

Second Semester

Economics
(اقتصاديات)

(Answers)



Marking Guide of General Educational Diploma for Private Schools

2022/2023

Semester Two – First Session

Subject: Economics

Note: There are 14 pages in this guide

First: Answers for the Multiple-Choice Items (6 Marks):

Item N.	Answer	Mark	Page(s)	Learning Outcome	Learning Level
1	C To ensure that economic growth benefits all members of society	1	S1.382 S2.457	Explain the meaning of inclusive economic growth.	Knowledge
2	D Reducing unemployment benefits	1	S1.403-404 S2.472	Evaluate the effectiveness of the policies to reduce unemployment.	Reasoning: Analysis
3	D All of the above	1	S1. 395-400 S2.467	Explain the difference between voluntary and involuntary unemployment.	Reasoning: Analysis
4	A Exchange rates adjusted for inflation.	1	S1.449-450 S2.537	Explain the difference between nominal and real exchange rates.	Knowledge
5	D A country experiencing an inverted U-shaped relationship between income inequality and economic	1	S1. p480 S2.p552	Explain the Kuznets curve.	Application
6	C Remittances.	1	S1.p491-492 S2.p572	Describe different forms of international aid.	Knowledge



Second: Answers for the Fill in the Blank Items (6 Marks):

Item No.	Answer	Mark	Page(s)	Learning Outcome	Learning Level
7	Output gap	1	S1.376-377 S2.454	Explain the difference between actual growth and potential growth in national output	Knowledge
8	Business cycle	1	S1.378 S2.454	Describe the phases of the business (trade) cycle.	Knowledge
9	Frictional	1	S1.396-397 S2.466-467	Explain the difference between Voluntary and involuntary unemployment.	Knowledge
10	Inflation	1	S1.409 S2.479	Analyze the quantity theory of money.	Knowledge
11	Optimum	1	S1.478 S2.562	Analyze the causes of changes in birth rate, death rate, infant mortality, and net migration.	Knowledge
12	Customs union	1	S1.376 S2.586	Analyze the difference between a free trade area, a customs union, a monetary union, and a full economic union.	Knowledge



Third: Answers for the Short Answer Items (16 Marks):

General Notes

- There may be different ways of answering questions, but a basic requirement for all answers is that they are RELEVANT.
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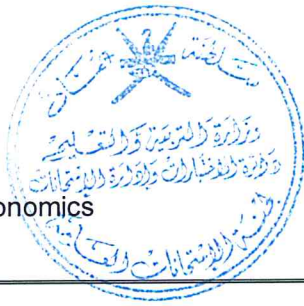
2 Marks	
The student answer is very clear and logically organized, with a good level of accuracy.	2
The student makes an attempt to answer the question, but this is not fully effective, and there is a lack of accuracy in the answer	1
No attempt to answer, either completely unrelated to what is required from the question or complete nonsense.	0



Item N.	Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
13	<p>Sustainable economic growth refers to economic growth that is achieved in a way that is environmentally sustainable, socially inclusive, and economically efficient.</p> <p><i>Any other correct definition, or any logical attempt to answer must be awarded.</i></p>	2	S1. 384-385 S2.458	Explain the meaning of sustainable economic growth.	Knowledge
14	<p><i>It is the rate of unemployment that exists when the aggregate demand for labour equals the aggregate supply of labour at current wage rate and price level.</i></p> <p><i>Any other relevant correct points <u>in relation to the given context</u></i></p>	2	S1.396 S2.467-477	Define the meaning of the natural rate of unemployment.	Knowledge
15	<p>Disequilibrium unemployment: is unemployment that arises because the economy is away from equilibrium or because some labour markets are in a disequilibrium situation.</p> <p>Or</p> <p>unemployment that arises when the aggregate supply of labour is greater than the aggregate demand for labour at the current wage rate.</p> <p>(1 mark)</p> <div style="display: flex; justify-content: space-around;"> </div> <p>(1 mark)</p> <p><i>Any relevant correct points can be awarded one mark each (1*2=2 Marks).</i></p>	2	S1.393-394 S2.466-467	Explain the difference between voluntary and involuntary unemployment.	Application



