

Index Number

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Alternative 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. In the **top right hand corner of this cover page, the first five digits of your index number are already printed. WRITE THE REMAINING SEVEN DIGITS OF YOUR INDEX NUMBER.**
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** draw lines or pictures **on** or **in** the booklet to beautify it.
9. **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*

SECTIONS	A				B						Total	Chief Marker's Signature	
Question Number	1	2	3	4	5	6	7	8	9	10			
Award													
Markers' Initial													



**SECTION A: (40 MARKS)**

Answer **ALL** questions. Figures in brackets ( ) indicate full marks.

**Question 1.** (15 marks)

**Instruction:** Each of the following questions has **FOUR** alternative answers A, B, C and D. Choose the correct answer and write A or B or C or D in the space provided under each question.

- a. In a family, there are five members with their ages as follows: 37, 67, 12, 30 and 10. (2)

The dependency ratio of this family is

- A 1: 1.5
- B 1: .6
- C 1: .4
- D 1: 1

Ans.....

- b. On the Bhutanese trade, the fall in the value of Ngultrum would make (2)
- A exports and imports cheaper.
  - B exports expensive.
  - C exports cheaper.
  - D imports cheaper.

Ans.....

- c. The total plan outlay for the Seventh Five Year Plan in our country was Nu. 20,000 million. It included the following: (2)
- (i) Tax revenue - 21.6%
  - (ii) Direct tax - 8.6%
  - (iii) Indirect tax - 13%
  - (iv) Non Tax Revenue - 41.2%

The amount contributed by the tax revenue in the plan outlay would be

- A Nu. 2599.9 million.
- B Nu 1719.9 million.
- C Nu 4320 million.
- D Nu. 8240 million.

Ans.....

- d. The term equilibrium point refers to a situation when demand for (1)
- A Ngultrum equals to supply of Ngultrum.
  - B capital equals to supply of capital.
  - C labor equals to supply of labor.
  - D anything equals to its supply.

Ans.....

- e. Nu. 1 = 2.4 Yen. What is the cost of a Toyota car in Ngultrums if it costs 1 million Yen in Japan? (2)
- A Nu. 4,16,666.6
  - B Nu. 24,00,000
  - C Nu. 10,00,000
  - D Nu. 4,16,667

Ans.....

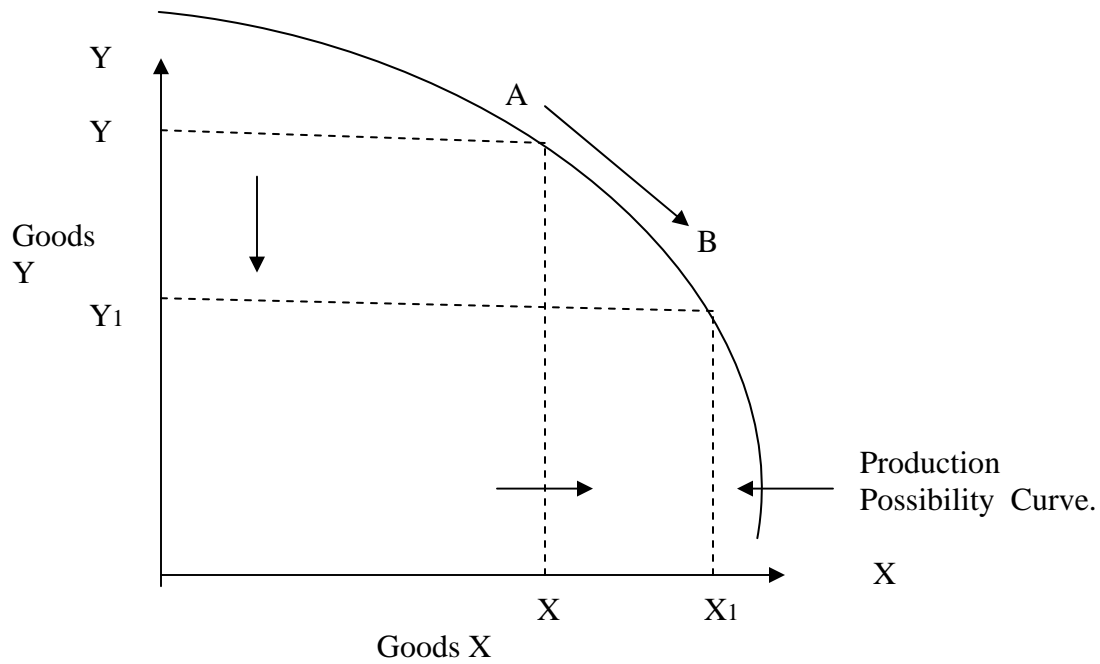
- f. Nu. 135 = US \$3 and US \$1 = 5 French Francs.  
Which of the following is the correct value of Nu.1 in terms of French Francs? (2)
- A .011 Francs
  - B .111 Francs
  - C .121 Francs
  - D .222 Francs

