 6

a) Explain balance of trade in your own words.

[2]

b) All teachers in Bhutan perform the same task yet they earn different level of income. Why? Give **TWO** reasons. [2]

c) With the help of a Production Possibility Frontier curve, explain the economic growth due to technical progress and increase in human resource efficiency. [2]

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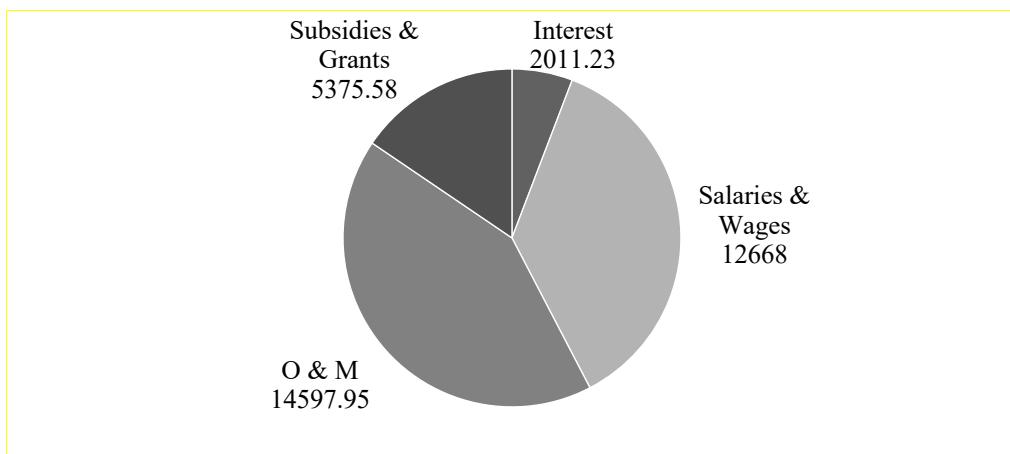
d) In order to overcome the present economic disruptions and with a view to stabilize and stimulate the growth, the government will continue to mobilize additional resources such as grants, concessional borrowings and other financing windows, including bilateral sources.

(Source: *kuenselonline*, June 4, 2020)

Is this decision good for the country? Why? Support with **TWO** justifications.

[2]

e) The pie chart shows the current expenditure for the FY 2019-2020.



(Source: [www.mof.gov.bt](http://www.mof.gov.bt) (FY 2019-2020))

Calculate the current expenditure incurred by the government for all the components in terms of percentage.

[2]

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### Question 7

a) Explain how the following would help in achieving economic growth?  
i. Increase in the rates of saving and investment.

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ii. Increase in the application of modern scientific knowledge in the production process. [1]

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b) Which according to you is a better trade theory, absolute or comparative cost advantage? Why? [3]

c) Bhutan aspires to be a happy country and happiest people in the world.

How would the following pillars of GNH help Bhutan in the fulfillment of its aspirations?

i. Sustainable and equitable socio- economic development.

[1]

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ii. Conservation of environment.

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d) Draw a circular flow of income and explain real flow and money flow.

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## Question 8

a) Though local market is a part of national market they are also different in some ways.

State any **TWO** differences between the two markets.

[2]

| <b>Local market</b> | <b>National market</b> |
|---------------------|------------------------|
|                     |                        |

b) Fast growing GDP is the universal indicator of development, well-being, and geopolitical strength. Positive GDP growth is every government's goal.

If GDP has such positive impacts, why does Bhutan not adopt GDP as a tool to measure its economic growth? Explain with **THREE** reasons.

[3]

c) According to the Director General of Tourism Council of Bhutan, “opening tourism would depend on the government’s directives and how the pandemic situation will unfold.”

(Source: *kuenselonline*, 25 May, 2020)

How has this pandemic affected the tourism industry in Bhutan? Explain with **THREE** points.

[3]

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d) Government spends about Nu.75 million to reopen schools. The money has been spent on repairing toilets and hostels, installation of 40-50 water taps in each school to prevent crowding, installation of safe drinking water and construction of water sources. There are 609 schools in the country.

(Source: [www.thebhutanese.com](http://www.thebhutanese.com), July 4, 2020)

How will spending such an amount ensure that the schools adopt and practise a healthy living style? Explain with **TWO** points.

[2]

### Question 9

a) There are numerous factors that can change the demand for labour.

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Explain any **TWO** factors.

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b) External borrowing continues to be a key financing source for developmental activities. The country's external debt has consistently increased over the years. The share of external debt to aggregate output slightly increased to 112.4 percent in the FY 2018/19 from 110 percent in the FY 2017/18.

*(Source: RMA(Annual Report 2019)*

If the country's external debt continues to rise, what do you think will happen in the long run?

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c) The trade which is carried out within the political and geographical boundaries of a country is known as internal trade, whereas the trade that takes place between two or more countries is known as external trade.

Of the two trades, which type of trade do you think will benefit Bhutan? Why?  
Give **TWO** reasons.

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d) According to the Phuntsholing Thrompoen, the temporary housing arrangements made by the Royal Government of Bhutan for the Bhutanese residing in Jaigaon has provided relief to many of them. However, there are only about 1000 houses which need to be allotted among 2000 people.

(Source: [www.thebhutanese.bt](http://www.thebhutanese.bt), March 28, 2020)

If you were assigned the task of arranging accommodations to those who were not allotted a house, how would you solve this housing issue?

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### Question 10

a) The employment trend in Bhutan has been changing over the years.

Explain any **THREE** reasons why this is happening?

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b) The Balance of Payment of a country is the difference between money flowing into the country and the out flow of money to the rest of the world during a particular period of time.

Which measures will be best for Bhutan to correct its deficit balance of payment?

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c) The Druk Gyalpo's Relief Kidu has granted about Nu. 700 million to over 23000 affected people between April and June, 2020. This has come as a blessing for many of the Bhutanese.

(Source: [www.thebhutanese.bt](http://www.thebhutanese.bt), 16 May, 2020)

Will the grant of Relief Kidu help in promoting equitable socio-economic development? How? Give **TWO** reasons.

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d) The table shows compositions of imports from India (Nu. in million)

| Import category                    | 2016   | 2017   | 2018   |
|------------------------------------|--------|--------|--------|
| <b>Plastic and rubber products</b> | 1807.8 | 2105.7 | 2642.9 |
| <b>Electricity</b>                 | 173    | 74.9   | 295    |

(Source: RMA (Annual Report 2019)

i. Using the information in the table, construct a bar graph for the products and the years.

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ii. Calculate the amount of imports in percentage for electricity and plastic and rubber products for the year 2016 and 2018.

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