Item N.	Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
16	<p>1-To calculate the credit multiplier, we can use the formula: $\text{credit multiplier} = 100 / \text{reserve ratio}$ In this case, the reserve ratio is 4%, So: $\text{credit multiplier} = 100 / 4 = 25$ (1 mark)</p> <p>2-Potential Increase in Deposits = additional deposit x credit multiplier Given that the additional deposit is \$50,000 and the reserve ratio is 4%, we can calculate the potential increase in deposits as: Potential Increase in Deposits = \$50,000 x 25 = \$1,250,000 (1 mark)</p>	2	S1.415 S2.483	Explain the functions of commercial banks, including providing deposit accounts; lending money; holding or providing cash, securities, loans, deposits, equity; reserve ratio and capital ratio; the objectives of commercial banks.	Application
17	<p>Real exchange rate = (Nominal exchange rate x Domestic price level) / Foreign price level</p> <p>Real exchange rate = $0.72 * (105 / 101) = 0.75\text{GBP}$</p> <p>So, the correct answer is: 1 USD = 0.75 GBP.</p>	2	S1.451-452 S2.537	Identify the three main ways exchange rates are measured: nominal, real and trade weighted exchange rates	Application
18	<p>a. Birth rate = (Number of live births / Total population) x 1000</p> <p>In 2022: Birth rate = $(110,000 / 10,000,000) \times 1000 = 11$ (0.5 mark)</p> <p>b. Death rate = (Number of deaths / Total population) x 1000</p> <p>In 2022: Death rate = $(70,000 / 10,000,000) \times 1000 = 7$ (0.5mark)</p>	2	S1.p476 S2.561	Explain how the birth rate, death rate, infant mortality and net migration are measured	Application

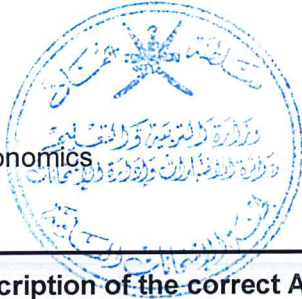


Item N.	Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
18	c. Natural Increase = Births - Deaths Natural Increase = 110,000 – 70,000 Natural Increase = 40,000 (1 mark)				
19	Export-led growth is an economic strategy where a country focuses on increasing its exports as a means to achieve sustained economic growth.	2	S1.484-485 S2.575	Analyze the role of trade and investment between countries.	Knowledge
20	Trade creation and trade diversion are two effects of regional trade agreements (RTAs). Trade creation occurs when an RTA results in an increase in trade between member countries, leading to lower prices for consumers and increased competition for firms. Trade diversion, on the other hand, occurs when an RTA results in a shift in trade from a more efficient non-member country to a less efficient member country, resulting in higher prices for consumers and reduced competition for firms.	2	S1.511-512 S2.588	Explain the difference between trade creation and trade diversion.	Reasoning: Analysis

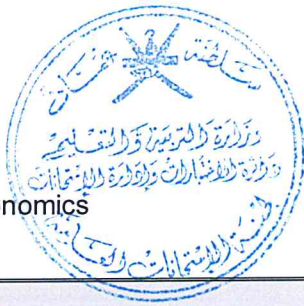
**Fourth: Answers for the Long Answer Items (20 Marks):****General Notes**

- There may be different ways of answering questions, but a basic requirement for all answers is that they are RELEVANT.
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4 Marks	
The student answer is very clear and logically organized, with a good level of accuracy.	4
The student makes an attempt to write a relevant answer to the question, but this is not fully effective. However, the answer is mostly clear.	3
The student makes an attempt to write a relevant answer to the question, but this is only partly effective and there is a lack of accuracy in the answer.	2
A very feeble attempt to answer the question. The answer has little relevance. The Answer is unconvincing and inadequate. Weak organization of the answer makes it difficult to follow the points written. And finally, there is a noticeable lack of accuracy in the answer.	1
No attempt to answer, either completely unrelated to what is required from the question or complete nonsense.	0



