

Alternative No:

Index No:

0	1	0	0	9					
---	---	---	---	---	--	--	--	--	--

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**. The **first five digits** have already been printed for you.
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 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

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

SECTION A: (40 MARKS)

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

Directions: Read the following questions carefully. For each question there are four responses A, B, C and D. Choose the correct response and write it in the space provided in the question booklet.

Question 1.

[15 marks]

(i) Which one of the following is not an example of earned income?

- A fees
- B salaries
- C dividends
- D commissions

Answer:.....

(ii) Economists believe that a country's economy is growing over the years, when

- A there is increase in population.
- B the money GDP is growing over time.
- C the real GDP is growing over the years.
- D there is increase in people's consumption of goods and services.

Answer:.....

(iii) The factor responsible for the growth of population in a country is

- A emigration.
- B immigration.
- C number of births in a year.
- D number of births and deaths during a particular year.

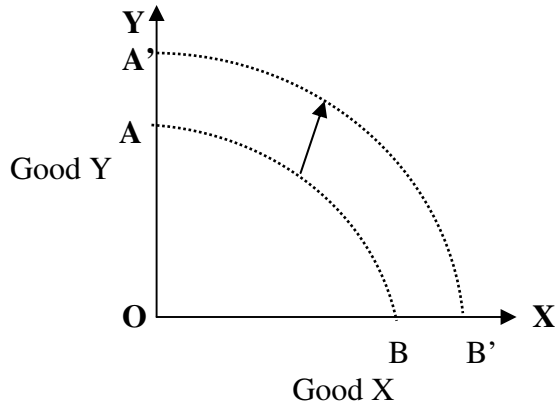
Answer:.....

(iv) When there is increase in Japanese aid to Bhutan, it will lead to

- A increase in demand for Ngultrums.
- B increase in demand for Yen.
- C decrease in demand for Ngultrums.
- D decrease in demand for Yen.

Answer:.....

(v) In the following diagram, the outward movement of the production possibility frontier AB to A'B' represents



- A economic growth.
- B under utilization of resources.
- C increase in production of good X.
- D increase in production of good Y.

Answer.....

(vi) The term used to denote the trade between Bhutan and India is

- A internal trade.
- B international trade.
- C multinational trade.
- D intra-regional trade.

Answer:.....

(vii) Seldon buys potatoes worth Nu. 3000 for plantation and spends Nu. 1500 for manure and labour services. She produces about 1100 kgs of potatoes every season. If 1kg of potato sells at Nu. 8, she would make a profit of

- A Nu. 4100.
- B Nu. 4200.
- C Nu. 4300.
- D Nu. 4400.

Answer:.....

(viii) Study the following table that represents the production of cement in Kado's firm.

Number of workers	Total production per month	Extra output per month	Value of marginal revenue product
9	200		
10	220		
11	245	25	6250

Suppose the cost of 1 bag of cement is Nu. 250, the addition of the 10th worker in the firm would generate extra revenue of

- A Nu. 5000.
- B Nu. 5005.
- C Nu. 5010.
- D Nu. 5050.

Answer:.....

(ix) If you borrow Nu. 2,00,000 from the bank and pay Nu. 2,20,000 after one year, the rate of interest paid on the loan is

- A 20%.
- B 15%.
- C 10%.
- D 5%.

Answer:.....

(x) The government's spending on the construction of the new airport at Gelephu will fall under

- A capital expenditure.
- B recurrent expenditure.
- C consumption expenditure.
- D recurrent and capital expenditure.

Answer:.....

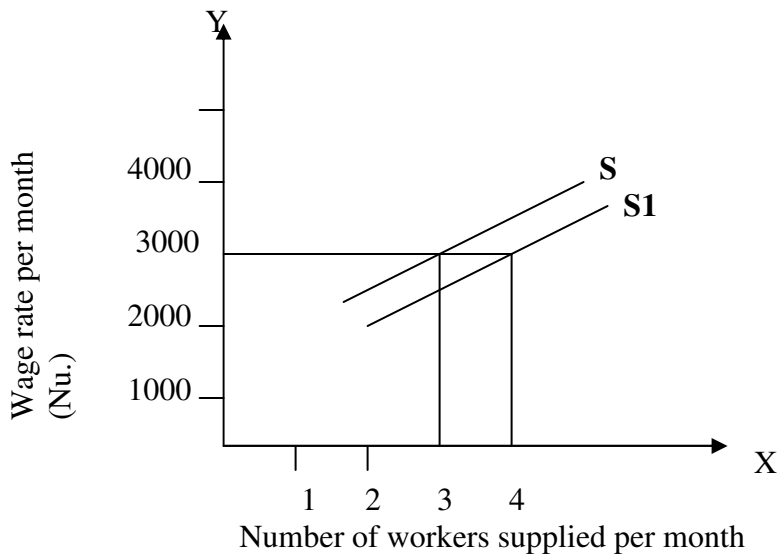
- (xi) At the optimum point of population the
- A output per head will be the lowest.
 - B output per head will be the highest.
 - C output per head will start increasing.
 - D output per head will be equal to population.

