

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]

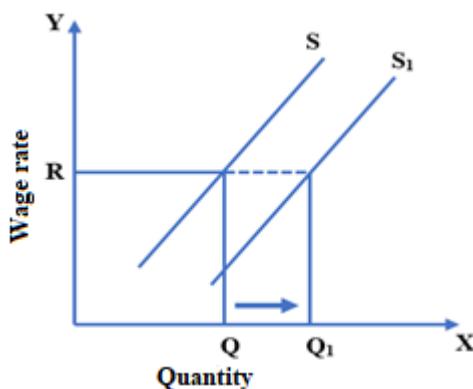
i. Which one of the following refers to payment made for hiring durable goods like furniture, land, car, house and bicycle?

- A rent
- B wage
- C profit
- D allowance

ii. Intermediate goods are also called as

- A finished goods.
- B un-finished goods.
- C semi-finished goods.
- D quarterly-finished goods.

iii. Study the diagram given below.



What can be observed from the diagram?

- A decrease in supply
- B increase in supply
- C extension of supply
- D contraction of supply

iv. Name the factor which determines your choice to work in a firm.

- A change in technology
- B productivity of labour
- C demand for goods and services
- D facilities and working environment

v. The integration into the global economy through trade should be systematic and well planned so that the fragile economy is protected and cheap imports are also avoided.

A feature of protectionist trade policies is

- A dumping inferior quality goods.
- B fostering relationship with other countries.
- C preventing dislodging of domestic industries.
- D reducing the risk to the country's sovereignty.

vi. Pema has a water leakage at her home and her neighbor helps her to fix the leakage.

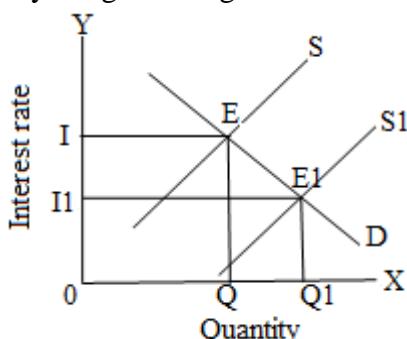
Under which types of labour will the service provided by the neighbour fall?

- A skilled labour
- B un-skilled labour
- C semi-skilled labour
- D professional labour

vii. Following are the reasons for high youth unemployment rate **EXCEPT**

- A low rate of saving and investment.
- B high rate of saving and investment.
- C high rate of consumption expenditure.
- D low rate of consumption expenditure.

viii. Study the given diagram.



Which of the following factors will lead to shift in supply curve from S to S1?

- A decrease in saving
- B increase in saving
- C increase in investment
- D decrease in investment

ix. Every factor of production gets reward equal to its

- A price.
- B total cost.
- C total income.
- D marginal product.

x. Public sector plays a vital role in achieving optimum resource allocation which leads to better economic development. However, the private sector misallocates resources by investing in the production of non-essential goods for the rich whereas the public sector invests for the masses.

The primary motive of private sector is

- A profit generation.
- B poverty reduction.
- C promotion of social welfare.
- D acceleration of economic growth.

xi. The current expenditure rises with increase in the capital expenditure due to

- A increase in public debt.
- B increase in capital assets.
- C increase in public expenditure.
- D decrease in public expenditure.

xii. Following are some of the economic factors that may create efficient workforce.

- I basic study
- II experience
- III inexperience
- IV special training

Which one of the combinations best assists in creating skilled labour force?

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

xiii. The all-time record high cost of fuel, especially diesel, is already creating a ripple effect at all levels and in all sectors. Fuel price increase leaves no sectors unaffected.

(Source: www.kuenselonline.com, April 2, 2022)

Which sector in the economy has been affected the most by the increased fuel price?

- A Primary sector
- B Tertiary sector
- C Service sector
- D Secondary sector

xiv. The Indian rupee (INR) has been depreciating against the US dollar (USD) in recent months and with the Ngultrum (Nu) pegged to the INR, there is a lot of pressure from the exchange rate fluctuations.