Item N.	Description of the correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
21	<p>The business cycle refers to the cyclical fluctuations in economic activity over time, including periods of expansion and contraction. The phases of the business cycle can be broadly classified into four stages: expansion (upturn), peak, contraction (downturn), and trough. [0.5 mark x 4 = 2 marks]</p> <p>There are two main explanations as to why business cycles may occur. One is fluctuations in aggregate demand and the other is fluctuations in aggregate supply. [1 mark x 2 = 2 marks]</p>	4	S1.378 S2.454-455	<p>-Describe the phases of the business (trade) cycle.</p> <p>-Analyse the causes of the business cycle.</p>	Reasoning: Analysis
22	<p>(2 Marks)</p> <p>The liquidity trap is a situation in which interest rates are so low that monetary policy becomes ineffective in stimulating economic activity.</p> <p>(1 Mark)</p> <p>In such a situation, individuals and businesses are more likely to hold onto their money rather than spending or investing it, despite the low interest rates. The liquidity trap occurs when the demand for money becomes highly elastic and insensitive to changes in interest rates, as people prefer to hold onto cash rather than other financial assets.</p> <p>(1 Mark)</p> <p>The interest rate is so low that an increase (from MS0 to MS2), or decrease (from MS0 to MS1) in the supply of money by the central bank doesn't result in any change in the interest rate. The Money supply curve intersects the Money demand curve in its horizontal portion.</p>	4	S1.434 S2.488	Evaluate interest rate determination according to both the loanable funds theory and the Keynesian theory.	Reasoning: Evaluation
23	<p>The Marshall Lerner condition states that for a depreciation or devaluation of a currency to lead to an improvement in the trade balance, the sum of the price elasticities of demand for exports and imports must be greater than one. (1 Mark)</p> <p>The J-curve effect, on the other hand, refers to the phenomenon where the trade balance initially worsens after a currency depreciation or devaluation before it improves. (1 Mark)</p>	4	S1.455-456 S2.542-543	Evaluate the effects of changing exchange rates on the external economy using the Marshall–Lerner condition and J-curve analysis.	Reasoning: Analysis



Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
23	<p>The links between these two concepts can be explained as follows. When a country's currency depreciates or devalues, its exports become relatively cheaper and imports become relatively more expensive. The initial impact of this change in exchange rate is that the cost of imports increases, leading to a decline in the trade balance. At the same time, it takes some time for the price elasticities of demand for exports and imports to adjust to the new exchange rate, and for firms to shift production towards exports. (2 Marks)</p>				
24	<p style="text-align: center;">(1 Mark)</p> <p>a. The lowest 40% of the population includes the lowest 20% and the second 20%, whose combined percentage share of income is $3.1\% + 8.4\% = 11.5\%$.</p> <p style="text-align: center;">(1 Mark)</p> <p>b. The highest 20% of the population has a percentage share of income of 50.8%.</p> <p style="text-align: center;">(1 Mark)</p> <p>c. The Gini coefficient is a numerical measure of the extent of inequality within a country. It is calculated using the Lorenz curve. Its value is comprised between 0 and 1, where 1 indicates perfect inequality.</p> <p style="text-align: center;">(1 Mark)</p> <p>d. A coefficient between 0.39 indicates that there is adequate equality (but one can also say that there is quite some inequality). This means that income or wealth is distributed in a suitable way, but can be distributed more equally.</p>	4	S1.479-481 S2.565	<ul style="list-style-type: none"> - Explain how income distribution can be measured. - Calculate and interpret the Gini coefficient. 	Application



Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
25	<p>External debt is the portion of a country's total debt that is owed to foreign lenders, such as other countries or international financial institutions.</p> <p>There are several reasons why countries get into external debt</p> <p>(The student can list any two of the following), including borrowing to finance development projects, to fund budget deficits, to manage currency fluctuations, or due to external shocks such as natural disasters or economic crises. (1 Mark)</p> <p>High levels of external debt can have several negative consequences for a country</p> <p>(The student can list any two of the following), including higher debt servicing costs, reduced access to credit, and potential default on loans. This can lead to economic instability, currency devaluation, and a decline in living standards for citizens as the government may have to implement austerity measures or cut spending on public services. Additionally, high levels of external debt can make a country more vulnerable to external economic shocks and reduce its ability to invest in its own economic development. (1 Mark)</p>	4	S1. 497-498 S2.577-279	Explain external debt and analyze its causes and consequences.	Knowledge + Application



Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
25	<p>To mitigate the risk of external debt, countries can implement sound macroeconomic policies</p> <p>(The student can list any two of the following), including maintaining fiscal discipline, enhancing domestic resource mobilization, and promoting export-led growth. Countries can also diversify their sources of external financing by borrowing from a mix of bilateral and multilateral lenders, and by issuing bonds in the international capital markets. Proper management of external debt is essential to ensure that countries can continue to access the necessary financing to promote economic growth and development without becoming overly indebted. (2 Marks)</p>				



Fifth: Answers for the Case Study Items (12 Marks):

General Notes

- There may be different ways of answering questions, but a basic requirement for all answers is that they are RELEVANT.
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Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
26	Nominal GDP = Money Supply x Velocity of Money = \$500 billion x 5 = \$2.5 trillion	2	S1.409-410 S2.479	Analyze the quantity theory of money.	Application
27	a. New Nominal GDP = New Money Supply x Velocity of Money = \$600 billion x 5 = \$3 trillion (1 Mark) b. Real GDP (real output) remains unchanged. (1 Mark)	2			
28	The quantity theory of money states that changes in the money supply will have an impact on the overall level of prices in the economy. In this case, the increase in the money supply led to an increase in the equilibrium price level. Velocity (V) and real output (Y or T) are not affected by changes in the money supply.	2			
29	HDI stands for Human Development Index. It is a composite index developed by the United Nations Development Programme (UNDP) to measure and compare the level of human development in different countries. The HDI takes into account three dimensions of human development: health, education, and standard of living. These dimensions are measured by three indicators: life expectancy at birth, mean years of schooling, and GNI per capita (adjusted for purchasing power parity).	2	S1.467-470 S2.550	Describe how economies are classified in terms of their level of development and level of national income.	Knowledge



Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
30	PPP, or purchasing power parity, is an important factor in comparing the economic performance of countries. It takes into account the relative cost of living and inflation rates in different countries, allowing for a more accurate comparison of economic performance. GNI per capita adjusted by PPP gives a better indication of the real income and purchasing power of individuals in a country, as opposed to just the nominal GNI per capita.	2	S1. 465- 466 S2.549	Compare economic growth rates and living standards over time and between countries	Knowledge
31	There is a positive relationship between HDI and GNI PPP, but it is not a perfect correlation. Some countries with a high GNI PPP have lower HDI values, while some countries with a lower GNI PPP have higher HDI values (Nigeria compared to Bangladesh or Oman compared to South Korea). This indicates that economic growth alone is not sufficient for human development, and that other factors play A ROLE such as such as political stability, social cohesion, and natural resources.	2	S1. 466- 470 S2.549- 462	Evaluate indicators of living standards and economic development including real per capita national income statistics, purchasing power parity, non-monetary indicators and composite indicators	Reasoning: Evaluation

The End of the Marking Guide



SULTANATE OF OMAN
MINISTRY OF EDUCATION



Marking Guide of General Educational Diploma for Private Schools

2022/2023

Semester Two – Second Session

Subject: Economics



مركز القياس والتقويم التربوي
The Center for Educational Assessment
and Measurement (CEAM)

Note: There are 12 pages in this guide

First: Answers for the Multiple-Choice Items (6 Marks):

Item N.	Answer	Mark	Page(s)	Learning Outcome	Learning Level
1	B Trough	1	S1.378 S2.454 - 455	Describe the phases of the business (trade) cycle.	Knowledge
2	C 12%	1	S1.396 S2.467	Define the meaning of the natural rate of unemployment.	Application
3	A Figure (A) refers to the equilibrium unemployment and Figure (B) refers to the disequilibrium unemployment.	1	S1.393 S2.466- 467	Explain the difference between equilibrium and disequilibrium unemployment.	Knowledge
4	B A decision by the government to lower the international price of the country's currency	1	S1.454 S2.538	Explain the difference between revaluation and devaluation of a fixed exchange rate	Knowledge
5	D	1	S1.463 – 464 S2.549 - 551	Evaluate indicators of living standards and economic development including real per capita national income statistics, purchasing power parity, non-monetary indicators and composite indicators	Application
6	C Decrease the exports and imports of the recipient country	1	S1.493 S2.573	Explain reasons for giving aid.	Knowledge



