

**SECTION A (50 MARKS)**

**ANSWER ALL QUESTIONS**

**Question 1**

**[15]**

a) For each question there are four alternatives A, B, C and D. Choose the correct alternative and write down in the answer sheet provided to you. If there are more than ONE answers, No score will be awarded.

1. A mason in a construction company provides his services as a
  - A. Skilled labour.
  - B. Un-skilled labour.
  - C. Professional labour.
  - D. Semi-skilled labour.
  
2. The change in revenue from the sale of an additional unit of output is called
  - A. Marginal Cost.
  - B. Revenue Product.
  - C. Marginal Product.
  - D. Marginal Revenue.
  
3. If you are an employer, which of the following factors would you consider to attract more labour in your firm?
  - A. Increased wage rate with good infrastructure
  - B. Increased wage rate with a hostile supervisor
  - C. Increased wage rate and more working hours
  - D. Increased wage rate with unlimited vacation time.

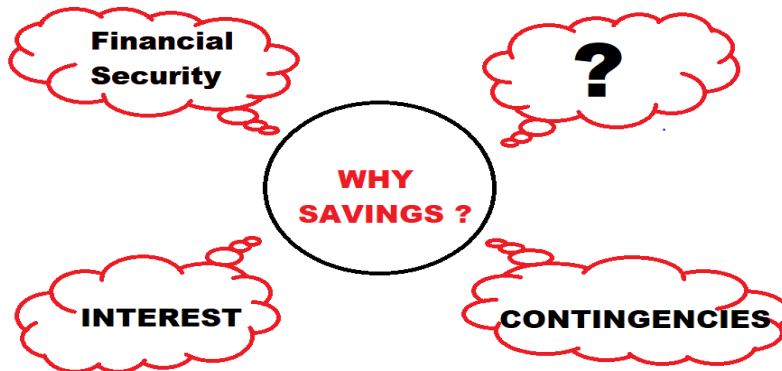
Study the table and answer the question.

Wage rate (Nu)	Quantity of labour demanded	Quantity of labour supplied	Market Situation	Effect on wage rate
250	600	200	Excess demand	Increases
650	200	600	_____	Decrease

4. What would be the market situation, when the wage rate increases to Nu.650?
  - A. Equilibrium
  - B. Excess supply
  - C. Excess demand
  - D. Excess quantity

5. Suppose the demand for capital increases to 80 million and supply of capital decreases to 40 million, what would happen to the equilibrium interest rate?
  - A. falls due to excess supply of capital
  - B. rises due to excess supply of capital
  - C. falls due to excess demand of capital
  - D. rises due to excess demand of capital
  
6. The type of savings that does not earn any interest on the deposit is
  - A. Fixed deposits.
  - B. Saving deposits.
  - C. Current deposits.
  - D. Recurring deposits.

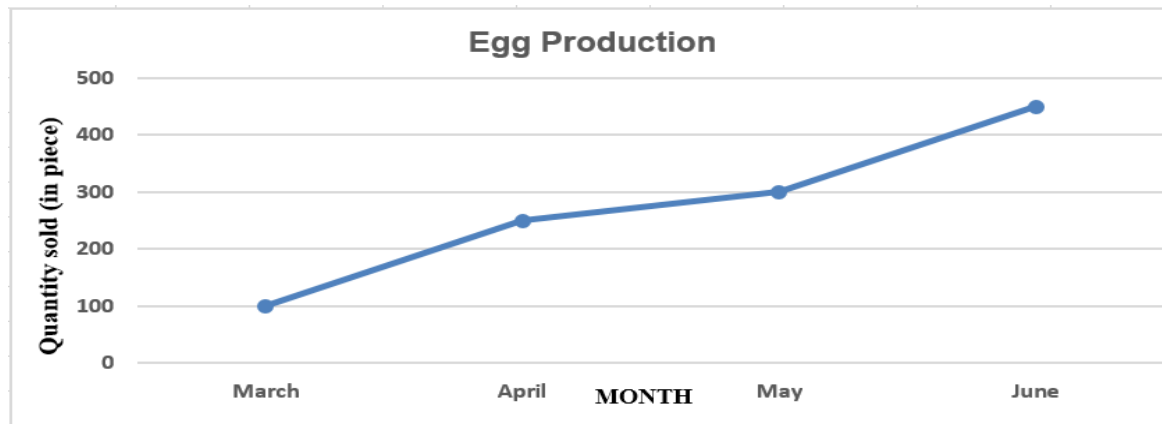
The figure below shows the suggested reasons for why people save.



7. The question mark in the above figure denotes
  - A. Old age
  - B. Disasters
  - C. Loss of property
  - D. Future investment.
  
8. Per capita income is important in measuring the progress of country's growth. The increase in GDP per capita is an indicator of
  - A. economic growth.
  - B. economic decline
  - C. economic disparity.
  - D. economic development.

