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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 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) The term equilibrium wage refers to a situation when demand for

- A labour exceeds the supply of labour.
- B capital equals to supply of capital.
- C labour equals to supply of labour.
- D anything equals to its supply.

Answer:.....

(ii) Which **ONE** is not a capital expenditure in the examples given below?

- A Construction of Tala Hydro Power Plant
- B Construction of multipurpose hall in a school
- C Purchase of medicines for a hospital by the government
- D Extension of Jigme Dorji Wangchuk referral hospital

Answer:.....

(iii) Who introduced the concept of GNH in Bhutan?

- A Jigme Khesar Namgyel Wangchuck
- B Jigme Singye Wangchuck
- C Trulku Jigme Chhoda
- D Jigme Y. Thinley

Answer:.....

(iv) Which of the following is a feature of economic growth?

- A Increase in population
- B Decrease in per capita income
- C Decrease in employment opportunities
- D Increase in production of goods and services

Answer:.....

(v) Point out the activity which is not sustainable?

- A Hydro Power Project
- B Solar Energy
- C Tourism
- D Mining

Answer

(vi) Following are the examples of unearned income **EXCEPT**

- A superannuation.
- B fringe benefits.
- C dividend.
- D patents.

Answer

(vii) The population of a town in 2008 was 20000. 500 babies were born in the same year. What is the birth rate of the town?

- A 2.5%
- B 2.05%
- C 2.55%
- D 2.005%

Answer

(viii) Which **ONE** of the following is an example of an international trade?

- A Diplomatic relations with other countries
- B Taking part in international conferences
- C Buying goods from other countries
- D Visiting other countries

Answer.....

(ix) Occupational distribution means the number of persons employed in the

- A primary and tertiary sectors.
- B primary and secondary sectors.
- C secondary and tertiary sectors.
- D primary, secondary and tertiary sectors.

Answer

- (x) Which of the following is the likely effect of a high dependency ratio on the current balance of payment in an economy?
- A Deficit financing
 - B Neutral financing
 - C Favourable financing
 - D None of the above

Answer

- (xi) If GDP is worth Nu. 3000 million and net factor income from abroad is Nu. 1000 million then the GNP will be
- A 3000 million.
 - B 2000 million.
 - C 1000 million.
 - D 4000 million.

Answer

- (xii) The part of population which is available for work includes
- A unemployed and those looking for work.
 - B wage and salary earners.
 - C employees.
 - D all of the above.

Answer

- (xiii) Choose the factor which affects the supply of labour in a firm.
- A Demand for goods and services that the firm produces
 - B Facilities and working environment in a firm
 - C Productivity and efficiency of labour
 - D Skills and qualification of labour

Answer

- (xiv) What will be the effect of the shortage of housing on rent?
- A rent will remain same
 - B rent will decrease
 - C rent will increase
 - D none of the above

Answer

- (xv) Deficit budget is the phenomenon when the government
- A expenditure exceeds its revenue.
 - B expenditure is less than its revenue.
 - C meets its expenditure.
 - D exceeds its revenue.

Answer

Question 2.

- a) What is rent? How is it determined? [2]

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- b) It is generally agreed that the government must provide public goods. What are public goods? Give **TWO** examples. [2]

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- c) Describe **ONE** technical progress that helps in enhancing economic development of Bhutan. [1]

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Question 3.

a) What do you mean by current and capital balance of payment account?

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b) Price affects the demand and supply of a commodity. Similarly, wage affects the demand for and supply of labour in a firm.

i) Explain how wage rate determines the demand for labour in a firm. [1]

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ii) Mention **ONE** factor affecting demand for labour in a firm. [1]

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c) Explain **TWO** sources of revenue for the government in Bhutan. [2]

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d) What do you mean by economic growth? Give **ONE** example.

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e) “Promotion of the Private Sector development was one of the main objectives in the 7th Five Year plan”.

i) Suggest **TWO** measures that the government can take to encourage private sector development in Bhutan.

[1]

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ii) Write **TWO** factors responsible for the slow growth of private sector in the economy.

[1]

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Question 4.

- a) ‘ SAPTA ’ stands for South Asian Preferential Trade Agreement’.
Mention **TWO** objectives of SAPTA.

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- b) “ 100% population of a country cannot be called the labour force”.
Explain the above statement. [1]

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- c) How can better facilities and working environment improve the supply of
labour? Give **TWO** ways. [2]

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d) i) People save for many reasons. Explain **TWO** reasons for saving.

