

Alternative No:

Index No:

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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 alternatives A, C and D. Choose the correct alternative and write it in the space provided in the question booklet.

Question 1.

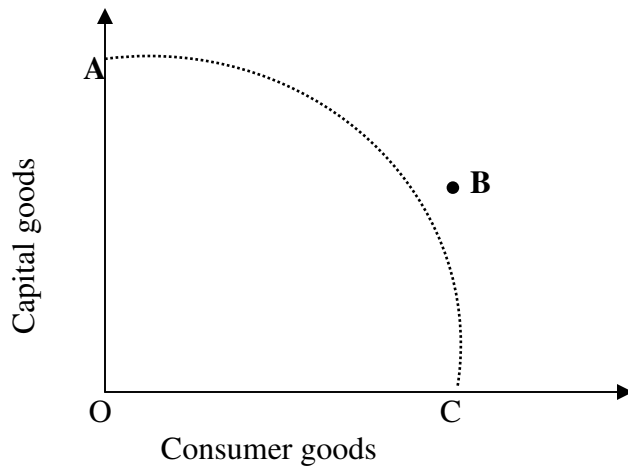
[15 marks]

(i) Privatization was given more importance in

- A 5th Five Year Plan.
- B 6th Five Year Plan.
- C 7th Five Year Plan.
- D 8th Five Year Plan.

Answer:.....

(ii) What does point 'B' indicate in the following diagram?



- A Optimum utilization of resources in a country.
- B Unattainable combination of resources.
- C Under utilization of resources.
- D Full utilization of resources.

Answer:.....

(iii) When talented and highly skilled people migrate from one place to another especially in search of advance education and employment, the situation is called

- A international migration.
- B rural- urban migration.
- C inter-migration.
- D brain drain.

Answer.....

(iv) Which one of the following countries is a new member of SAARC?

- A Afghanistan
- B Bangladesh
- C Srilanka
- D Nepal

Answer:.....

(v) The country which looks to the world economy for the sale of her goods and services is called

- A import substitutor.
- B export promoter.
- C importer.
- D exporter.

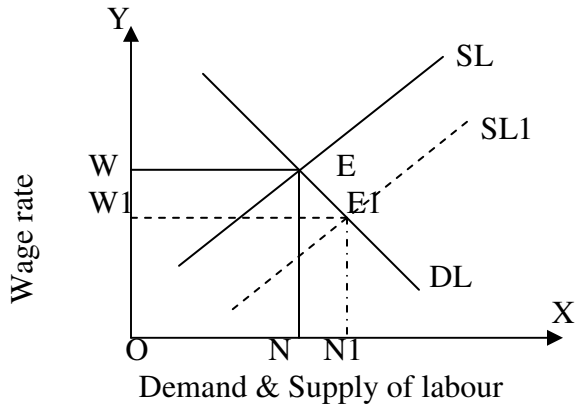
Answer.....

(vi) “80% of the total population is engaged in agricultural activities in Bhutan but still the agriculture production is very low”. The following are the reasons for low production **EXCEPT**

- A mechanized techniques of farming.
- B low per capita income of the people.
- C primitive technique of cultivation.
- D inadequate use of inputs.

Answer:.....

(vii)



In the above diagram, the equilibrium rate will

- A increase.
- B decrease.
- C remain same.
- D increase for sometime and will again decrease.

Answer:.....

(viii) Dorji borrows Nu. 50,000 from the bank and pays Nu. 55,000 at the end of the year. What is the percentage of interest that he pays for the borrowed money?

- A 9.99%.
- B 10.9%.
- C 10%.
- D 10.11%.

Answer:.....

(ix) Which of the following sets show the examples of earned income?

- A commission, interest, dividends
- B commission, fees, profit
- C fees, commission, interest
- D rent, fees, interest

Answer:.....

(x) When there is excess demand for labour in a firm, the wage rate has the tendency to increase because

- A supply of labour is greater than demand for labour.
- B demand for labour is greater than supply of labour.
- C demand for labour is a derived demand.
- D demand and supply are equal.

Answer:.....

(xi) Which of the following explains sales tax as an indirect tax?

- A The tax burden can be shifted to different persons.
- B The entire tax burden will be borne by an individual.
- C The tax burden cannot be shifted to any other person.
- D The tax burden can be borne by an individual and government.

Answer.....

(xii) The deficit budget in a country shows that government

- E is spending less.
- F does not spend at all.
- G spending is equal to revenue.
- H spending is more than the revenue.

Answer:.....

(xiii) The rate of growth of population in Bhutan was 2.6% in 1984, which increased to 3.1% in 1994. The factors which contributed to the increase in the rate of growth of population are

- I increase in birth rate.
- II rural-urban migration.
- III early marriage.
- IV decrease in birth rate.
- V decline in death rate.

Which of the following combinations is true?

- A I II V.
- B I II III.
- C I II IV.
- D I III V.

Answer:.....

(xiv) If the government restricts foreign trade, what will be the volume of domestic trade?

- A domestic trade will remain same.
- B domestic trade will expand.
- C domestic trade will be slow.
- D domestic trade will shrink.

Answer:.....

(xv) The firm will employ a worker only if his/her Marginal Revenue Product is

- A equal to wage rate.
- B less than wage rate.
- C greater than wage rate.
- D greater than or equal to wage rate.

