

SECTION A [50 MARKS]
ANSWER ALL QUESTIONS

Question 1

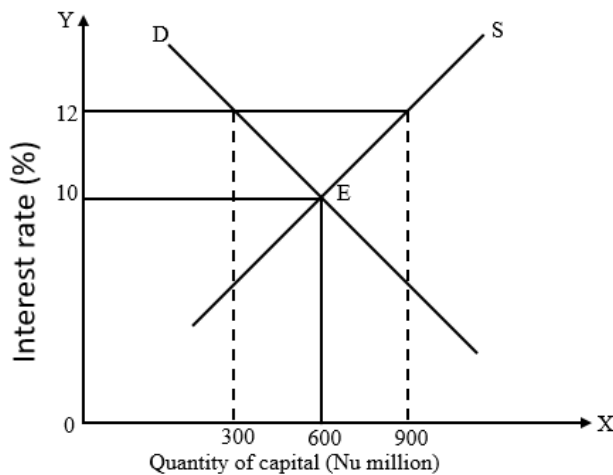
[20]

a) For each question, there are **FOUR** responses: **A, B, C** and **D**. Choose the corresponding letter of your response and **CIRCLE** it neatly. **NO** score will be awarded if you circle more than **ONE** letter.

i. Which of the following factors leads to the increase in supply of labour?

- A Increase in consumer's income
- B Increase in productivity of labour
- C Enhanced workplace and amenities
- D Increased demand for goods and services.

ii. Study the diagram below showing the equilibrium interest rate.



Calculate the change in the demand for capital when the equilibrium interest rate increases from 10% to 12%.

- A Decreased by Nu 300 million
- B Decreased by Nu 600 million
- C Increased by Nu 300 million
- D Increased by Nu 900 million

iii. All of the following are the examples of direct tax **EXCEPT**

- A land tax.
- B cattle tax.
- C income tax.
- D custom duty.

- iv. Some of the roles of private and public sectors are given below.
- I. Reducing regional disparities
 - II. Ensuring equal distribution of income and wealth
 - III. Maximizing profit
 - IV. Reducing poverty
- Which of the following combinations best describe the roles of the public sector in the Bhutanese economy?
- A I, II and IV
 - B I, II and III
 - C I, III and IV
 - D II, III and IV
- v. The characteristic that best describes public goods which can be consumed by individuals without diminishing their availability is
- A rival in nature.
 - B free gifts of nature.
 - C non-rival in nature.
 - D non-economic goods.
- vi. An increase in the price of petroleum products in India, which subsequently leads to higher prices of goods and services in Bhutan, is an example of
- A price effect
 - B inflation effect
 - C spillover effect
 - D economic effect.
- vii. Country 'A' has been facing economic problems such as trade deficit and exploitation of domestic industries due to its imports. A policy measure that could help Country 'A' address its economic challenges is by
- A reducing workforce education and training programs.
 - B providing subsidies to Bhutanese importers.
 - C implementing export promotion initiatives.
 - D increasing the value of currency.
- viii. What will happen to the equilibrium wage rate when the demand for goods and services changes from 100 units to 200 units, while the supply remains same?
- A The equilibrium wage rate will change.
 - B The equilibrium wage rate will increase.
 - C The equilibrium wage rate will decrease.
 - D The equilibrium wage rate will remain constant.

- ix. Chencho Gyeltshen relies on his physical ability and tactical knowledge of football for his livelihood. The category of labour possessed by Chencho is
- A skilled labour
 - B manual labour
 - C physical labour
 - D both skilled and manual labour
- x. Babu earns a monthly salary of Nu 52,000. He spends Nu 15,000 as rent, Nu 2,500 for groceries, Nu 1,000 for utilities and Nu 2,500 for miscellaneous expenses. Calculate Babu's monthly savings.
- A Nu 2,500
 - B Nu 5,000
 - C Nu 21,000
 - D Nu 31,000.
- xi. In the market, there is an observation that the consumption rate of consumers has decreased. What would happen to saving and investment due to such changes?
- A Savings and investment would increase.
 - B Savings and investment would decrease.
 - C Savings and investment would remain the same.
 - D Savings would increase but investment would decrease.
- xii. What is the likely consequence of excessive borrowing?
- A Lower inflation
 - B Currency appreciation
 - C Reduced public spending
 - D Increased interest payments
- xiii. Bhutan aims to diversify its economy by promoting non-hydropower sectors like tourism and small-scale industries. The action that would support diversification for economic growth is
- A increasing tariffs on exports.
 - B providing tax incentives for startups.
 - C reducing investment in the tourism sector.
 - D limiting access to credit for new businesses.
- xiv. Since 1960s, our government has been striving to promote Gross National Happiness (GNH) rather than Gross Domestic Product (GDP). Which of the following supports the above statement that prioritizes GNH over GDP?
- A GNH and GDP both measure economic growth.
 - B GNH focuses on economic performance, while GDP measures well-being.
 - C GNH measures economic activity, while GDP emphasizes holistic well-being.
 - D GNH emphasizes holistic approach, while GDP measures economic prosperity.

