

SECTION A (50 MARKS)

ANSWER ALL QUESTIONS

- a) **For each question, there are four alternatives A, B, C and D. choose the correct alternative and circle it. Do not circle more than ONE alternative. If there are more than one circled, NO score will be awarded.** [15]

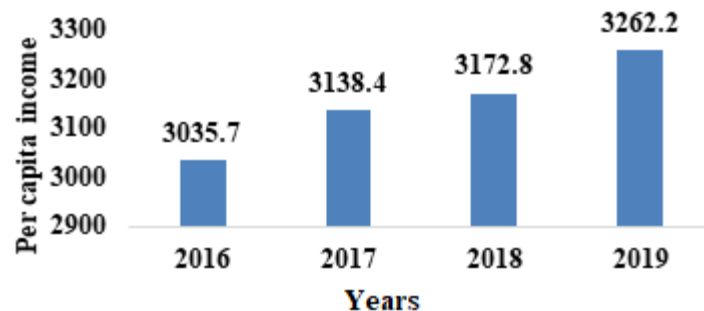
i. Interest on the principle amount and the accumulated interest of previous years is called as

- A compound interest.
- B simple interest.
- C gross interest.
- D net interest.

ii. Mr. Rajesh is a doctor at Lhuentse Dzongkhag Hospital. The services he provides to the people of Lhuentse is

- A professional labour.
- B semi-skilled labour.
- C unskilled labour.
- D skilled labour.

iii. The graph below shows the per capita income of Bhutan from 2016-2019.



Which year has an annual rise of 2.8% in per capita income?

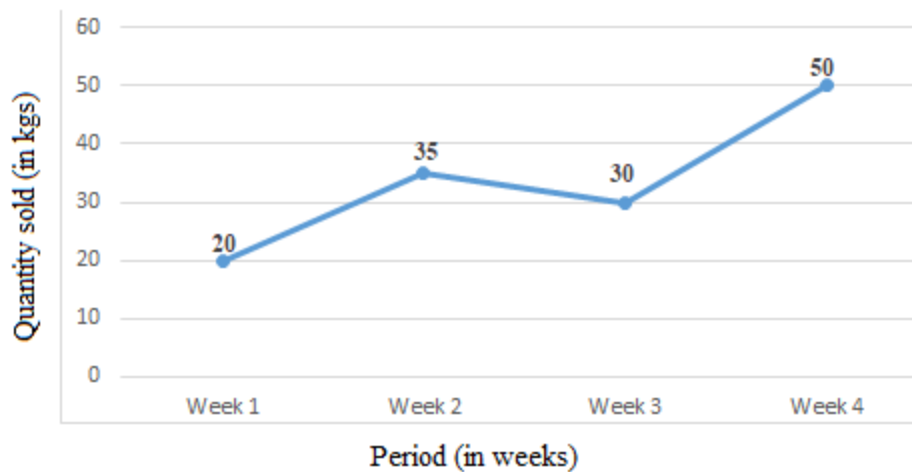
- A 2019
- B 2018
- C 2017
- D 2016

- iv. National Income is sum total of
- A profit, salary, investment and consumption.
 - B dividend, saving, commission and fees.
 - C wages, interest, fees and dividend.
 - D salary, rent, interest and profit.
- v. Following are some of the economic approaches of pro-family.
- I Paid day care
 - II Paid maternity leave
 - III Low minimum wage rate
 - IV Equal access to education

Which of the following combinations is the correct approach of pro-family?

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

- vi. The graph shows fluctuations in the quantity of chili sold by Aum Sonam.



Sonam incurred a total expenditure of Nu 8800 on the plantation of chilies. She sold all her chilies at Nu 100 per kilogram. What is her profit or loss?

- A Nu 4700
- B - Nu 4700
- C Nu 4200
- D - Nu 4200

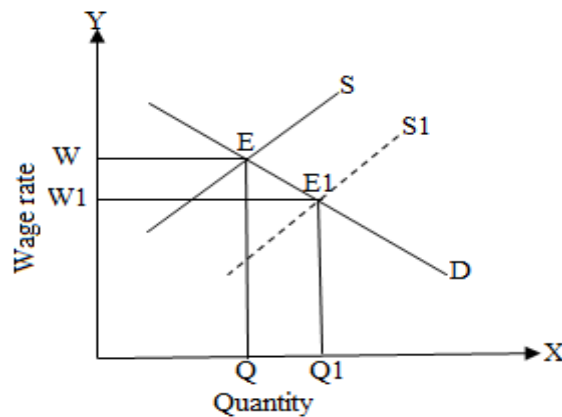
vii. What could be the possible reason for deficit capital account in developed economies?