Answer.....

- (xii) Suppose there is a sudden increase in the import of vehicles by our country, this would result in
- A employment of more number of people in automobile workshops.
 - B the increase in cost of transportation.
 - C the decline in farming population.
 - D the fall in government's revenue.

Answer:.....

- (xiii) The following diagram represents the case of



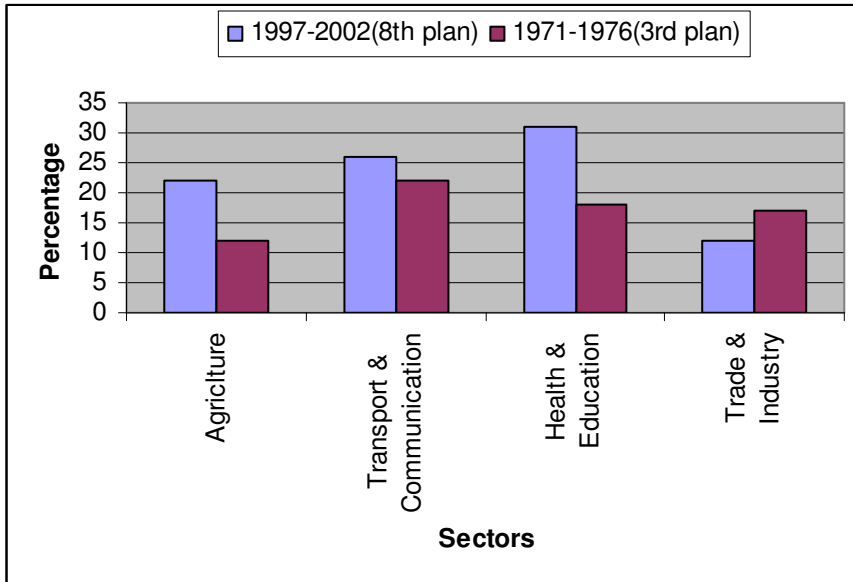
- A increase in supply.
- B extension of supply.
- C increase in wage rate
- D contraction of supply.

Answer:.....

- (xiv) If our government decides to lower tariff on tourists by 100%, it would
- A strengthen the political stability.
 - B promote the cultural preservation.
 - C promote environmental conservation.
 - D increase the government's earning of foreign currency.

Answer:.....

(xv)



In which sector has the government allocated the maximum budget during the 8th Five Year Plan period in the above graph?

- A Agriculture
- B Trade and Industry
- C Health and education
- D Transport and Communication

Answer:.....

Question 2.

(a) What do you understand by earned income?

[2]

.....

.....

.....

.....

.....

.....

.....

.....

(b) Explain the following giving an example each.

(i) Direct tax

[1½]

.....

.....

.....

.....

.....

.....

.....

.....

.....

(ii) Indirect tax

[1½]

.....

.....

.....

.....

