

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 in the first **fifteen minutes**. This time is to be spent on 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	
Question Number	1	2	3	4	5	6	7	8	9	10		Chief Marker's Signature↓
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 group of people aged between 15-64 years available for work is called
- A work force.
 - B labour force.
 - C adult workers.
 - D working population.

Answer:.....

- (ii) Following are the examples of unearned income **EXCEPT**
- A superannuation.
 - B fringe benefits.
 - C dividend.
 - D patents.

Answer:.....

- (iii) The foreign aid to Bhutan over the years has been decreasing because of the
- A economy growing weaker.
 - B economy growing stronger.
 - C trade relationships with other countries.
 - D political relationships with other countries.

Answer:.....

- (iv) The balance of trade involves
- A export of goods.
 - B import of services.
 - C export and import of goods.
 - D export and import of services.

Answer:.....

- (v) Gross Domestic Product consists of the total value of final
- A income of a country in a year.
 - B goods produced by a country in a year.
 - C services produced by a country in a year.
 - D goods and services produced by a country in a year.

Answer:.....

- (vi) If the yearly inflation rate in Bhutan is 9% and the bank pays 5% interest on savings, the real value of money deposited in the bank would go
- A up by 4%.
 - B up by 14%.
 - C down by 4%.
 - D down by 14%.

Answer:.....

- (vii) With effect from June 17th 2010, Bhutan Sales Tax and Customs duty on import of certain vehicles have been increased to 30% and 20% respectively. If you want to import a vehicle worth Nu. 600000, it will cost
- A Nu.600,000/-
 - B Nu. 720,000/-
 - C Nu. 7,80,000/-
 - D Nu.9,00,000/-

Answer:.....

- (viii) In 2009 - 2010 fiscal year, Drujeygang Gewog received the following budget

- I R.N.R centre worth Nu. 1.5 million.
- II Maintenance of approach road worth Nu. 2.5 million.
- III A construction of new primary school worth Nu. 2 million.

What is the total amount budgeted on capital expenditure in Drujeygang Gewog?

- A 1.5 million.
- B 2.5 million.
- C 3.5 million.
- D 4.5 million.

Answer:.....

- (ix) Table below represents tourist arrivals and revenues in millions.

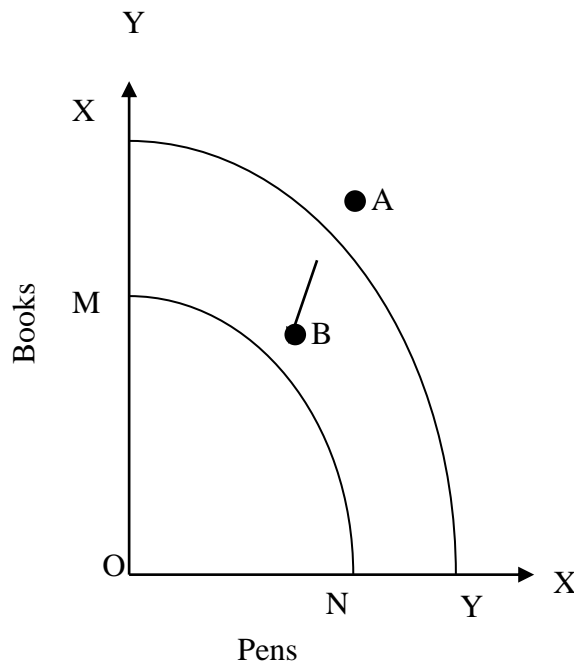
Year	Number	Revenue (Nu)
2000	7,559	10.50 million
2006	17,365	24.00 million

The percentage increase in the revenue from 2000 to 2006 is

- A 18.6%.
- B 28.6 %.
- C 128.6%.
- D 186.6%.

Answer:.....

- (x) In the diagram below, shift of point A to B indicates an



- A economic growth.
- B economic decline.
- C under utilization of resources.
- D increase in production of goods and services.

Answer:.....

- (xi) In a house hold, 5 persons are sharing the work of 3 persons. How many persons are under disguised unemployment?

A 2.
B 3.
C 5.
D 8.

Answer:.....

- (xii) In a village there are 2000 people out of which 1500 are between the ages 15-64. In the same group there are 700 house wives and 300 students. The total number of people who falls under labour force is

A 300.
B 500.
C 1000.
D 1500.

Answer:.....

- (xiii) Imagine the salary of pilots abroad has increased. Then the following would take place in Bhutan.

I supply of pilots will increase.
II supply of pilots will decrease.
III demand for pilots will increase.
IV demand for pilots will decrease.

Which of the following combinations is correct?

A I, II.
B II, IV.
C I, III.
D II, III.

Answer:.....

- (xiv) 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:.....

(xv) 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:.....

Question 2.

(a) Define capital account.

[2]

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(b) Teachers in Bhutan are paid an extra allowance apart from their normal salary.

What could be the reason?

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(c) It is generally agreed that the government must provide public goods.

What are public goods? Give **TWO** examples.

[2]

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Question 3.

(a) What do you mean by current and capital balance of payment account? [2]

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(b) The Foreign Exchange rate of US\$ against Ngultrum on 5/7/2010 was as given below:

Currencies	Buy	Sell
US\$	44.58	46.20

On 5/7/2010 Mr. Henry from USA who wants to spend one week in Bhutan exchanged US\$ 1000 for Ngultrum with Bank of Bhutan. On the same date Mr. Dorji who was going to Bangkok got US\$ 1000 from the Bank. Calculate how much profit is made by the bank from this transaction? [2]

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(c) Explain the relationship between interest on borrowing and investment. [2]

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- (d) In the recent past, tax as a revenue for the government has been increasing. Mention **ONE** reason.