- A excessive borrowings from foreign countries
- B excessive import of goods and services
- C excessive grants to foreign countries
- D excessive savings by foreigners

viii. Which one of the following are member partners of SAFTA as well as BIMSTEC?

- A Myanmar and Sri Lanka
- B Thailand and Myanmar
- C Sri Lanka and India
- D India and Thailand

ix. Study the given diagram.



Which of the following factors will lead to change in E to E1?

- A higher demand for goods and services
- B improvement in productivity of labour
- C provision of trainings and workshops
- D presence of better facilities in a firm

x. A country able to reduce the regional disparities is an advantage of increasing

- A receipts of foreign aids and grants.
- B administrative fees and charges.
- C capital and current expenditure.
- D direct and indirect taxes.

xi. Study the following information.

- I To help developing countries benefit from global trading system.
- II To encourage discrimination in world trade.
- III To provide financial assistance to least developed countries.
- IV To make infant industry protection illegal.

Which of the following best explains the aims of World Trade Organization?

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

xii. If you are an employer, which of the following factors would you consider to attract more labour in your firm?

- A increased wage rate with unlimited vacation time
- B increased wage rate with good infrastructure
- C increased wage rate with a hostile supervisor
- D increased wage rate and working hours

xiii. What would happen to the production of goods if labour is replaced by machines?

- A production will increase first and then decrease
- B production will remain same
- C production will increase
- D production will decrease

xiv. The COVID-19 pandemic has affected global economies severely. Bhutanese economic activities have also been disrupted.

Which of the following will accelerate economic performance in such a situation?

- A increase public expenditure
- B increase exchange rate
- C increase interest rate
- D increase taxation rate

- xv. Study the information in the table.

Sources of taxes	Amount Nu in million)
Personal income tax	1770.362
Sales tax	3576.484

(Source: National Revenue Report, MoF, 2017)

What could be the possible reason for the status of personal income tax in comparison to sales tax?

- A income of the people is low
- B number of tax payers is high
- C rate of sales tax is low
- D tax rate is very high

b) Fill in the blanks with appropriate word/s.

[5]

i.	The international organisation established in 1995 to supervise and liberalise international trade is _____.	
ii.	The demand for factors of production that occurs as a result of demand for final goods is called _____.	
iii.	Expenditure made on education, health, training and workshops is an investment in _____.	
iv.	The increase in interest rate leads to _____ in investment.	
v.	An index which is used to measure the collective happiness and well-being of the people is _____.	

c) Write TRUE or FALSE for the following statements in the space provided.

[5]

i.	Trade account records all the transactions arising from the trade in goods and services.		
ii.	In free trade, the trade barriers like tariffs, quota restrictions and subsidies are kept to the minimum.		
iii.	The decrease in consumption expenditure leads to the increase in the aggregate saving in the economy.		
iv.	In the circular flow of income with the capital market, the economy will be in equilibrium only if investment is equal to savings.		
v.	Salary payments, medical supplies and interest payments are examples of capital expenditure of government.		

- d) Match each item under column A with the most appropriate item in column B. Rewrite the correct pairs by writing the alphabet against the number in the space provided. [5]

Column A	Column B		
i. Strategy for positive economic growth.	a. capital expenditure		
ii. Strategy to improve economic activity within domestic economy.	b. rent		
iii. Machines, equipment and tools.	c. economic diversification		
iv. Human development index.	d. strategy to earn foreign currency		
v. Construction of farm roads.	e. protectionism		
	f. interest		
	g. education		

Column A	Column B
i.	
ii.	
iii.	
iv.	
v.	

- e) Answer the following questions briefly.

- i. State any **TWO** importance of public goods. [2]

- ii. PK runs a restaurant with two workers who prepare food for 50 heads everyday. He received an order to prepare food for 200 heads.