Ans.....

- g. Nu. 135 = 15 French Francs  
How many Francs can a tourist get for Ngultrums 9 lakhs? (2)
- A 81,00,000 Francs
  - B 45,00,000 Francs
  - C 9,00,000 Francs
  - D 1,00,000 Francs

Ans.....

h. Study the following diagram.



In the above diagram, the movement of point A to point B in the production possibility curve indicates the

(2)

- A change in the production combination of X and Y goods.
- B increase in the total production in an economy.
- C increase in the production of goods Y.
- D economic growth.

Ans.....

**Question 2.**

**(5 marks)**

- a. How does the disguised unemployment influence the productivity of the labor? (2)

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- b. Why is real GDP said to be better than money GDP to reflect the economic growth taking place in an economy? Explain. (2)

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c. Define 'Public Expenditure'. (1)

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**Question 3. (10 marks)**

a. Why do you think that demand for labor is called derived demand? (2)

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b. Draw a diagram to show the likely increase in demand for labor from 20 workers to 35 workers, when the wage rate decreases from Nu. 2500 to Nu. 1800 per month. (2)

c. Name and define the income that has salaries, profit, commission and fees as some of its examples. (1+2= 3)

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d. "Rent is paid for a factor which is inelastic in supply in the short term". Name and explain any **TWO** factors which influence the rent.

(1.5+1.5= 3)

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**Question 4.**

(10 marks)

a. What are visible and invisible trade?

(1+1=2)

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b. "The living standards and female employment are the factors responsible for the increase in the growth rate of population in any country". Explain how living standard and female employment lead to population growth in a country. (1.5+1.5=3)

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c. Besides the infrastructural facilities, name and explain any **TWO** other factors that promote economic growth of a country. (1.5+1.5=3)

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d. "Like for any commodity, the price of Ngultrum is determined by the demand and supply of Ngultrum in the international market".

Give any **TWO** reasons which would lead to the increase in demand for Ngultrum in the international market. (2)

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**SECTION B: 40 MARKS**

Attempt any *FOUR* questions from this section. Figures in brackets ( ) indicate full marks.

**Question 5**

**(10 Marks)**

- a. Mr. Dorji ran a furniture factory in Thimphu. One night a fire broke out and he lost everything in the fire except a write up of a small piece of his production details which included the following:

No. of carpenters	Total output of tables	Extra output per worker	Value of MRP
10	50		
11	70		Nu.10,000
12	85		
13	94		
14	101		
15		4	
16		3	
17		1	

In the above table:

Fill in the details of the firm's total output for the 16<sup>th</sup> and 17<sup>th</sup> workers. (1)

Fill in the details of the extra output per worker for the 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> workers. (1.5)

Fill in the values of the MRP for the 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> workers. (1.5)

i. Calculate the cost price of a single student's table. (1)

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b. "Bhutan has an unlimited export market in the SAARC region".

i. Name any **TWO** commodities for which Bhutan has unlimited market in the SAARC region. (1)

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ii. Which economic agreement did Bhutan sign to enhance its export market in the SAARC region? (1)

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iii. Give **TWO** economic advantages of the above agreement to our country. (1)

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iv. In terms of its imports, name **FOUR** top trading partners of Bhutan, other than the SAARC countries. (2)

