

Second Semester

**Economics
(اقتصاديات)**
(Questions)



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



سَلْطَنَةُ عُمَانِ
وَزَارَةُ التَّوْبِيَةِ وَالتَّعْلِيمِ

امتحان دبلوم التعليم العام للمدارس الخاصة (ثنائية اللغة)

للعام الدراسي ١٤٤٤ هـ - ٢٠٢٢ / ٢٠٢٣ م

الدور الأول - الفصل الدراسي الثاني

- زمن الإجابة: ثلاث ساعات.
- الإجابة في الورقة نفسها.

- **تنبيه:** المادة: الإقتصاد
- الأسئلة في (١٢) صفحة.

تعليمات مهمة:

- يجب على الممتحن التأكد من استلام دفتر امتحانه، مغلفاً بغلاف بلاستيكي شفاف وغير ممزق، وهو مسؤول عنه حتى يسلمه لمراقبي اللجنة بعد الانتهاء من الإجابة.
- يجب الالتزام بضوابط إدارة امتحانات دبلوم التعليم العام وما في مستواه وأية مخالفة لهذه الضوابط تعرضك للتدابير والإجراءات والعقوبات المنصوص عليها بالقرار الوزاري رقم ٥٨٨ / ٢٠١٥.
- يقوم المتقدم بالإجابة عن أسئلة الامتحان المقالية بقلم الحبر (الأزرق أو الأسود).
- يقوم المتقدم بالإجابة عن أسئلة الاختيار من متعدد بتظليل الشكل (□) وفق النموذج الآتي:
س - عاصمة سلطنة عمان هي:
□ القاهرة □ الدوحة
■ مسقط □ أبوظبي
- ملاحظة: يتم تظليل الشكل (■) باستخدام القلم الرصاص وعند الخطأ، امسح بعناية لإجراء التغيير.
- يجب على الممتحن اصطحب الهواتف النقالة وأجهزة النداء الآلي وألات التصوير والحواسيب الشخصية والساعات الرقمية الذكية والآلات الحاسبة ذات الذاكرة التخزينية والمجلات والصحف والكتب الدراسية والدفاتر والمذكرات والحقائب اليدوية والآلات الحادة أو الأسلحة أياً كان نوعها وأي شيء له علاقة بالامتحان.
- يجب على الممتحن الامتنال لإجراءات التفطيش داخل المركز طوال أيام الامتحان.

صحيح ■ غير صحيح □



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Question One: Multiple Choice (Items 1 – 6)**(6 marks)**

There are 6 multiple-choice items worth one mark each.
Shade in the bubble () next to the **correct** answer for each of the following items.

1. What is the main objective of policies aimed at promoting inclusive economic growth?
 - To benefit the wealthy and influential members of society.
 - To increase income inequality among society members.
 - To ensure that economic growth benefits all members of society.
 - To prioritize economic growth over environmental sustainability.

2. Which of the following policies is aimed at reducing frictional unemployment?
 - Implementing minimum wage laws.
 - Providing retraining programs for workers.
 - Offering tax incentives to businesses.
 - Reducing unemployment benefits.

3. In what ways can unemployment affect the economy?
 - It can lead to a decrease in aggregate demand and economic growth.
 - It can lead to an increase in social welfare spending.
 - It can lead to a decrease in tax revenues.
 - All of the above.

4. Which of the following best describes real exchange rates?
 - Exchange rates adjusted for inflation.
 - Exchange rates adjusted for changes in GDP growth rate.
 - Exchange rates based on actual transactions in the foreign exchange market.
 - Exchange rates that only include the value of goods and services traded between countries.

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Question One: (continued)

5. Which of the following best illustrates the Kuznets Curve concept?
- A country with a low level of economic development and high levels of income inequality.
 - A country with a high level of economic development and low levels of environmental degradation.
 - A country with a high level of economic development and high levels of education attainment.
 - A country experiencing an inverted U-shaped relationship between income inequality and economic development.
6. Which of the following is NOT a form of foreign aid?
- Grants.
 - Loans.
 - Remittances.
 - Technical assistance.