[2]

With the help of a graph, explain how it will affect the demand for labour.

- iii. Imagine that you have 1 million Ngultrum and want to invest it immediately. Your uncle suggested to invest in real estate such as land but you would like to buy a vehicle. Being an economics student, where would you invest so that you get good returns. Justify.

[2]

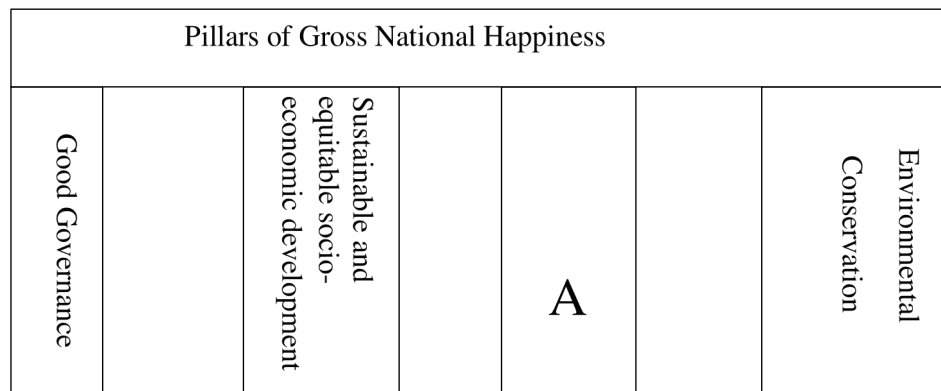
- iv. Your class is organizing a welcome dinner for the new teachers. Prepare a budget proposing the possible income and expenditure that the class might incur. [2]

- v. “Bhutan is considered as the least populated country with its population of 727,145 (PHCB, 2017) against the land area of 38,394 square kilometer.” Is this good for the country? Justify with **TWO** reasons. [2]

- vi. Is economic growth more important than economic development? Support your opinion with **TWO** points. [2]

- vii. 'Free trade and protectionism are two trade policies.' Which trade policy is better for Bhutan? Validate with **TWO** points. **[2]**

- viii. Study the following figure.



- If you are the chairperson of GNH commission, mention **TWO** activities that you would propose to enhance the pillar 'A' in the figure. **[2]**

- ix. Represent the following information in a bar graph. [2]

Year 2020	Nu in billions
Export	48.2
Import	66.6
Balance of trade	-18.4

(Bhutan Trade Statistics, 2020)

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- x. You are appointed as a Managing Director of a company manufacturing cement. The company is infested with the constant clashes among the workers leading to low productivity and annual turnover. [2]

Mention **TWO** methods that you would adopt to minimize the differences among the workers.

SECTION B (50 MARKS)

ANSWER ANY FIVE QUESTIONS

Question 2

a) Mention **TWO** reasons for saving.

[2]

b) Mr. Dodo imported goods worth 570 US dollar on credit when the exchange rate was 1 USD = BTN 76.5. After a few months, when Mr. Dodo went to the bank to transfer the amount, the exchange rate had appreciated to 1 USD = BTN 82.5.

i. How much Ngultrum did Mr. Dodo pay for the imported goods?

[1]

ii. How much Ngultrum would Dodo pay, if he had paid at the time of placing the order?

[1]

iii. What is the implication of importing goods on credit? [1]

c) Differentiate between economic and non-economic goods. Write **TWO** differences. [2]

Economic Goods	Non-economic Goods	

d) Realizing the importance of liberalization and impact of globalization, our government emphasized the acceleration of private sector development. Is it a good decision? Justify with **THREE** points. [3]

Question 3

- a) Explain dignity of labour with the help of an example. [2]

- b) The table below shows the sector wise share of GDP for the year 2019.

Sector	Share of GDP
Primary sector	28,18450000
Secondary sector	64,387450000
Tertiary sector	85,629990000

(Source: National Accounts Statistics)

- i. Find GDP. [1]

- ii. Calculate GDP per capita of Bhutan, if the population is 727,145 (PHCB 2017). [1]

- c) Foreign grants and external borrowings are major sources of revenue for the developmental activities in Bhutan. However, it is not good for a country to depend excessively on such sources. Give **THREE** reasons. [3]

- d) Imagine you are the branch manager of Bhutan Development Bank Limited of Dagana. Your office has a mandate to increase the number of savers and volume of savings by 10%. [3]
Mention **THREE** ways, other than increasing the interest rate that you can adopt to encourage people to save.