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**Question 6. (10 Marks)**

i. “The wage rate in any firm is determined by the forces of demand and supply of labor.”  
Why is the normal demand curve for labor distinctly different from the supply curve of labor? (1)

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ii. Draw a diagram and explain how “better facilities and working environment” affect the supply of labor. (3)

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iii. Draw and explain what happens to the equilibrium wage rate when the demand for labor decreases without any change in the supply of labor? (3)

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iv. Study the following table:

Interest Rate	Quantity Demanded of Capital	Quantity Supplied of Capital
6	900	500
7	700	700
8	500	900
9	300	1100

a. Plot the information given in the above table in a suitable graph below. (2)

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b. Mention the equilibrium interest rate. (1)

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**Question 7**

**(10 Marks)**

a. "The amount of interest paid on loans depends on the demand for and the supply of loans".

i. What is "interest" referred to in the above statement? (1/2)

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ii. Draw a diagram to show rise in borrowing from Nu. 18 million to Nu. 25 million due to the fall in the interest rate from 16% to 12%. (2)

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iii. How does this fall in interest rate affect the saving? (1/2)

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iv. What will be the effect of the reduced interest rate in our economy on the following groups? (½ x 4 = 2)

- a. Financial Institutions
- b. Producers
- c. Consumers
- d. Farmers

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b. “The objectives of self reliance and sustainability have been stressed for a long time in Bhutan and it is gaining importance”.

i. Write **TWO** ways to achieve the objective of sustainability. (1)

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ii. List **TWO** economic activities in Bhutan which you think are sustainable and **TWO** economic activities which are not sustainable. (½ x 4 = 2)

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iii. What are the **TWO** likely benefits of pursuing the objective of sustainability to the Bhutanese in general. (1)

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iv. Which of the three sectors (Primary, Secondary and Tertiary) of our economy should implement the objective of sustainability most and why? (1)

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**Question 8 (10 Marks)**

a. “The banks have a variety of saving schemes which they offer to their customers”.

i. What do you understand by the term “saving” in the above statement? (1)

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Mention any **TWO** types of saving schemes offered by the banks. (1)

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ii. How does the change in the interest rates affect the levels of investment in an economy? (2)

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iii. Mention any **TWO** reasons for saving money. (1)

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b. "There is hardly any immigration or emigration in Bhutan. The population growth in our country mainly depends on the number of births and number of deaths during that period".

i. What is the main difference between 'immigration' and 'emigration'? (2)

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ii. Explain any **TWO** factors that affect the birth rate of a country. (2)

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iii. State any **TWO** factors that cause an increase in the death rate of a country's population. (1)

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**Question 9 (10 Marks)**

a. "Taxes formed only a small source of revenue exports expensive in Bhutan (21%) during the Eighth Five Year Plan".

i. What is meant by the term 'tax' in the above statement? (1)

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ii. Give **ONE** reason why taxes form only a small source of revenue in Bhutan. (1)

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iii. Mention **THREE** examples of direct taxes that are collected by the government in our country. (1½)

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iv. Write **ONE** difference between the tax revenue and the non-tax revenue giving **ONE** example of non-tax revenue. (1½)

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b. “The Bhutanese economy is growing both in terms of size and complexity”.

i. Explain the above statement in the context of the country’s economic growth. (2)

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ii. Suggest **TWO** ways in which our country can try to achieve higher rates of economic growth. (1)

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iii. How does the human resource development promote faster and higher rate of economic growth in our country? (2)

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**Question 10** (10 Marks)

a. "In order to finance the public sector, the government prepares budget in our country".

i. Which constitutional body approves the budget? (1)

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ii. Mention **ONE** budgetary role of the government.

(1)

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b. “There are times when the government has to go for external borrowing to carry out planned activities”.

i. Is external borrowing good for our country? Give **TWO** reasons to support your answer.

(2)

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ii. Give **ONE** difference between internal borrowing and external borrowing.

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c. “An increase in dependents at any time would mean that the working population has to support more of other people who do not work”.

i. What do you understand by the term ‘dependents’ in the above statement? (1)

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ii. What is the likely effect of high dependency ratio to the current balance of payment in an economy? (1)

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iii. List any **TWO** groups of people who will be included in the dependent population of a country. (1)

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