- xv. The given table shows the volume of trade of goods and services of Bhutan with other countries.

Trade	2023	2022
Imports (in million Nu)	85,138	85,093
Exports (in million Nu)	27,913	26,693

(Source: Bhutan Trade Statistics, 2023)

What is the percentage increase in exports in the year 2023?

- A 0.05%
B 4.57%
C 4.37%
D 4.30%.
- xvi. Which of the following trade strategies supports protectionism?
- A Import restrictions
B Eliminating trade barriers
C Access to foreign exchange
D Simplification of trade regulations.
- xvii. A shoe factory is experiencing an increased demand for shoes due to the reopening of schools. To meet this rising demand, the factory is considering hiring an additional worker. Under which condition is it economically sensible for the factory to employ the additional worker?
- A Marginal product is equal to the wage rate.
B Marginal product is greater than the wage rate.
C Marginal revenue product is less than the wage rate.
D Marginal revenue product is greater than or equal to the wage rate.
- xviii. The primary motive of doing business is to maximize profit. However, businesses also need to fulfill certain social responsibilities. Which of the following scenarios shows a business fulfilling its social responsibilities?
- A A retailer raising the prices of life-saving drugs.
B A restaurant reducing its food waste to reduce costs.
C A firm investing in environmentally friendly products.
D A manufacturer relocating to a place with lower labour costs.
- xix. To achieve an 8.97% economic growth by 2025, the government plans to boost capital formation. One method to enhance capital formation is
- A allowing low interest rate on savings.
B charging high interest rates on borrowing.
C charging high interest rate on borrowing and low interest rates on saving.
D charging low interest rate on borrowing and high interest rates on saving.

- xx. Which of the following scenarios best illustrates real flow in the circular flow of income?
- A A firm pays wages to its employees.
 - B Households purchase groceries from a supermarket.
 - C A firm receives revenue from selling products to consumers.
 - D Households provide labour to a firm in exchange for wages.

b) Fill in the blanks with appropriate word(s).

[5]

i. The reward received by an entrepreneur for taking risk in business is called.....	
ii. The economic organization that facilitates free trade amongst SAARC member is	
iii. Expenditure incurred by the government on interest payments, subsidies and salaries of civil servants are examples of expenditure.	
iv. The GNH pillar that assesses transparency, accountability and promotes equality is	
v. The sum total of factor income received by households in an economy is referred to as income.	

c) Match each item under column A with the most appropriate item in column B. Write the correct letter in the space provided under the 'answer' column.

[5]

Answer	Column A	Column B	
i.	i. Average income earned by the citizens of the country.	a. Consumer sovereignty	
ii.	ii. Demand that arises due to demand for other related products.	b. Inelastic	
iii.	iii. Production of goods and services based on consumer's choices and preferences.	c. National income	
iv.	iv. Supply of goods and services remains same despite of change in price.	d. Per capita income	
v.	v. Taxes imposed on imported goods	e. Derived demand	
		f. Quantity demanded	
		g. Tariff	

d) Write TRUE or FALSE for the following statements in the space provided. [5]

i. The act of using goods and services to satisfy human wants is consumption. ()	
ii. BIMSTEC is an economic organization that links ASEAN with SAARC. ()	
iii. The eight member countries of SAARC are Afghanistan, Bhutan, Pakistan, Maldives, Thailand, Nepal, Bangladesh and India. ()	
iv. The three components of public finance are budget, public expenditure and public revenue. ()	
v. A supplementary budget is used to carry out planned developmental activities. ()	

e) Answer the following questions briefly.

i. “So far, approximately 64,000 Bhutanese, which is around 9% of the total population of the country, have migrated abroad.”

(source: Kuensel, July 5th, 2024).

Do you think such migration of citizens abroad will benefit the country? Support with **TWO** valid reasons. [2]

ii. A retired civil servant, living in a rented apartment in Thimphu for twenty years, plans to buy a house to avoid rising rent. Is this a wise decision? Justify. [2]

- iii. Among the three economic sectors, the tertiary sector recorded a highest growth of 6.62% followed by secondary sector at 5.6% while the primary sector recorded a lowest growth rate at -1.15% for the year 2022.