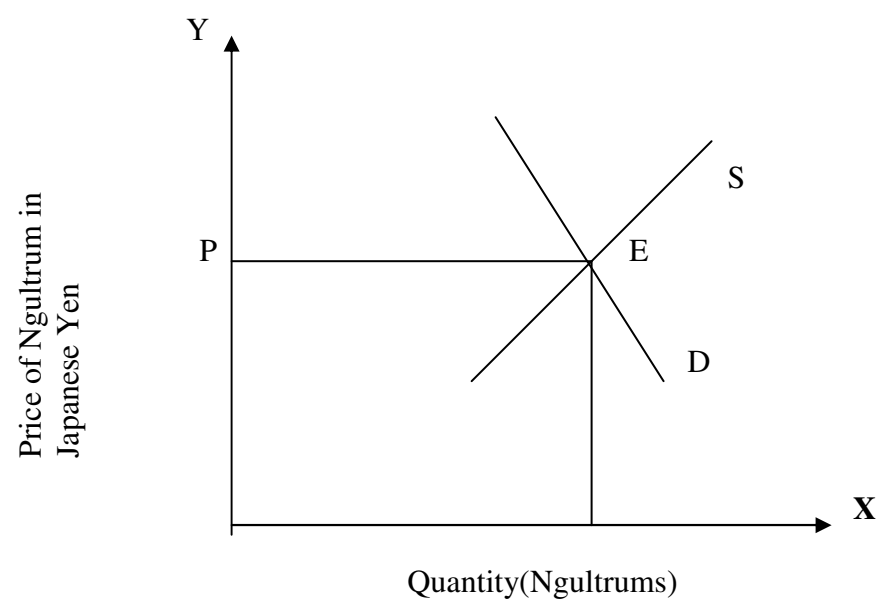
.....

.....

.....

Question 3.

Study the diagram given below and answer the questions which follow.



- (a) (i) Represent the increase in demand for Ngultrum due to increase in Japanese tourists to Bhutan in the above diagram. [1½]
- (ii) Mark the new exchange rate of Ngultrum against Japanese Yen in the same diagram. [1½]
- (b) Using the concept of Production Possibility Frontier, illustrate the point of under utilization of resources in an economy. [3]

.....

.....

.....

.....

.....

.....

.....

(c) What would be the impact on the supply of Indian teachers to Bhutan if the pay scale for teachers increases by 100%? [2]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(d) Write **TWO** negative consequences of increasing house rents by house owners. [2]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(c) Explain **TWO** ways by which the Royal Government of Bhutan could promote the growth of the private sector in the country. [2]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(d) The population growth rate of Bhutan has dropped from 3.1% in 1994 to 1.3% in 2005. Write **THREE** benefits of the decrease in population growth rate in Bhutan. [3]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Section B: 40 marks

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

Question 5.

(a) Define the term 'investment'. **[1]**

.....

.....

.....

.....

.....

(b) 'There has been an increasing projection of capital expenditure during the 8th and 9th Five Year Plans'. What were the impact of this on income, output and employment in the economy? **[3]**

.....

.....

.....

.....

.....

.....

.....

.....

- (d) “Environmental sustainability with economic growth must be planned for policy formulation, project implementation and in public awareness creation”. Suggest any **TWO** measures to achieve environmental sustainability in our country. [3]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 6.

- (a) State **TWO** main purposes of budget. [2]

.....

.....

.....

.....
.....
.....

(b) Study the table below.

	Cost of production of woollen cloth (1 piece)	Cost of production of silk cloth (1piece)
Bhutan	Nu. 200	Nu. 250
India	Nu. 400	Nu. 300

(i) What is the opportunity cost of producing one piece pf woollen cloth in terms of silk cloth in Bhutan?

[1½]

.....
.....
.....
.....
.....
.....

(ii) What is the opportunity cost of producing one piece of silk cloth in terms of woollen cloth in India?

[1½]

.....
.....
.....
.....
.....
.....

(c) Look at the hypothetical population distribution by age for Bhutan during 2005.

Age Group	Number of Persons
0 -14	20,000
15 – 64	30,000
65 +	5,000
Total	55,000

(i) Represent the above data in a bar graph plotting age group on the horizontal axis and the number of persons on the vertical axis.

[1½]

(ii) Calculate the dependency ratio based on the above data.

[1½]

.....

.....

.....

.....

.....

.....

(d) 'Urbanization is an inevitable process of development'. Suggest **TWO** benefits of urbanization.

[2]

.....

.....

.....

.....

.....

.....

.....

Question 7.

(a) Explain the term 'Economic Growth'.

[1]

.....

.....

.....

.....

.....

.....

(b) Draw and explain the increase in demand for labour in a firm caused by an increase in productivity of labour without any change in wage rate.

[3]

.....

.....

.....

.....

(d) How is the role of private sector important in our country? Give **TWO** best reasons to support your view.

[3]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 8.

(a) Mention any **TWO** measures of a country's economic growth.

[2]

.....

.....

.....

.....
.....

(c) Does the wage rate determine the supply and demand for labour in a firm? Explain. [3]

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

(d) Considering the current growth rate of Bhutanese economy, what would be its effect on the current balance of payment account in future? Give **TWO** reasons in support of your opinion. [2]

.....
.....
.....