Second: Answers for the Fill in the Blank Items (6 Marks):

Item No.	Answer	Mark	Page(s)	Learning Outcome	Learning Level
7	Automatic stabilizers	1	S1.379 S2.455-456	Explain the role of automatic stabilizers.	Knowledge
8	Improved access to high quality education	1	S1.383 S2.452	Analyze policies to promote inclusive economic growth.	Knowledge
9	Equilibrium unemployment	1	S1.393 S2.466	Explain the difference between equilibrium and disequilibrium unemployment.	Knowledge
10	Liquidity trap	1	S1.434 S2.488	Explain the demand for money (liquidity preference theory)	Knowledge
11	Optimum population	1	S1.478 S2.564	Explain the concept of the optimum population.	Knowledge
12	Reduction of trade barriers	1	S1.505 S2.584	Define the meaning of globalisation.	Knowledge



Third: Answers for the Short Answer Items (16 Marks):

General Notes

- There may be different ways of answering questions, but a basic requirement for all answers is that they are RELEVANT.
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2 Marks

The student answer is very clear and logically organized, with a good level of accuracy.	2
The student makes an attempt to answer the question, but this is not fully effective, and there is a lack of accuracy in the answer	1
No attempt to answer, either completely unrelated to what is required from the question or complete nonsense.	0



Item N.	Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
13	<p>'Polluter pays' principle is a policy that makes those responsible for causing damage to the environment pay for that damage. (1 mark)</p> <p>European countries passed these legislations to mitigate the impact of economic growth on the environment and climate change. (1 mark)</p> <p><i>Any other correct definition, or any logical attempt to answer must be awarded.</i></p>	2	S1. 311-313 S2.460	Evaluate policies to mitigate the impact of economic growth on the environment and climate change.	Knowledge + Application
14	<p>The student can refer to any two of the following:</p> <ul style="list-style-type: none"> -Information availability. Workers need to know where the vacancies are, details about pay, and all other aspects related to the job. -Personal ties. Workers may be reluctant to leave members of their extended family and friends to move to another location. -Immigration control. Moving to and working in another country may be restricted by limits on work visas and permission to stay. -Language barriers. Workers may not be able to take up a job in another country because they do not speak the language. -Cultural differences. Workers may find the culture of another country unattractive. -Differences in pay and the cost of living. Workers may find that they are better off by unemployed in their home country than moving to a job in another country. <p>[One mark for every correct answer with maximum two marks]</p> <p><i>Any other relevant correct points in relation to the given context</i></p>	2	S1. 402-403 S2.471	Analyze the factors affecting labour mobility.	Application



Item N.	Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
15	<p>To reduce frictional and structural unemployment, a government is likely to introduce supply side policies tools. It may increase information on the job market. It could reduce unemployment benefit and income tax rates to spend less time between jobs. Improved education and training may increase workers' occupational mobility and may stop trade unions pushing the wage rates of their members above the equilibrium levels by taking industrial action. This may increase the efficiency of the countries' labour and product markets.</p> <p><u>Any other relevant correct points in relation to the given context</u></p>	2	S1. 403 S2. 472	Evaluate the effectiveness of policies to reduce unemployment	Reasoning: Analysis
16	<p>According to the quantity theory of money: $MV = PT$ Therefore, $V = (P \cdot T) / M$ $V = (5 \cdot 15) / 10 = 7.5$</p>	2	S1.409-410 S2.479	Understanding the factors that affect the evaporation process	Application
17	<p>Real exchange rate = nominal exchange rate x (domestic price index) / (foreign price index)</p> <p>Real exchange rate = $4 \times 150 / 125 = 4.8$</p>	2	S1. 451-452 S2. 537	Identify the three main ways exchange rates are measured: nominal, real and trade-weighted exchange rates.	Application