Question Two: Fill in the Blank (Items 7 – 12)**(6 marks)**

Fill in the Blanks with the following words. There are four extra words.

Growth	Optimum	Equilibrium	Business cycle	Unemployment rate
Inflation	Frictional	Output gap	Customs unions	Economic growth

7. The difference between actual and potential output is known as the _____.
8. _____ refers to fluctuations of the economy between periods of expansion and contraction.
9. _____ unemployment is a type of unemployment that arises when workers are searching for new jobs or are transitioning from one job to another.
10. The quantity theory of money links _____ in an economy to changes in the money supply.
11. _____ population is the ideal size of a population for a country given the standard of living that can be achieved with the resources available.
12. A _____ is a trade bloc where there is free trade between member countries and a common external tariff on imports from non-members.

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Question Three: Short Response (Items 13 – 20)**(16 marks)**

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Write your answer for each of the following questions in the space provided.

13. Define sustainable economic growth.

(2 marks)

14. What is meant by the natural rate of unemployment?

(2 marks)

15. Describe disequilibrium unemployment. Illustrate your answer with a graph.

(2 marks)

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Question Three: (continued)

16. A bank keeps a reserve ratio of 4%. It receives an additional cash deposit of \$50,000.

a. Calculate the credit multiplier. (1 mark)

b. Calculate the potential increase in total deposits. (1 mark)

17. The exchange rate between the US dollar and the British pound is currently 1 USD = 0.72 GBP. The US consumer price index is equal to 105 and the UK consumer price index is 101.

What is the real exchange rate? (2 marks)

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Question Three: (continued)

18. Demographic data from a country XYZ for the year 2022 are as follows:

- Total population at the beginning of the year: 10,000,000
- Total number of births during the year: 110,000
- Total number of deaths during the year: 70,000

Using the above data, answer the following questions:

a. What is the birth rate in Country XYZ in 2022? (0.5 mark)

b. What is the death rate in Country XYZ in 2022? (0.5 mark)

c. What is the natural increase in population in Country XYZ in 2022? (1 mark)

19. What is export-led growth? (2 marks)

20. Analyze the difference between trade creation and trade diversion. (2 marks)

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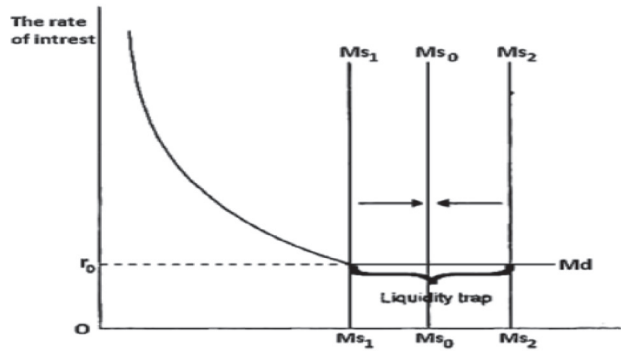
Question Four: Extended Response (Items 21 – 25) (20 marks)

Write your answer for each of the following questions in the space provided.

21. Explain the phases of the business cycle and the factors that can cause a business cycle to occur. (4 marks)

Horizontal lines for writing the answer to question 21.

22. What is the liquidity trap and how can it affect monetary policy effectiveness? Illustrate your answer with the help of a graph. (4 marks)



Horizontal lines for writing the answer to question 22.

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Question Four: (continued)

23. Explain the Marshall Lerner condition and the J-curve effect. Discuss how they are related. (4 marks)

24. The table below provides data about the distribution of income in the USA, segmented into quintiles:

Income group	Percentage share of income	Cumulative percentage of income
Poorest 20%	3.1%	3.1%
Next poorest 20%	8.4%	11.5%
Middle 20%	14.5%	26.0%
Next richest 20%	23.2%	49.2%
Richest 20%	50.8%	100%

- a. What is the percentage share of income for the lowest 40% of the population in the USA? (1 mark)

- b. What is the percentage share of income for the highest 20% of the population in the USA? (1 mark)

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Question Four: (continued)

- c. Define the Gini coefficient. (1 mark)

- d. The Gini coefficient in the USA is equal to 0.39. What does this mean? (1 mark)

- 25.** List two possible causes and two potential consequences of external debt. Suggest two policy measures that a developing country with a high level of external debt could implement to address the issue. (4 marks)

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Question Five: Case Studies (Items 26 – 31)**(12 marks)**

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Write your answer for each of the following questions in the space provided.