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- (e) Population growth rate of Bhutan was once estimated to be 3.1%. Should Bhutan continue with this growth rate? Give **TWO** justifications.

[3]

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Question 4.

- (a) Explain the term 'Economic growth'. Give **ONE** example.

[2]

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- (b) Government in order to fill up the resource gap depends on internal and external borrowing. Which of the two is a better source of borrowing for the government? Why? Give **TWO** reasons.

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(c) How is real GDP different from money GDP? Write **TWO** differences. [2]

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

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(e) You are appointed as the Program Officer in the Ministry of Economic Affairs. Your job is to formulate plans to promote private sector development in Bhutan. Suggest **THREE** realistic plans. [3]

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Section B: 40 marks

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

Question 5.

- (a) Define indirect tax with an example. [2]

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- (b) “Direct tax is better than the indirect tax for economically poor people”. Justify this statement. [2]

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- (c) What will happen to equilibrium rate of interest when the demand for capital increases without any change in supply of capital. Explain with the help of a diagram. [3]

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- (d) Government has provided subsidies to Bhutan Telecom Limited and Tashi Cell for installation of mobile towers in very remote villages in Bhutan. Is this justified? Support your answer with **TWO** points. [3]

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Question 6.

- (a) Define consumption expenditure. [1]

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- (b) Using a diagram, briefly explain the circular flow of income in an economy. [3]

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- (c) A country has Nu. 40,00,000/- to be spent on buying cars and constructing roads. The cost of a car is Nu. 500,000/- and the cost of constructing a km of road is Nu. 2,50,000/-. Calculate the number of cars and kilometers of roads that the country can have. Represent this data in the form of Production Possibility Curve. [3]

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- (d) Do you think privatization of the economy is good? Give **TWO** reasons. [3]

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Question 7

- (a) When was the Bank of Bhutan established? Who was the first customer to open a current account with BoB? [2]

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- (b) The table given below is a sample population of a village by age and sex in 2004.

Age group	Males	Females	Total
0 – 10	100	90	190
11 – 20	200	190	390
21 – 30	190	190	380
31 - 40	180	170	350
41 – 50	170	160	330
51 – 60	70	80	180
61 – 70	60	70	130
Total			1920

The population growth rate is estimated to be 2% per year.

- i) Calculate what was the population of the village in the year 2006. [1½]

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ii) Calculate the percentage of male and female in the age group of 11 – 40 years.

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(c) The recurrent expenditure increases every year in Bhutan. Write down **THREE** possible reasons for the increase in the recurrent expenditure. [3]

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(d) “The size of the national economy however is too small for domestic demand based industries”. The main strategy for industrial development must be export oriented. Suggest **TWO** measures for industrial development in Bhutan to be export oriented. [2]

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Question 8.

(a) What is meant by the population growth rate of by 2.1% per year? Explain. [1]

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(b) Exchange rates of Nu. (Per unit) of foreign currency as on 12, June 2010.

Currency	Sell
US Dollar	47.65
Japanese Yen (100)	51.80

You wanted to buy a Toyota car costing Japanese Yen 40,00,000 in Japan. Calculate the cost in terms of Ngultrums. The Japanese Company wants the payment to be done in US dollars. Calculate how many US dollars you need to pay for the car. [3]

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(c) Explain how the discovery of more natural resources and investment in capital contribute to economic growth of a country? [3]

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- (d) In the 10th Five Year Plan, Government of India granted Nu. 100 billion to accelerate the economic growth in Bhutan. If you are the financial advisor to the government of Bhutan, propose **THREE** areas where the money should be invested. [3]

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Question 9.

- (a) Define sustainable development. [2]

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- (b) The population growth rate in Bhutan over the past few years has been declining. Explain the **TWO** most important factors that contribute to the decline in the population growth rate. [2]

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- (c) The following table represents the budget allocation of the fiscal year 2010 – 2011 in different sectors.

	Sector	Nu. billion
i)	Local government	8.044
ii)	Health & Education	8.20
iii)	Roads, transportation, communication	5.35
iv)	Agriculture & RNR	3.547
v)	Others	6.43
	Total	31.571

Represent the above information in a pie chart.

- (d) Study the data and answer the questions that follow.

Cost of Production	Bhutan	India
1 bag of cement (25 kg)	Nu. 300	Nu. 320
1 kg of steel	Nu. 32	Nu. 35

- i) What is the opportunity cost of producing 1 bag of cement in terms of steel in Bhutan?

[1]

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- ii) What is the opportunity cost of producing 1 kg of steel in terms of cement in India?

[1]

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- iii) What is the opportunity cost of producing 1 kg of steel in terms of cement in Bhutan? [1]

Question 10.

- (a) Define Public Finance. [1]

- (b) The table below refers to production of Dapas.

No. of workers	Firms Total output in a month	Marginal Revenue Product	Value of marginal revenue Product
3			
4	30	10	
5	38	-	
6	-	6	
7	48	-	

Each Dapa is sold for Nu. 800/-

- i) Complete the above table. [3]
 ii) If the cost of hiring labour is Nu. 5000/- per month, how many labourers would you hire? Why? [1½]

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- iii) If the cost of hiring labour is Nu. 3000/- per month, how many labourers would you hire? Why? [1½]

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- (c) How did the global financial crisis of 2008 affect the tourism industry in Bhutan? Write **ONE** effect. [1]

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- (d) Bhutan follows Gross National Happiness as the developmental philosophy and GNH acts as the yard stick to measure economic growth. Other countries use Gross Domestic Product to measure the economic growth. Which method in your opinion is better? Write **TWO** justifications to support your answer. [2]

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