

SECTION A [15 MARKS]
ANSWER ALL QUESTIONS

Question I

[15]

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. If you change your answer, cross out the previous response clearly and circle your new answer.

1. Which characteristic of money makes it suitable for transactions involving both small and large values?
A durability
B divisibility
C portability
D recognizability
2. During a period of inflation, which group is likely to benefit the most?
A retirees living on a fixed pension
B lenders who issued fixed-rate loans
C people holding large amounts of cash
D borrowers who took out fixed-rate loans
3. A business in Bhutan accepts ngultrum as payment from customers. Which function of money is demonstrated by this use?
A store of value
B unit of account
C medium of exchange
D standard of deferred payment
4. What type of trade is it called if a shopkeeper from Bumthang sells Yathra jackets to people in Trashigang?
A foreign trade
B bilateral trade
C national trade
D international trade
5. Which statement correctly explains a limitation of digital compared to physical cash?
A Digital money is always issued by the government.
B Digital money cannot be divided into smaller units.
C Digital money cannot be used for online purchases.
D Digital money requires access to technology and electricity.

6. A customer buys a handmade product from a seller based in another country through an online platform. What does this method of buying and selling represent?
- A wholesale trade
 - B barter system trade
 - C domestic trade system
 - D cross-border e-commerce
7. What is the main focus of Good Governance being one of the four pillars of GNH?
- A transparency and accountability
 - B strict control over news and media
 - C Increasing the size and power of the military
 - D ruling the country through a single political party
8. What risk does economic diversification reduce?
- A low literacy rate
 - B rapid population growth
 - C Increased technology use
 - D dependence on one income
9. What happens to the flow of expenditure from households to firms if there is no saving in an economy?
- A Flow of expenditure would stop completely.
 - B Flow of expenditure would increase due to borrowing.
 - C Flow of expenditure would equal the total income received by households.
 - D Flow of expenditure would decrease because part of the income is paid as taxes.
10. Which action illustrates tax shifting?
- A Filing an income tax return online
 - B Exempting low-income earners from tax
 - C Requesting a salary increase to pay more tax
 - D Adding excise duty to the selling price of a product
11. What combination of factors is most likely to cause a decline in a country's population?
- A high birth rate, low death rate, and high immigration
 - B low birth rate, low death rate, and positive net migration
 - C high birth rate, high death rate, and positive net migration
 - D low birth rate, high death rate, and negative net migration
12. What effect does absolute poverty have on a society?
- A It leads to crime due to income inequality.
 - B It threatens survival by increasing starvation.
 - C It causes social exclusion and low self-esteem.
 - D It has no long-term effects if basic needs are partly met.

13. Which government action would directly help reduce a current account deficit?
- A Ban all foreign direct investment.
 - B Reduce imports of luxury goods.
 - C Increase borrowing for infrastructure.
 - D Change the country's exchange rate system.
14. How much will it cost in Ngultrum (Nu) to buy CAD 5,000 at an exchange rate of 1 CAD = Nu 62.75?
- A Nu 303,750
 - B Nu 308,750
 - C Nu 313,750
 - D Nu 318,750
15. Which is the main function of the World Trade Organization (WTO)?
- A regulation of international trade
 - B provision of loans to countries
 - C printing of international currencies
 - D collection of taxes from member countries

SECTION B [15 MARKS]

Answer all the questions

Question II

[15]

Read the following text related to Population and answer all parts of the question.

According to recent population estimates, Bhutan's population is approximately 790,000 people (around 787,000–790,000 in 2024). Population growth has remained relatively slow compared with many developing countries due to declining fertility rates and improvements in education and healthcare.

Bhutan continues to have a predominantly young and working-age population, although the share of older people is gradually increasing as life expectancy rises.

A substantial number of young people are entering the labour market each year, creating opportunities for economic growth but also increasing the need for employment opportunities, skills training, and entrepreneurship programmes.

Bhutan's ageing population remains relatively small compared with many developed countries, but it is expected to grow over the coming years. As a result, the government must balance spending on education and job creation for younger populations while preparing for increased healthcare and social support needs for older citizens.

Population characteristics directly influence Bhutan's labour force, dependency ratio, economic productivity, public expenditure, and long-term development planning. Effective policies are therefore needed to ensure sustainable economic growth and improved living standards.

1. Identify TWO factors mentioned in the stimulus that have contributed to Bhutan's slow population growth.

[2]

2. Describe how the increasing number of young people entering the labour market could affect employment opportunities in Bhutan.

[3]

3. Explain TWO areas of government spending that may increase as Bhutan's elderly population grows in the future.

[4]

4. Evaluate whether Bhutan's large working-age population is a valuable resource for national development. Give reasons to support your answer.

[6]

SECTION C [20 MARKS]

Answer all the questions. .

Question III

Read the following text related to Trade and Economic Cooperation and answer all parts of the question.

Bhutan participates in both domestic and international trade. Bhutan exports products such as electricity, ferrosilicon, and agricultural goods, while importing fuel, machinery, vehicles, and manufactured products. Its major trading partners include India, Bangladesh, and several other countries.

The growth of e-commerce has enabled Bhutanese businesses to reach customers beyond local markets through online platforms. At the same time, Bhutan faces international economic challenges such as fluctuations in global fuel prices, supply chain disruptions, and changes in foreign demand for exports.

To promote economic cooperation and development, Bhutan is a member of regional and international organizations such as the South Asian Association for Regional Cooperation and the United Nations. These organisations support trade, economic development, and cooperation among member countries.

1. Analyse how exports of electricity, ferrosilicon, and agricultural goods contribute to Bhutan's economic development.

[4]

2. Evaluate how South Asian Association for Regional Cooperation supports Bhutan's economic cooperation and development.

[6]

Question IV

Read the following text related to Bhutan's Financial System and answer all parts of the question.

Bhutan's financial system includes the Royal Monetary Authority (RMA) as the central bank and commercial banks that provide financial services to individuals and businesses. Commercial banks accept deposits, provide loans, and offer services such as digital banking and electronic payments. Digital banking has made financial services more accessible, particularly by allowing customers to transfer money and make payments without visiting a bank.

The RMA regulates the financial system, manages the money supply and supports financial stability. During periods of financial stress, the central bank can provide funds to financial institutions facing temporary liquidity problems. Banks also play an important role in mobilising savings and providing loans to households and businesses, supporting investment and economic activity.

1. Analyse how the central bank supports financial stability in Bhutan.

[4]

2. Evaluate how the introduction of digital banking services improves access to financial services in Bhutan

[6]