Answer:.....

Question 2.

(a) “Savers are the suppliers of funds”. Explain the statement.

[2]

(b) i) Write **TWO** differences between internal borrowing and external borrowing.

[2]

ii) Define resource gap.

[1]

Question 3.

[3]

- (a) Ap Logo wants to import a power tiller from USA which costs Nu. 80,000. The company accepts the payment only in US dollar. How many dollars should Ap Logo buy from Royal Monetary Authority to pay the price for the power tiller?

| | |
|-----------------|-----------------|
| Selling price | Buying price |
| 1US \$ = Nu. 42 | 1US \$ = Nu. 40 |

- (b) Write **THREE** examples of economic growth in Bhutan.

[3]

- (c) Suggest **TWO** measures to solve unemployment problem.

[2]

(d) Give **TWO** consequences of shortage of housing in an urban centre.

Question 4.

(a) How does the present reduced recurrent expenditure affect the future recurrent expenditure?

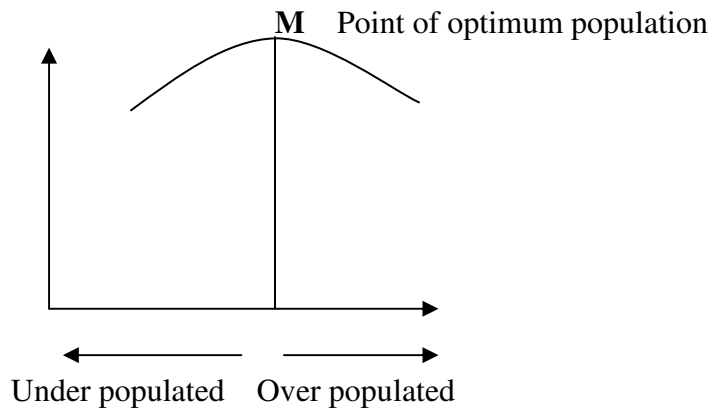
[2]

(b) “Economic growth of a country not only depends on goods and services available in a country, it also depends on people and their education”. Which resource is more important and necessary for economic development? Why? Give **TWO** reasons.

[3]

(c) Give **TWO** implications of increasing salaries of civil servants. [2]

(d) Study the diagram given below and answer the following



i) What does the above diagram represent? [1]

[1]

ii) Write **TWO** effects of overpopulation on the economic development of Bhutan. [2]

[2]

Section B: 40 marks

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

Question 5.

(a) Define consumption expenditure. [1]

(b) Mention **THREE** reasons for the slow development of private sector in Bhutan. [3]

(c) “Foreign Aid is making Bhutan more dependent on other countries and it should be reduced”. Write **THREE** disadvantages of foreign aids to Bhutan. [3]

(d) i) List down **THREE** environmental problems expected to emerge with the development of the country.

ii) Suggest **THREE** measures to overcome such problems. [1½]

Question 6.

(a) Mention **FOUR** sources of revenue to the government. [2]

(b) Study the table below

| No. of carpenters | Total output per month | Extra output per month | Marginal Revenue Product |
|-------------------|------------------------|------------------------|--------------------------|
| 5 | 100 | - | - |
| 6 | 115 | | |
| 7 | 125 | | |

i) Find out the extra output per carpenter. [1]

ii) Calculate the Marginal Revenue Product of each carpenter, if the price per output is Nu. 1000.

[2]

(c) i) There are seven members in a family. Father is 64 years old and mother is 65 years old. Two elder sons are 19 and 25 years old and daughters are 2, 7 and 16 years old. Calculate the dependency ratio.

[1]

ii) What is the impact of low dependency ratio on work force of a country?

[2]

(d) Suggest **TWO** measures to cope with rural-urban migration. [2]

Question 7.

(a) Define the term 'sustainable development'. [1]

(b) Explain using a diagram, what would happen to the equilibrium wage rate in a firm if there is an increase in demand for labour. [3]

(c) Which one is better domestic trade or international trade? Justify your answer with **TWO** reasons.

(d) Which of the two capital investments, transport and communication, or health and education is more important for development? Write your opinion.

[3]

Question 8.

(a) Explain economic infrastructure with examples.

[2]

(d) “Bhutan should lower the tariffs on tourists by 50% and allow a greater number of tourists to come to Bhutan”. Write **ONE** negative effect and **ONE** positive effect of reducing the tariffs on tourists.

Question 9.

(a) What do you understand by Domestic Trade? Explain giving **ONE** example. [2]

(b) Using a diagram, briefly explain the changed production possibility frontier of the Bhutanese economy for the year 2015, assuming that resources and human capabilities have increased. [3]

(c) Suggest any **THREE** measures that can help to reduce the earning gaps of employees. [3]

(d) Mention **TWO** implications of the promotion of international trade in Bhutan. [2]

Question 10.

(a) Explain 'medium scale industries' with an example. [1]

(b) Using a diagram, explain how the equilibrium rate of interest is determined.

[3]

(c) How is Gross Domestic Product different from Gross National Happiness? Write **THREE** differences.

[3]

d) "Bhutan Sales Tax (BST) on import from India has been reduced".
What would be the possible effects of this on each of the following items?

i) Collection of government revenue

ii) Business activities

[1]

iii) Living standard of the people

[1]