(Source: Kuenselonline April 22,2022)

How will the fluctuation in exchange rates affect the Bhutanese import and export of goods?

- A export is cheaper and import expensive
- B export is expensive and import cheaper
- C both import and export will increase
- D both import and export will decrease

xv. As of 2021 there are 164 member countries in WTO, out of which 25 member countries are observers. What could be the reason for these countries to remain as observers?

- A to set and enforce rules for their international trade
- B to cooperate with other international organizations
- C to get acquainted with the WTO and its activities
- D to resolve any trade disputes among member

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

[5]

i.	The balance of payments is an important set of macro-economic statistics for a country. It describes the economic and financial relationships with the rest of the world.	
ii.	Expenditure on subsidies, grants and medicine is current expenditure.	
iii.	Bhutan cannot achieve economic diversification through promotion of Cottage and Small Industries (CSI) sector.	
iv.	Protectionism creates unemployment issues in the country thereby increasing the magnitude of unemployment.	
v.	An investment is the purchase of goods that are not consumed today but are used in the generation of future wealth.	

c) Match each item under column A with the most appropriate item in column B. Write the correct alphabet in the space provided under the 'answer' column. [5]

Answers	Column A	Column B	
	i. With the increase in consumption expenditure, the saving	a. income	
	ii. The whole payment made to a lender for lending capital	b. net interest	
	iii. The spending made by the government for public goods and services	c. gross interest	
	iv. Misallocation of resources and lack of policy intervention lead to	d. public expenditure	
	v. Lack of trade policies give rise to unequal distribution of	e. decreases	
		f. increases	
		g. economic issues	

d) Fill in the blanks with appropriate word/s. [5]

i.	Firms pay wages to workers based on the nature of work, skills and _____.	
ii.	Economic _____ is important to reduce unemployment and increase productivity in an economy.	
iii.	BIMSTEC is the economic organization that links _____ with SAARC.	
iv.	In order to maximize profit, business firms will _____ their resources to produce goods which have a higher demand.	
v.	With globalization and move towards trade liberalization, the economic crisis in one region gets spread over to other regions. This is called as _____ effect.	

e) Answer the following questions briefly.

i. Explain any **TWO** features of modern economic growth. [2]

ii. With the help of a diagram, explain how increase in demand for goods and services [2] will affect the demand for labour.

iii. "Tax only is not the source of government revenue." Support the statement with [2] **TWO** non-tax revenue sources.

iv. Households, business firms or government can save money with the banks. To facilitate savings, the banking institutions allow their customers to open different types of saving account.

Therefore, it will be more appropriate for farmers to opt for fixed deposit account. Do you agree? Mention **TWO** reasons. [2]

v. “As per Bhutan demographics, 2022, the population growth rate is 1.07%.” Is it good for the Bhutanese economy? Write **TWO** justifications. [2]

vi. Economic growth promotes living standards and reduces poverty, but these improvements do not occur without economic development. Do you think so? Give **TWO** justifications. [2]

vii. India and Bhutan share a unique and time-tested bilateral relationship, characterized by utmost trust, goodwill and mutual understanding. Is it important to maintain such relationship? Why? [2]

viii. The flow of foreign labours into the country has eased the struggle and difficulties in completing works in the construction sector. There are also certain changes in the system to revive the country's economy, and to ensure that the Bhutanese workers can learn from the foreign skilled workers. [2]

(Source: *The Bhutanese*, April 25, 2022)

How would you motivate the Bhutanese labours so that the import of foreign labours can be reduced?

ix. As per the National Statistics Bureau, youth unemployment rate in the country was 20.9% in 2021. Suggest any **TWO** measures to minimize youth unemployment. [2]

x. What will be the effect on the following sectors if there is an appreciation in the value of Ngultrum? [1]

i. Tourism sector

ii. Business sector [1]

SECTION B (50 MARKS)

ANSWER ANY FIVE QUESTIONS

Question 2

a) Define investment. [2]

b) Bhutan is largely an import driven country. Our export is less than our import which causes unfavorable balance of trade. Explain how import can be reduced? Give **THREE** ways. [3]

c) Human capital is important for economic growth and development. It is a source of both productivity and technological advancement. Why is human resource crucial for economic development? Mention any **TWO** importance.