Case study 1**(6 marks)**

Suppose the money supply in an economy is \$500 billion, the velocity of money is 5, and the economy's real output is \$1 trillion.

26. Calculate the economy's nominal GDP using the equation of exchange. (2 marks)

27. Suppose the central bank increases the money supply to \$600 billion.

If the velocity of money remains the same.

- a. What will be the new nominal GDP? (1 mark)

- b. What will be the new real output? (1 mark)

28. How does the quantity theory of money explain the relationship between changes in the money supply and changes in the overall price level? (2 marks)

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Question Five: (continued)

Case study 2

(6 marks)

The table below shows the Gross National Product (GNI) per capita PPP and the Human Development Index (HDI) of selected countries from different income groups:

Country	GNI per capita PPP (2019)	HDI (2019)
USA	\$65,297	0.926
Oman	\$44,853	0.821
Bangladesh	\$5,139	0.632
Mexico	\$9,633	0.779
Nigeria	\$5,986	0.539
Turkey	\$28,275	0.820
South Korea	\$31,977	0.916
China	\$18,152	0.761

29. What does the Human Development Index (HDI) measure and what are the three dimensions used to calculate it? (2 marks)

30. What is PPP and how is it used to compare economic activity across countries? (2 marks)

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Question Five: (continued)

31. Based on the table, discuss the relationship between HDI and GNI PPP? Does this relationship hold for all countries? Explain. (2 marks)

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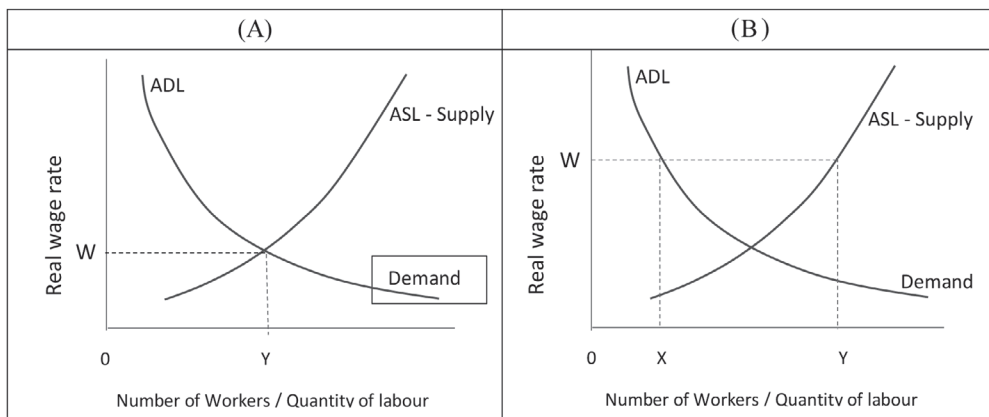
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Question One: Multiple Choice (Items 1 – 6)**(6 marks)**

There are 6 multiple-choice items worth one mark each.
Shade in the bubble () next to the **correct** answer for each of the following items.

- The lowest point of the trade (business) cycle is called:
 - Peak
 - Trough
 - Recovery
 - Down-turn
- Assume the fractional unemployment = 7%, the cyclical unemployment = 7%, and the structural unemployment = 5%. The natural rate of unemployment equals:
 - 19%
 - 14%
 - 12%
 - 7%
- In the figures below:



- Figure (A) refers to the equilibrium unemployment and Figure (B) refers to the disequilibrium unemployment.
- Figure (A) refers to the disequilibrium unemployment and Figure (B) refers to the equilibrium unemployment.
- Both figures (A) and (B) refer to the equilibrium unemployment.
- Both figures (A) and (B) refer to the disequilibrium unemployment.

