

Alternative No:

Index No:

Supervising Examiner's/Invigilator's initial:

  


**Economics**

**Writing Time: 2 Hours**

**Total Marks : 80**

**READ THE FOLLOWING DIRECTIONS CAREFULLY:**

1. Do **not** write for the first **fifteen minutes**. This time is to be spent reading the questions. After having read the questions, you will be given **two hours** to answer all questions.
2. Write your **index number** in the space provided on the **top right hand corner of this cover page only**.
3. Attempt **all** questions from Section **A** and **any four** questions from Section **B**.
4. The intended marks for questions or parts of questions, are given in brackets [ ].
5. Read the directions to each question carefully and write **all** your answers in the space provided in the **question booklet** itself.
6. Remember to write **quickly** but **neatly**.
7. **Do not** remove or tear off any pages from the question booklet.
8. **Do not** leave the examination hall before you have made sure that you have answered all the questions.

*For Chief Marker's and Markers' Use Only*

Section	A				B										Total	Chief Marker's Signature ↓	
	1	2	3	4	5	6	7	8	9	10							
Award																	
Markers' initial →																	



**SECTION A**  
*Answer All questions*

**Question 1**

(a) Mention **FOUR** factors that affect the differences in earning in the same job. [2]

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(b) Explain **TWO** reasons why interest is paid on the borrowed money [2]

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- (c) Capital expenditure in Bhutan has greatly increased in the last few years. Discuss how this has necessitated the increase in the recurrent expenditure

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- (d) Differentiate between the balance of visible trade and balance of invisible trade with an example each. [3]

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**Question 2**

- (a) Explain the following terms: [2]
  - (i) Earned income
  - (ii) Unearned income

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(b) Explain why taxation forms only a small portion of revenue for the government of Bhutan ? [3]

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(c) Why does aid from developed nations often fail to produce development in the poor nations? [3]

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(d) Categorize the following taxes into Direct tax and Indirect tax:

- (i) A footballer's monthly wages.
- (ii) Import of machinery from other countries
- (iii) A person who owns land
- (iv) Inherited wealth

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**Question 3**

(a) What is meant by tax? [2]

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(b) “The increase in the total output is economic growth”. Does economic growth really make us “better off”? [3]

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(c) Discuss briefly how the discovery of more natural resources and investment in capital influence the increase in Bhutan’s economic growth. [2]

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(d) What is rural – urban migration? Mention at least **FOUR** reasons for rural – urban migration. [1+2]

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**Question 4**

(a) What is comparative advantage? [2]

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- d) Assuming that Bhutan decided to lower its tariffs on tourism by 50%, discuss the effect of this on the number of tourist visiting Bhutan and analyze its influence on the economic activities. [2]

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(e) What is a real measure for economic growth?

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**SECTION B**

*Answer any FOUR questions from this section.*

**Question 5**

(a) Define Economic Growth. List at least **TWO** features of Bhutan's Economic growth. [3]

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- (b) What effect would the following have on the dependency ratio of a country?
- (i) An increase in the number of old people.
  - (ii) An increase in employment.

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- (c) With the help of a diagram, explain what happens to the Equilibrium Wage Rate and the demand for labour when there is an increase in the demand for goods and services.[3]

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- (c) Assuming that the pay scale for teachers in India increases by 100%,  
 (i) what would happen to the supply of Indian teachers to Bhutan? Why?  
 (ii) how will this influence the pay scale for teachers in Bhutan.

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- (d) The figure below show how many additional worker is worth to the firm.

Workers	Total output/week	Extra output/week	Value of Extra output
4	300	-	-
5	350	50	Nu. 250
6	390	40	Nu. 200
7	420	30	Nu. 150
8	440	20	Nu. 100
9	450	10	Nu. 50

Each out put sells at Nu. 5/= . The cost of each worker is Nu.150/ week. [3]

- (i) What is the value of Marginal Revenue Product of labour of the 8<sup>th</sup> worker?  
 (ii) How many workers should the owner employ at the wage rate of Nu. 150/week?

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**Question 7**

(a) Explain briefly at least **TWO** reasons for the increased population growth rate in Bhutan. [2]

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(b) Make a list of **FOUR** problems associated with large urban centres like Thimphu

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(c) How does profit regulate the economic activity of a place? [3]

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(d) How would you assess the importance of foreign aid as a source of public re

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**Question 8**

(a) What do you mean by "the demand for labour is a derived demand"? [2]

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(d) The population of the world rises as less people die and more babies are born. What are its effect on the economy in terms of health care and food? [2]

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**Question 9**

(a) Explain at least **THREE** reasons why different countries trade. [3]

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(b) Explain briefly at least **TWO** trade barriers. [2]

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(c) Assuming that the buying rates of Japanese Yen for Ngultrum in currency notes is Nu. 30 for 100 yen. The cost of a computer is ¥ 250,000 (yen). Calculate the cost of the computer in terms of Ngultrum. [2]

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- (d) With the help of a diagram, explain how the rate of exchange is determined.  
(Exchange rate of Japanese yen in terms of Nu.)

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**Question 10**

- (a) Discuss **TWO** ways in which Economic growth can benefits to a nation. [2]

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(b) Explain **TWO** environmental problems expected to emerge with the development of the country.

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(c) Assuming there has been considerable fall in the value of Ngultrum against Japanese Yen. Would you get more or less Ngultrum for every 100 yen? What would happen to the number of tourists coming to Bhutan? [2]

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(d) The number of investments in Bhutan in the last few years has increased tremendously. What has encouraged the firms, individuals and the government to make these investments?

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(e) What is over population? Is Bhutan over populated? [2]

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