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ii) If the rate of interest charged by the bank on the borrowing increases from 13% to 15%. Write **TWO** consequences of this on the economy. [2]

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e) Distinguish between Real GDP and Money GDP. [2]

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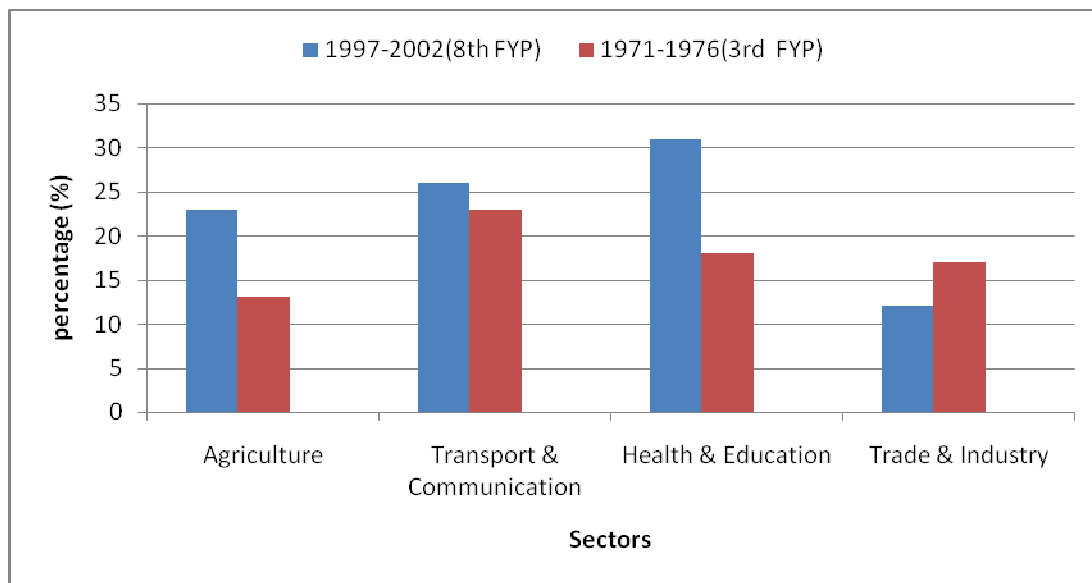
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Section B: 40 marks

Attempt any **FOUR** questions from this section. Figures in brackets [] indicate full marks.

Use the following diagram to answer question No.5a (i) & (ii)



Question5.

a) i) What has happened to the percentage spent on education and health over the period? [1]

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ii) What are **TWO** effects of this on the Bhutanese people? [2]

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b) Using the percentage figure given below, draw a pie diagram depicting various components of the total resources.

Total resources

1.	Domestic Revenue	57%
2.	Other Receipts.	0.7%
3.	Grants.	42.3%

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c) “The objectives of self reliance and sustainability have been stressed for a long time in Bhutan and it is gaining importance”. What do you mean by the term sustainable development? Give **ONE** example.

[2]

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- d) "A budget is an estimate of government spending and revenue for a year". But if our government does not prepare its budget for a year, how would it affect our country? Write **THREE** effects.

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Question 6.

- a) Write **TWO** roles of profit in the allocation of resources in the economy. [2]

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- b) Use an example to illustrate the meaning of disguised unemployment. [2]

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c) Write down **THREE** reasons for the increase in recurring expenditure. [3]

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d) "Trade with India amounted to about 80% of Bhutan's total import and 95% of Bhutan's total export in 2004." Why is India Bhutan's biggest trading partner? Give **THREE** reasons. [3]

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Question 7.

- a) List **FOUR** environmental problems that can emerge with the development of a country.

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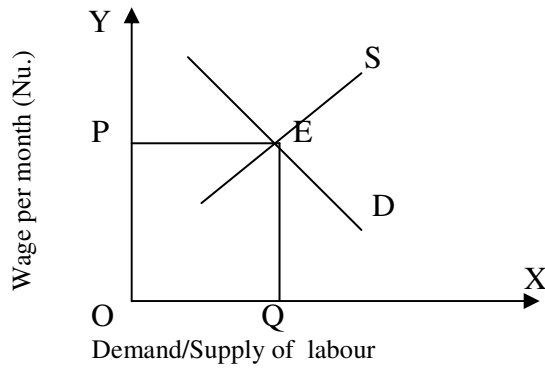
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- b)



[3]

What will happen to the equilibrium wage rate in the firm if there is an increase in demand for workers generally? Copy the diagram given above and draw the change in equilibrium level of wage rate.