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Question One: (continued)

4. Devaluation is:

- A decision by the government to raise the international price of the country's currency.
- A decision by the government to lower the international price of the country's currency.
- The exchange rate set by the government and maintained by the central bank.
- The exchange rate which is influenced by the state intervention.

5. Which of the following countries is likely to have the highest level of economic development?

	Country	Annual GNI per head (\$)	% of population who are homeless
<input type="checkbox"/>	A	5000	30
<input type="checkbox"/>	B	10000	20
<input type="checkbox"/>	C	20000	10
<input type="checkbox"/>	D	30000	5

6. Which of the following is NOT a reason behind giving bilateral/tied aid?

- Increase the demand on the industries of the donated country.
- Gain political influence by the donated country.
- Decrease the exports and imports of the recipient country.
- To influence the economic policies of the recipient government.

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Question Two: Fill in the Blank (Items 7 – 12)**(6 marks)**

Fill in the blanks using the correct phrase from the box below:

Note: There are four extra phrases in the box.

Liquidity trap	Improved access to high quality education	Demand on money	Optimum population	Efficient population
Automatic stabilizers	Equilibrium unemployment	Potential economic growth	Number of economic blocs	Reduction of trade barriers

7. Variables which offset fluctuations in the economic activities are called _____.
8. _____ is a proper policy to promote inclusive economic growth.
9. The unemployment that is present when the economy overall is in equilibrium is called _____.
10. The point where there is no possibility to drive down the rate of interest by increasing the money supply is called _____.
11. _____ is the size of population that maximizes GDP per head.
12. _____ can be used as an indicator to measure globalization.

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Question Three: Extended Response (Items 13 – 20) (16 marks)

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Write your answer for each of the following questions in the space provided.

- 13. Explain the polluter pays principle and justify the passing of legislations in European countries that bans the production of ceramics. (2 marks)

- 14. Ahmed is a Sudanese engineer. He is planning to move to work in Germany, which he has never visited. From your understanding of the geographical labour mobility theory, state two of challenges which he may face. (2 marks)

- 15. Analyze the tools of supply side policies which can be used to reduce unemployment. (2 marks)

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Question Three: (continued)

16. You are given the following data:

Money supply (M) = \$10 Billions

Price level (P) = 5

The output of the economy (T) = \$15 Billions

Calculate the value of velocity (V) using the quantity theory of money. (2 marks)

17. Calculate the real exchange rate for the Malaysian Ringgit (MR) if the USD – Ringgit is \$1.00 = MR 4.00 and the US price index is 150 and the Malaysian price index is 125. (2 marks)

18. How does the inelasticity of food products make trade for low income countries more vulnerable? (2 marks)

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Question Three: (continued)

19. Although the International Monetary Fund (IMF) and the World Bank (WB) were created on the same day, each of them has a different role in the international economy.

Explain how the role of each institution is different to the other. (2 marks)

20. Through your study of trade blocs, identify in which stage are the GCC countries currently? Justify your answer. (2 marks)

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Question Four: Extended Response (Items 21 – 25) (20 marks)

21. Sustainable economic growth became one of the goals for the majority of governments worldwide. Explain the following:

- a. The definition of sustainable economic growth; (1 mark)

- b. The impact of economic growth on the environment and climate change: (1 mark)

- c. The role of resources conservation in achieving the sustainable economic growth, with one example. (2 marks)

22. According to the loanable funds theory, the interest rate is determined by the demand and supply of loanable funds. **Answer the following questions:**

- a. State two sources that can demand loanable funds. (2 marks)

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Question Four: (continued)

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- b. Analyze the impact of the rise in the supply of loanable funds on the interest rate. Illustrate your answer using a graph if possible. (2 marks)

23. Assume that the Price Elasticity of demand on exports for South Africa = 0 and the Price Elasticity of demand on imports for South Africa = -1.5. The government decided to devalue the South African Rand against the dollar, stating that this decision is beneficial for the country.