9. Mr. Dopfu borrowed Nu 100,000 from Bank of Bhutan and after one year he repays Nu 110,000. What is the rate of interest paid by Mr. Dopfu?
- A. 10%
  - B. 15%
  - C. 20%
  - D. 25%
10. Which of the following shows the **CORRECT** relationship between saving, interest rate and consumption?
- A. Saving increases with increase in consumption rate.
  - B. Saving increases when interest rate remains constant.
  - C. Saving increases with increase in interest rate and vice versa.
  - D. Saving increases with decrease in interest rate and vice versa.
11. Creation of capital goods like machinery, equipment, building and factories in an economy for future return is
- A. Saving
  - B. Capital
  - C. Investment
  - D. Factor Income
12. Which of the following is **NOT** an example of business ethics?
- A. Tax evasion
  - B. Paying wages on time
  - C. Supplying quality goods
  - D. Paying shareholders dividend on time
13. The following are the true features which signifies one of the major sector known as Public Sector in Bhutan, **EXCEPT**
- A. To increase the regional disparities.
  - B. To achieve the goal of self-reliance.
  - C. To provides public goods and services.
  - D. To earn foreign exchange through export.

14. Mr. Paldrup owns a poultry farm and sells an eggs. He spent Nu 10,000 on Karma feed, Nu 2000 for clearing utility bills (electricity), and Nu 6000 for transportation. Usually, he sells at Nu 20 per an egg. In sequence, refer the line graph below and find the profit or loss?



- A. Nu.3500 (Loss)  
 B. Nu.4000 (Loss)  
 C. Nu.3500 (profit)  
 D. Nu.4000 (Profit)
15. Which one of the following is an example of current expenditure?  
 A. Training nurses.  
 B. Purchase of medicine  
 C. Construction of hospital  
 D. Purchase of medical equipment

b) **Fill in the blanks with appropriate word/s.**

[5]

- i. The Sector that contributes the most to GDP of Bhutan is \_\_\_\_\_.
- ii. \_\_\_\_\_ is the unspent income that doesn't earn any interest.
- iii. Social goods such as roads, education and health in Bhutan are provided by \_\_\_\_\_ sector.
- iv. The decrease in consumption expenditure leads to \_\_\_\_\_ in savings.
- v. The demand for factors of production that occurs as a result of demand for final goods is called \_\_\_\_\_.

c) Write TRUE or FALSE for the following statements in your answer sheet. [5]

1. The recurring deposit account earns higher interest than other types of deposit.
2. Dignity of labour implies that all types of job, manual or intellectual are respectable.
3. A high supplementary budget is an indication of inefficient use of resources?
4. A profit should not be the only primary motive of any business. A business person should be mindful of integrity and need to uphold the national social and cultural values.
5. Economic diversification is the process of shifting an economy from a multiple income source towards single source.

d) Match each item under column A with the most appropriate item in column B. Rewrite [5] the correct pairs by writing the alphabet against the number.

Column A		Column B	
i	Saving deposit account.	a	Business ethics
ii	Construction of farm roads.	b	Economic development
iii	Strategy for positive economic growth.	c	interest
iv	Responsibility, trust and relationship.	d	Economic diversification.
v	Machines, equipment and tools.	e	Nominal interest
		f	capital expenditure
		g	rent

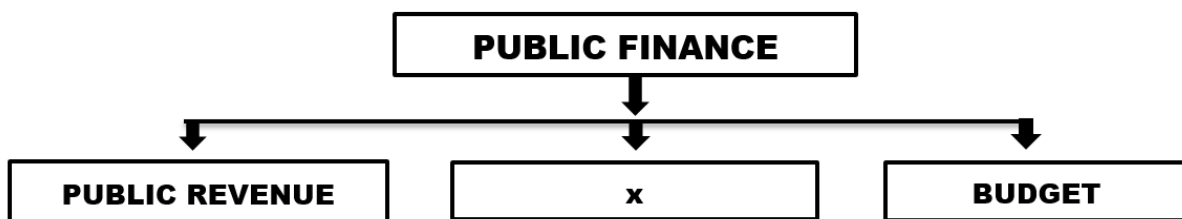
e) Answer the following questions briefly.