Question 4

a) State **TWO** importance of balance of payment

[2]

b) Yeshey owns a shoes factory. When there is one worker, 5 pair of shoes are produced per day. When there are two workers, 9 pairs of shoes are produced per day. The shoes are sold at Nu 500 per pair.

i. Calculate the Marginal Product and MRP.

[2]

ii. If addition of one more worker generates negative marginal returns, how many shoes do you think the factory can produce?

[1]

iii. How can Yeshey improve the productivity of his 3rd worker? State **TWO** ways. [2]

c) Should taxes be made compulsory? Give **THREE** justifications. [3]

Question 5

a) Explain gross domestic product. [2]

b) Tenzin completed class 12 and enrolled in one of the private colleges in Bhutan to study BBA. She took a loan from BDBL at 7% interest. The college fees amounted to Nu 200,000 for three years.

i. If the bank compound interest annually, how much do you think she will have to pay back after 3 years?

[2]

ii. How much do you think she needs to pay every month in order to repay the amount borrowed within 3 years?

[1]

c) As per Asian Development Report, Bhutan's GDP growth is forecasted at -3.4% in 2021. Why? Mention **THREE** reasons.

[3]

- d) Since 1974, Bhutan has pegged its exchange rate arrangement with the Indian Rupee. What would be the positive impact on the Bhutanese economy, if this is discontinued? Mention any **TWO** impacts.

[2]

Question 6

- a) What do you understand by balance of payment?

[1]

- b) Explain **THREE** factors that affect rent. [3]

- c) Free trade policy is preferred over protectionism to enhance GNH in Bhutan. Do you agree? Support with **THREE** justifications. [3]

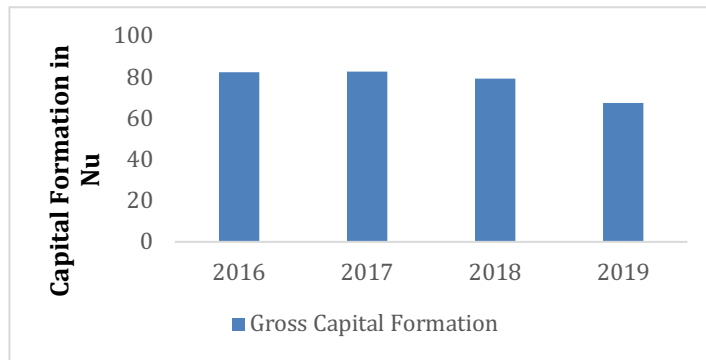
- d) In the year 2019, 315,599 tourists visited Bhutan and generated a revenue of USD 225 million. In 2020, only 28,000 were recorded earning a revenue of only 5 million. The industry saw more than 50,737 hoteliers, tour operators, guides and homestays affected because they solely depend on tourism for livelihood. [3]

With the understanding that tourism is a vibrant business with a high potential to boost economic growth and development, suggest **THREE** measures to revive the tourism sector.

Question 7

- a) Explain **THREE** objectives of Bay of Bengal Initiative for Multi-Sectorial Technical and economic Cooperation (BIMSTEC). **[3]**

b) Study the following graph.



(Source: National Statistical Bureau, 2019)

i. In which year, Bhutan had the lowest capital formation? [1]

ii. Write **ONE** impact of low capital formation on the economy. [1]

c) Give **TWO** examples of Public sector activities. [1]

- d) The construction of three cold storages in Wangdu and Sarpang worth Nu 127 million are intended to be completed by the end of this year.
How do you think the completion of these cold storages are going to benefit the economy? Mention any **TWO** benefits.

[2]

- e) According to the Labour Force Survey Report, Bhutan has recorded an unemployment rate of 5% which is the highest since 2016. This is aggravated by the overseas returnees and laid-off employees due to the COVID-19 pandemic.

[2]

(Source: Kuenselonline, April 3, 2021)

Propose **TWO** measures to address growing unemployment in Bhutan.