(Source: NSB)

[2]

Suggest **TWO** remedial measures to increase the contribution of the primary sector.

- iv. Sort the following into taxes and non-taxes

- i. Borrowing
- ii. Commercial revenue
- iii. Excise duty
- iv. Corporate income tax

[2]

Taxes	Non-taxes	

- v. Can economic growth guarantee the economic development of a country? Justify.

[2]

- vi. As an economics student, what strategies would you practise at the school level to encourage the efficient use of resources? [2]

- vii. "Most of the major economic problems are concentrated primarily in urban areas. Do you agree? Provide **TWO** reasons for your answer." [2]

- viii. SAARC, BIMSTEC, ASEAN, and the WTO are examples of economic organizations. What is **ONE** benefit of being a member of such organizations? [1]

SECTION B (50 MARKS)

ANSWER ANY FIVE QUESTIONS

Question 2

- a) Define professional labour with an example. [2]

- b) The private sector is considered as the engine of the economic growth. However, the contribution of the private sector to the Bhutanese economy has been minimal. Discuss any **THREE** reasons why the private sector has not been able to contribute much to the Bhutanese economy. [3]

- c) According to a World Bank Report, Bhutan needs to improve its business environment to sustain strong and inclusive growth. Suggest **TWO** potential strategies Bhutan could implement to achieve this growth. [2]

d) Study the table given below:

Year	Exports (million Nu)	Imports (million Nu)
2023	8,301	21,406
2022	7,697	33,699
2021	7,147	18,993

i. Calculate the net export for the year 2023.

[0.5]

ii. Create a pie chart for the exports of three years.

[2.5]

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Question 3

- a) Explain any **TWO** reasons why a budget is important. [2]

- b) Tshering, a corporate employee, borrowed Nu 500,000 from a commercial bank at an annual interest rate of 9% to buy a car. With the interest compounded annually, what should be the amount of each monthly installment if he wants to fully repay the loan within five years? [3]

- c) Do you think Bhutan's trade policies are favourable for the growth of private sector? Justify your answer with **THREE** points. [3]

- d) The government plans to offer a cash incentive of Nu 10,000 per month for every third child until they reach the age of three. What potential positive effects might this plan have? Provide **TWO** possible outcomes. [2]

Question 4

- a) Name the economic organization consisting of member countries around the Bay of Bengal, and mention **ONE** of its significant functions. [2]

- b) The table below shows the daily production of cloth in a textile factory. Each meter of cloth sells for Nu 450. Use the information in the table to answer questions i and ii.

No of workers	1	2	3	4	5
Total Production of cloth in meters	10	22	33	42	50
Marginal Product (MP)	A	12	11	C	8
Marginal Revenue Product (MRP)	4500	5400	B	4050	D

- i. Write the value of A, B, C and D. [2]

- ii. Based on the information given above, what is the maximum number of workers, the firm can employ at the wage rate of Nu 4000? Why? [1]

- c) According to the Property Tax Act of 2023 of Bhutan, properties are taxed based on their value, with people who own more property paying higher taxes compared to those who own less. Do you think it is beneficial for the country's economy? Support your stand with **TWO** reasons. [2]

- d) Lower Ngultrum value against USD, in reality, is a gain for the Bhutanese economy. Justify with **THREE** points. [3]

Question 5

a) Explain the relationship between the demand for labour and wage rate. [2]

b) People save money for various purposes. Describe **THREE** significant reasons why individuals choose to save. [3]

c) In 2022, the youth unemployment rate increased to 28.6% from 20.9% in 2021
(source: Kuensel, 20th February, 2023).
Do you think this rise is due to a skills mismatch between job seekers and job requirements? Justify your answer with **TWO** points. [2]

d) Use the data provided to answer questions i and ii.

Year	2018	2019	2020	2021	2022
GDP Per Capita (USD)	3,389	3,564	3,181	3,561	3,704

(Source: World Bank report)

i. Draw a line graph to represent the GDP per capita from the year 2018 to 2022.

[2]

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ii. What is the percentage change in GDP per capita in the year 2021 as compared to year 2020?

[1]

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Question 6

a) Discuss the relationship between:

i. Income inequality and economic performance.

[1]

ii. Longevity and economic performance.

[1]

b) Imagine a new economic organization is being formed consisting of the neighboring countries Bhutan, India, Nepal, and Bangladesh. As a potential member of this organization, propose **THREE** rules that should govern its operations.

[3]