- i. How is 'labour' different from 'labourer'? [2]
- ii. Lachi Maya runs a restaurant with two workers who prepare food for 25 heads every day. She received an order to prepare food for 100 heads. [2]  
With the help of a graph, explain how it will affect the demand for labour.
- iii. Imagine that you have Nu.1 million and want to invest it immediately. Your uncle suggested to invest in real estate such as land but you would like to buy a vehicle. Being an economics student, where would you invest so that you get good returns. Justify? [2]
- iv. Explain the following terms: [2]
  - i. Dignity of labour
  - ii. Consumption
- v. List down **THREE** opportunities provided by different agencies for improving the productivity of labour in Bhutan [3]

- vi. How do taxes help in promoting social welfare of the people? List down at least **TWO** reasons. [2]
- vii. Suppose the banks increases the rate of interest from 12% to 14% on borrowing. Write each consequences of this on: [2]
- i. Investment
  - ii. Economy
- viii. Represent the following information in a bar graph. [2]

Shares of sectors to GDP (%)			
Year	Primary sectors	Secondary sector	Tertiary sector
2019	15%	40%	45%
2020	25%	35%	40%
2021	20%	40%	40%

- ix. You are appointed as a chief executive officer of a company of Mega poultry firm. The company is infested with the constant clashes among the workers leading to low productivity and turnover. Mention **TWO** methods that you would adopt to minimize the differences among the workers. [2]
- x. Study the following figure.



Identify and define the component X [1]

### SECTION B (50 MARKS)

ANSWER ANY FIVE QUESTIONS

**Question 2.** [10]

- a) Explain the following terms;
- i. Economic diversification [1]
  - ii. Disposable income [1]
- b) Do you think it is necessary for the government to increase its expenditure? Justify with **TWO** reasons. [2]
- c) What are the possible causes of rising house rents for dwellers of Tsirangtoe? List **TWO** causes and measures to curb the apparent issues. [2]

- d) State any **TWO** importance of public goods. [2]
- e) The share of primary sector to GDP is less compared to secondary and tertiary sector. Justify? [2]

**Question 3.** [10]

- a) Nado owns a shoe factory. When there is one worker, 5 pair of shoes are produced per day. When there are two workers, 9 pairs of shoes are produced per day. The shoes are sold at Nu 500 per pair.
- Calculate the Marginal Product and MRP. [2]
  - If addition of one more worker generates negative marginal returns, how many shoes do you think the factory can produce? [2]
  - How can Nado improve the productivity of his 3rd worker? State **TWO** ways. [2]
- b) Should taxes be made compulsory? Give **THREE** justifications. [3]
- c) Give **TWO** examples of Public sector activities. [1]

**Question 4.** [10]

- a) Mention **TWO** reasons why interest is paid? [2]
- b) How direct tax maintains its distinctiveness from indirect tax? Explain with an example each. [2]
- c) With the help of a diagram, explain the change in equilibrium wage rate due to increase in demand for goods and services. [3]
- d) Profit should not be the main objective of any business. A business person should be mindful of business ethics. Why do you think business ethics is important while doing business? [2]
- e) Explain the term '*Laissez faire*' [1]

**Question 5.** [10]

- a) What are the benefits of paying taxes? [2]
- b) Define Public finance and explain any **TWO** components? [2]
- c) '*As the Covid-19 hits the entire world economy devastatingly, Bhutan too is not an exception, when it comes to operation of economic activities*'. Suppose you are one of the proprietors of construction companies, how would you retain the existing labour force and encourage newer labour to join your construction site? [2]
- d) How do you think the tax burden is shifted to the consumers in indirect tax? Explain in your own words. [2]
- e) Mention **TWO** ways, other than increasing the interest rate that you can adopt to encourage people to save. [2]

**Question 6.** [10]

- a) Tourism industry is one of the highest revenue contributors to the government. What measures can the government take to improve the industry and enhance its services? [2]

- b) Narayan completed class 12 and enrolled in one of the private colleges in Bhutan to study BBA. He took a loan from BDBL at 7% interest. The college fees amounted to Nu 200,000 for three years.
- i. If the bank compound interest annually, how much do you think he will have to pay back after 3 years? [2]
  - ii. How much do you think he needs to pay every month in order to repay the amount borrowed within 3 years? [1]
  - iii. How would the change in interest rate affect you? [2]
- c) As per Asian Development Report, Bhutan's GDP growth is forecasted at -3.4% in 2021. Why? Mention **THREE** reasons. [3]

**Question 7.** [10]

- a) Public expenditure in Bhutan is increasing over the years due to the developmental activities of the government. What are the some of the recent developmental activities that are undertaken by the Royal Government of Bhutan? [2]
- b) Describe any **TWO** importance of budget? [2]
- c) Distinguish Current expenditure from Capital expenditure with an example each? [2]
- d) Study the information in the table

Interest rate (%)	Demand for capital (Nu. in '000)	Supply of capital (Nu in '000)
10	100	100

With the help of a diagram, explain the effect on interest rate if

- i. Demand for capital is more than supply of capital. [1]
  - ii. Supply of capital is more than demand for capital. [1]
- e) Foreign grants and external borrowings are major sources of revenue for the developmental activities in Bhutan. However, it is not good for a country to depend excessively on such sources. Give **TWO** reasons. [2]