[2]

d) “Bhutan hikes daily tourist fee from USD 65 per person per night to USD200.”

(Source: *Bhutan Times*, July 03,2022)

Will this decision ensure sustainable economic growth? Provide **THREE** justifications.

[3]

Question 3

a) Define labour with an example.

[2]

b) The GDP per capita in 2020 declined to US\$3,129.86 from US\$ 3,418.83 in 2019.

(Source: National Accounts Statistics, 2021)

How does GDP per capita measure economic performance of the country? Explain **TWO** ways.

[2]

c) When there is a shortage of estimated revenue to meet the planned expenditure, a resource gap is created. Why is it important to fill up the resource gap? State any **THREE** reasons.

[3]

d) With only hydropower dictating the economy of the country, Bhutanese economy is facing the risk of becoming a mono-line economy. Bhutan saw economic growth of 6 percent on average over the last 30 years which is slow compared to countries of similar economic structure and size.

(Source: *kuenselonline*, May 30, 2022)

How would Bhutan be benefitted if it diversifies its economy? Explain any **THREE** benefits.

[3]

Question 4

a) Explain the concept of surplus and deficit balance of payments.

[2]

b) A furniture house produces chairs on a weekly basis. Each chair is sold for Nu. 450.

[2]

No. of workers	Total Production	Marginal Product (MP)	Marginal revenue product (MRP)
0	0	0	0
1	12	A	5400
2	21	9	B
3	28	7	3150
4	33	5	C
5	36	3	D
6	37	1	450

i. Calculate A, B, C and D.

ii. How many workers can the firm employ at the wage rate of Nu. 1250 per week? [1]
Why?

iii. If you are the employer of that firm, how can you increase the productivity of your workers? [2]

c) Is internal borrowing better than external borrowing? Why? Support with **THREE** valid reasons. [3]

Question 5

a) Explain real flow and money flow. [2]

b) As a trained tailor, you plan to open a tailoring shop. You have applied for a loan of Nu.200, 000 from Bank of Bhutan at 8% for 2 years.

i. Calculate the compound interest you need to pay to the bank after 2 years. [2]

ii. Give **ONE** reason why lenders charge compound interest from the borrowers? **[1]**

c) Distinguish between economic goods and non-economic goods with an example each. **[3]**

Economic goods	Non-economic goods	

d) The Diagnostic Trade Integration Study Update 2020 launched recently recommends Bhutan should join the World Trade Organization for better economic coordination and efficiency.

(Source: *kuenselonline*, July 26, 2021)

There are both advantages and disadvantages in being a member of WTO. Write **ONE** advantage and **ONE** disadvantage, Bhutan might experience after joining WTO. [2]

Question 6

a) Define exchange rate.

[1]

b) What is profit? How does it act as a driving force for all economic activities?

[3]

c) For a developing country like Bhutan, protectionism is the best trade strategy. Do you agree? Justify with **THREE** reasons. [3]

d) Bhutan's economic development is linked to the growth of its hydropower sector. The country exports about 70% of its energy generated to India.

(Source: *NewsClick*, August 18, 2022)

What can be done so that Bhutan need not solely depend on the income generated through hydropower for its economic development? Suggest **THREE** other areas from where Bhutan can generate revenue for its development.

[3]

Question 7

a) List down any **THREE** functions of SAPTA.

[3]

b) How will interest rate improve the rate of saving and investment in Bhutan?

[2]

c) Give **ONE** reason why government has to incur current expenditure? [1]

d) His Majesty the fourth King of Bhutan, pronounced the visionary statement that, “Gross National Happiness is more important than Gross Domestic Product (GDP)”. Why is GNH considered a better indicator of economic performance? Give **TWO** justifications. [2]

e) What would be the likely impact on Bhutanese economy, if we continue to import more labour from foreign countries? Mention **TWO** impacts. [2]