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c) "Government aims to achieve economic growth. But this does not necessarily mean that with the economic growth, people are better off".
Suggest **THREE** reasons to support this statement. [3]

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d) Since the Bhutan Sales Tax has been reduced considerably for essential commodities the price should drop. How are farmers and business community affected by this decision? Explain.

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Question 8.

a) Look at the cost of production of apple and mango in Bhutan and India in the table given below

Cost of production	Bhutan	India
1 ton of apple	Nu. 2000	Nu.1500
1 ton of mango	Nu. 3000	Nu. 2000

State which country has the comparative advantage in the production of apple. Why? Give **ONE** reason.

[2]

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b) Economic development based on primary products is fraught with difficulties and Bhutan basically exports primary products. Give **TWO** reasons why you think a country exporting primary products cannot grow fast.

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c) Write **ONE** reason for the changes noticed in any **ONE** of the areas given below. [2]
How have these changes affect the quality of life of the people?
i) Agricultural practices
OR
ii) Health and Education

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d) Bhutan's population growth rate in 2005 was 1.3%. It is still considered to be high for a small country like Bhutan. As a concerned citizen, suggest **FOUR** ways of lowering the population growth rate. [2]

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e) Suppose the demand curve for loanable funds (capital) in Bhutan is as follows [2]

Rate of interest (%)	Quantity of loanable funds(Millions Nu.)
4	60
6	50
8	40
10	30
12	20

Draw a demand curve for loanable fund (capital) if the existing supply of loanable fund is 40 million. What will be the equilibrium rate of interest?

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Question 9.

a) Categorize the following terms into factors of production and related factor earnings.

Land, labour, rent and profit.

[2]

Factors of production	Factor earnings

b) i) “The achievement of the goal of National Self-reliance will largely depend on continued progress made in human resource development”. Discuss **TWO** ways in which human resource development can promote development in Bhutan.

[2]

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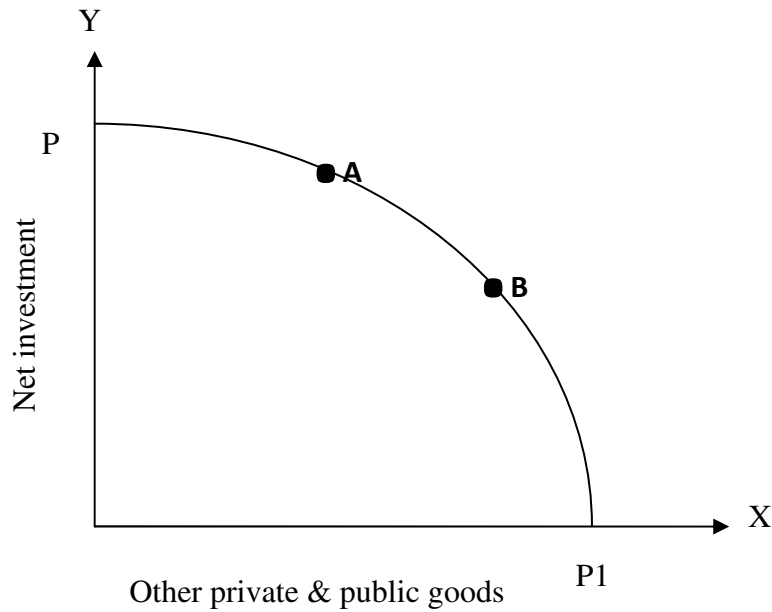
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d) Suppose an economy is faced with the production possibility PPI as given in the figure below. What implication does the selection point A rather than point B has for the economic growth?



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Question 10.

a) Give **ONE** difference between capital and recurrent expenditure. [2]

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b) What does increasing deficit in current balance of payment show?
What is the consequence?

[2]

c) Why is it necessary for a country to fix exchange rate before it sets up a trade
relation with other countries? Give **TWO** reasons.

[2]

d) How can we achieve economic growth without compromising the rich environment of our country? Give **TWO** strategies.

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e) “With the development of the country many jobs are created, but there is no change in labour force of a country”.

i) What is the effect of this on the demand for labour? [1]

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ii) What is the likely impact of this on the wage rate? [1]

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