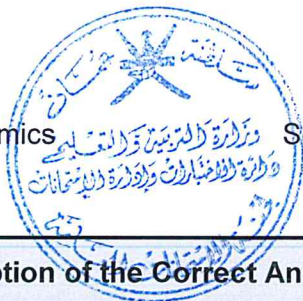


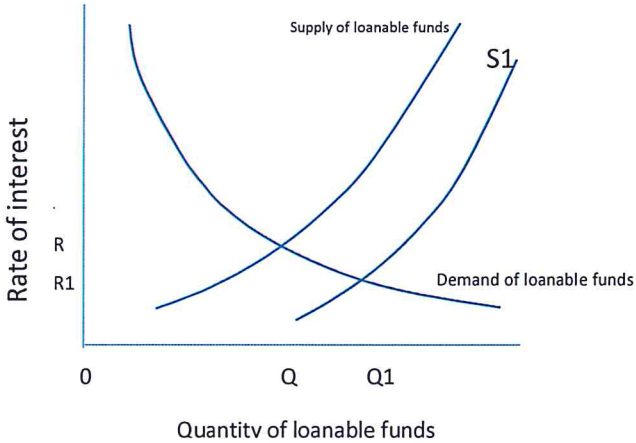
Item N.	Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
18	<p>The economies with low development and low income per head depend on primary products for most of the export revenue earned. The demand for many primary products, especially food is income inelastic. This means that as world income rises there is little impact upon the demand for primary products. In contrast, demand for manufactured goods is income elastic. This means that primary goods tend to become relatively cheaper than manufactured goods. Those countries that are dependent upon agriculture products may receive relatively low prices for their exports while having to pay relatively high prices for their imports.</p> <p><u>Any other relevant correct points in relation to the given context</u></p>	2	S1.484 S2.567 – 568	Analyze the pattern of trade at different levels of development.	Reasoning: Analysis
19	<p>The primary aim of the IMF to promote exchange rate stability, assist in setting a multilateral system of payments and to make resources available to members experiencing balance of payments difficulties. While The World Bank aims to end the extreme poverty and promote the income growth for low and middle-income countries through internal investment payments.</p> <p><u>Any other relevant correct points in relation to the given context</u></p>	2	S1. 498-499 S2.578 – 579	-Explain the role of the International Monetary Fund. -Explain the role of the World Bank.	Knowledge
20	<p>The GCC is at the stage of “Custom union”. The GCC have implemented the free trade area terms and removed trade restrictions between members, All members impose common external tariff when trading with non-members.</p>	2	S1.509-510 S2.586-589	Analyse the difference between a free trade area, a customs union, a monetary union, and a full economic union	Application

**Fourth: Answers for the Long Answer Items (20 Marks):****General Notes**

- There may be different ways of answering questions, but a basic requirement for all answers is that they are RELEVANT.
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4 Marks	
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The student makes an attempt to write a relevant answer to the question, but this is only partly effective and there is a lack of accuracy in the answer.	2
A very feeble attempt to answer the question. The Answer has little relevance. The Answer is unconvincing and inadequate. Weak organization of the answer makes it difficult to follow the points written. And finally, there is a noticeable lack of accuracy in the answer.	1
No attempt to answer, either completely unrelated to what is required from the question or complete nonsense.	0



Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
21	<p>a. Sustainable Economic growth is economic growth that does not threaten future generation's ability to experience economic growth. (1 Mark)</p> <p>b. The economic growth can harm the environment and increase climate change, greenhouse gases and global warming. (1 Mark)</p> <p>c. The role of resources conservation in achieving the sustainable economic growth, with examples. (2 Marks)</p> <p><u>Any other relevant correct points in relation to the given context</u></p>	4	S1.384–388 S2.458–459	<ul style="list-style-type: none"> - Explain the meaning of sustainable economic growth. - Analyze the impact of economic growth on the environment and climate change. - Explain the difference between using and conserving resources. 	Knowledge
22	<p>a. The demand for loanable funds is the demand to borrow money. It consists of:</p> <ul style="list-style-type: none"> - The demand of money by households to buy goods and services; - The demand by firms for investment; and - The demand by the government to fill the budget deficit. (2 Marks) <p>b. According to the loanable funds theory, the increase in savings will result in a rise in the supply of loanable funds and, consequently, a shift of the supply of loanable fund curve to the right. Therefore, the new real interest rate will be at a lower level. (2 Marks)</p>  <p>[Note: The two marks could be given if the text answer is perfect and the answer does not include graph]</p>	4	S1.419–420 S2.489	<ul style="list-style-type: none"> - Evaluate interest rate determination according to both the loanable funds theory and the Keynesian theory. - Understanding the factors that affect the evaporation process 	Knowledge + Reasoning: Analysis



Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
23	<p>a. The effect of a change on the exchange rate on the current account balance will be influenced by the price elasticities of demand for exports and imports. The requirement is for the combined elasticities to exceed 1 for the trade balance, and so the current account balance, to be improved by the change in the exchange rate is known as the Marshall-Lerner condition. (1 Mark)</p> <p>If this condition is met, a fall in the exchange rate would reduce a current account deficit, while a rise in the exchange rate would reduce a current account surplus. (1 Mark)</p> <p>b. The decision has a positive impact on South Africa's trade balance. (1 Mark)</p> <p>Since the price elasticities of demand for exports and imports is greater than the current account balance will be improved by the change in the exchange rate (1 Mark)</p> <p><u>Any other relevant correct points in relation to the given context</u></p>	4	S1.456–457 (S2.452)	<p>- Evaluate the effects of changing exchange rates on the external economy using the Marshall–Lerner condition and Jcurve analysis.</p> <p>- Evaluate the effects of changing exchange rates on the external economy using the Marshall–Lerner condition and J-curve analysis</p>	Reasoning: Analysis + Evaluation
24	<p style="text-align: right;">(2 Marks)</p> <p>a. For Country (X)</p> $Gini\ coefficient = \frac{(A)}{(A + B)} = \frac{0.10}{0.5}$ $= 0.2$ <p>Gini index = Gini coefficient x 100 = 0.2 x 100 = 20</p> <p>For Country (Y)</p> $Gini\ coefficient = \frac{(A)}{(A + B)} = \frac{0.25}{0.5}$ $= 0.5$ <p>Gini index = Gini coefficient x 100 = 0.5 x 100 = 50</p>	4	S1.470–480 (S2.565)	<p>- Calculate and interpret the Gini coefficient.</p> <p>- Calculate and interpret the Gini coefficient</p>	Application + Reasoning: Evaluation



Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
24	<p style="text-align: right;">(2 Marks)</p> <p>b. Country (Y) has more dependence on the primary sector. As the dependence of the primary sector leads to concentrate the income on generating assets, especially the land, with few people which lead to have unevenly income distribution.</p>				
25	<p style="text-align: right;">(1 Mark)</p> <p>a. A Multi-National Company is defined as a firm that operates in more than one country. An MNC is a business with a parent company based in one country with production or service operations in at least one other country.</p> <p style="text-align: right;">(2 Marks)</p> <p>b. MNCs may have the following disadvantages:</p> <ul style="list-style-type: none"> -If they replace the domestic firms, no more GDP or employment will be generated. -Deplete non renewable resources and create pollution. -Send the majority of their profits back to the home country, -Employ foreign workers rather than nationals. -Some of products they sell may not improve people's living standards, and -Put pressure on the governments to pursue policies that are beneficial to them rather than the economy of the hosting country. <p>[Full mark could be given if the student stated two disadvantages. If the student stated less than two, one mark could be given for each correct answer].</p> <p style="text-align: right;">(1 Mark)</p> <p>c. Countries compete in offering incentives to stimulate the FDI from the MNCs. In this regard they may offer:</p> <ul style="list-style-type: none"> - Exemption from corporate tax, - Reduced cost for electricity water, and land rent, - Few rules and regulations, - Government subsidies <p>[Full mark could be given if the student stated two suggestions. If the student stated less than two, 0.5 mark could be given for each correct answer].</p>	4	S1.495-496 S2.576	<p>- Role of Multinational Companies (MNCs):</p> <p>Definition of MNC.</p> <p>- Role of multinational companies (MNCs):</p> <p>Consequences of MNCs</p>	Knowledge

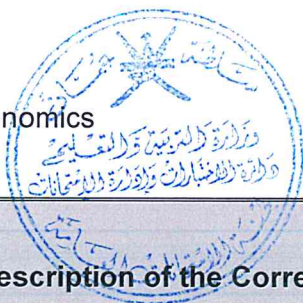


Fifth: Answers for the Case Study Items (12 Marks):

General Notes

- There may be different ways of answering questions, but a basic requirement for all answers is that they are RELEVANT.
- If the answer is clearly not relevant, and the student has clearly made no attempt to answer the question that was set, NO marks should be awarded. However, if the student has genuinely attempted the answer, but his answer is only partly relevant, then a reduced mark (not zero) should be awarded.

Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level
26	<p>a. Increasing the reserve ratio will decrease the money supply. It will decrease the money multiplier and therefore will reduce the banks ability to create money which leads to a decrease in the money supply in the economy. (1 Mark)</p> <p>b.</p> $\text{Bank Credit multiplier} = \frac{1}{\text{Reserve Ratio}}$ $\text{Bank Credit multiplier for "X" bank} = \frac{1}{0.1} = 10 \quad \text{(1 mark)}$ <p>This means every deposit by £1.00 in "X" bank will increase the ability of the bank to lend up to £10.00. (1 mark)</p> <p>c. Bank Credit Creation=the change in deposits x the bank credit multiplier Bank Credit Creation=1,000 x 10= £ 10,000 (1 mark)</p> <p>d. The decision of the central bank to sell government securities will reduce the ability of "X" bank to lend. The purchasers will pay by drawing on their deposits in commercial banks and so cause the "X" banks' liquid assets to fall. (2 marks)</p>	6	S1.414-416 S2.483	Analyse the causes of changes in the money supply in an open economy, including credit creation, government deficit financing, quantitative easing, and change in the balance of payments	Application + Reasoning: Analysis + Evaluation



Item N.	Description of the Correct Answer	Mark	Page(s)	Learning Outcome	Learning Level																				
27	<p>a. (2 marks)</p> <table border="1"> <thead> <tr> <th>Country Name</th> <th>Real GNI* (2017 fixed prices – Thousand \$)</th> </tr> </thead> <tbody> <tr> <td>Australia</td> <td>$\frac{1,316,464,081}{25,688,079} = 51.248$ thousands USD</td> </tr> <tr> <td>India</td> <td>$\frac{9,133,558,636}{1,407,563,842} = 6.849$ thousands USD</td> </tr> <tr> <td>Niger</td> <td>$\frac{30,526,860}{25,252,722} = 1.209$ thousands USD</td> </tr> <tr> <td>United States of America</td> <td>$\frac{21,552,086,189}{331,893,745} = 64.937$ thousands USD</td> </tr> </tbody> </table> <p><i>[0.5 mark for every correct answer]</i></p> <p>b. (2 marks)</p> <table border="1"> <thead> <tr> <th>Country Name</th> <th>Classification</th> </tr> </thead> <tbody> <tr> <td>Australia</td> <td>High-Income</td> </tr> <tr> <td>India</td> <td>Upper middle-income</td> </tr> <tr> <td>Niger</td> <td>Low-income</td> </tr> <tr> <td>United States of America</td> <td>High-Income</td> </tr> </tbody> </table> <p><i>[0.5 mark for every correct answer]</i></p> <p>c. (1 mark) This is because of the existence of, and changes in, what is called the hidden or underground economy. The shadow economy refers to undeclared economic activity. Therefore, some of produced goods or services are not included in the GDP calculations.</p> <p>d. (1 mark) Human Development Index (HDI) is a composite measure of living standards that includes GNI per capita, education, and life expectancy.</p>	Country Name	Real GNI* (2017 fixed prices – Thousand \$)	Australia	$\frac{1,316,464,081}{25,688,079} = 51.248$ thousands USD	India	$\frac{9,133,558,636}{1,407,563,842} = 6.849$ thousands USD	Niger	$\frac{30,526,860}{25,252,722} = 1.209$ thousands USD	United States of America	$\frac{21,552,086,189}{331,893,745} = 64.937$ thousands USD	Country Name	Classification	Australia	High-Income	India	Upper middle-income	Niger	Low-income	United States of America	High-Income	6	S1.463-470 S2.548-553	<ul style="list-style-type: none"> - Describe how economies are classified in terms of their level of development and level of national income. - Evaluate indicators of living standards and economic development including real per capita national income statistics, purchasing power parity, non-monetary indicators and composite indicators 	Knowledge + Application
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The End of the Marking Guide