- a. Explain the Marshall-Lerner condition and the results of meeting this condition (2 marks)

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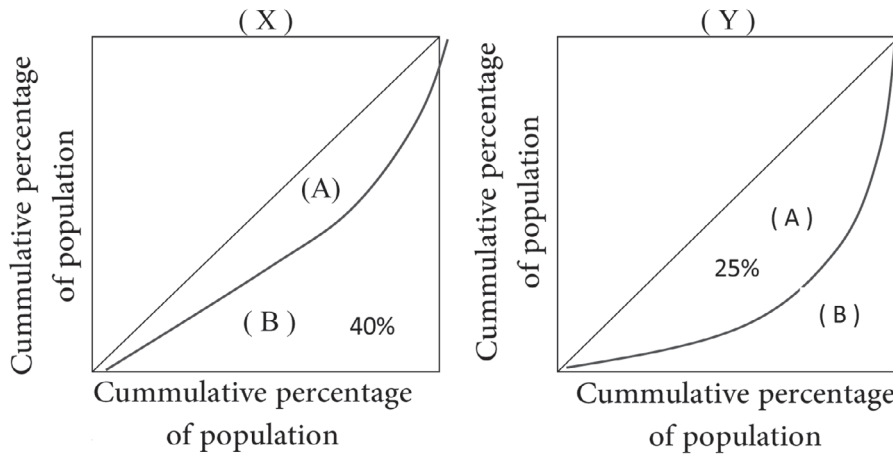
Question Four: (continued)

- b. Evaluate the outcomes for this decision and if it has a positive or negative impact on South Africa’s trade balance.

Justify your evaluation.

(2 marks)

24. The following figures show the Lorenz curve for two countries, X and Y.



- a. Calculate the Gini coefficient and the Gini index for the two countries (2 marks)

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Question Four: (continued)

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b. Which country (X) or (Y) has more dependence on the primary sector? Why? (2 marks)

25. Although countries can achieve a high level of economic growth via attracting Multinational Companies (MNCs), there is much debate on the activities of these companies in the hosting countries.

a. Define a Multi-National Company. (1 mark)

b. State two disadvantages of MNCs for the hosting country? (2 marks)

c. State two measures that a country can offer MNCs as an incentive to invest in that country. (1 mark)

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Question Five: Case Study (Items 26 – 27)**(12 marks)****Case study 1****(6 marks)**

26. Assume you are appointed as CEO for “X” bank in the UK. The central bank requires all banks to keep a ratio of 10% within their reserves. **Answer the following questions.**

a. Explain the impact of increasing the reserve ratio on the money supply. (1 mark)

b. Calculate the value of the credit multiplier for “X” bank. Explain the meaning of this result. (2 marks)

c. How much credit creation would take place if one would deposit £1,000 in “X” bank? (1 mark)

d. Assume that the central bank decided to sell government securities. Evaluate the impact of this decision on the ability of “X Bank” to lend. (2 marks)

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Question Five: (continued)

Case study 2

(6 marks)

27. Use the table below to Answer the following questions.

Country Name	Real GNI (2017 fixed prices - \$)	Population
Australia	1,316,464,081	25,688,079
India	9,133,558,636	1,407,563,842
Niger	3,0526,860	25,252,722
United States of America	21,552,086,189	331,893,745

Source: World Bank database

a. Calculate the GNI Per Capita for the four given countries. (2 marks)

b. Classify the four economies based on their GNI per capita according to the World Bank classification (High-income, Upper middle-income, Lower middle-income and Low-income) (2 marks)

Country Name	Classification
Australia	
India	
Niger	
United States of America	

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Question Five: (continued)

- c. When using GDP per capita or GNI per capita to compare the economic growth for one country over time or between countries, these figures may understate the true changes in output, Why? (1 mark)

- d. There are some indicators of living standards and economic development that are measured in non-monetary terms. Human Development Index (HDI) is one of these indices. Explain this index, its components, and the classification of countries according to this indicator. (1 mark)

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