First Semester

Economics

(الاقتصاد)

(Questions)



سلطنة عمان
وزارة التربية والتعليم



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

امتحان دبلوم التعليم العام للمدارس الخاصة (ثنائية اللغة)

للعام الدراسي ١٤٤٦/١٤٤٥ هـ - ٢٠٢٣ / ٢٠٢٤ م

الدور الأول - الفصل الدراسي الأول

تنبيه:
- المادة: الإقتصاد
- الأسئلة في (١٨) صفحة.
- زمن الإجابة: ثلاث ساعات.
- الإجابة في الورقة نفسها.

تعليمات مهمة:

- يجب الحضور إلى قاعة الامتحان قبل عشر دقائق على الأقل من بدء زمن الامتحان.
- يجب إحضار أصل ما يثبت الهوية وإبرازها للعاملين بالامتحانات.
- يجب الالتزام بالزي (الدشداشة البيضاء والمصر أو الكمة للذكور) والزي المدرسي للطالبات ، ويستثنى من ذلك الدارسون من غير العمانيين بشرط الالتزام بالذوق العام، ويمنع على جميع المتقدمات ارتداء النقاب داخل المركز وقاعات الامتحان.
- يحظر على الممتحنين اصطحاب الهواتف النقالة وأجهزة النداء الآلي وآلات التصوير والحواسيب الشخصية والساعات الرقمية الذكية والآلات الحاسبة ذات الصفة التخزينية والمجلات والصحف والكتب الدراسية والدفاتر والمذكرات والحقائب اليدوية والآلات الحادة أو الأسلحة أياً كان نوعها وأي شيء له علاقة بالامتحان.
- يجب على الممتحن الامتثال لإجراءات التفتيش داخل المركز طوال أيام الامتحان.
- 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.

صحيح ● **غير صحيح** ⊖ ◉ ◒ ⊗ ✓

مُسَوَّدَة، لا يتم تصحيحها

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Question One: Multiple Choice (Items 1 – 12) (12 marks)

There are 12 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 a characteristic of a floating exchange rate system?

- ○ Exchange rates are fixed by the government.
- ○ Exchange rates are determined solely by the market forces of supply and demand.
- ○ Exchange rates are linked to a gold standard.
- ○ Exchange rates are set unilaterally by neighboring countries.

2) How does currency depreciation typically affect the price of imported goods?

- ○ Imported goods become more expensive for domestic consumers.
- ○ Imported goods become cheaper for domestic consumers.
- ○ Currency depreciation has no impact on the price of imported goods.
- ○ Imported goods become scarcer, leading to increased prices.

3) A tariff on imported steel would most likely benefit:

- ○ Foreign producers at the expense of domestic consumers.
- ○ Domestic manufacturers of steel.
- ○ Domestic consumers of steel.
- ○ Foreign consumers of steel.

4) What is a quota in international trade?

- ○ A tax imposed on imported goods.
- ○ A limit on the quantity of a specific product that can be imported.
- ○ A subsidy provided to domestic producers.
- ○ A trade agreement between two countries.

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Question One: (continued)

5) What is "dumping" in the context of international trade?

- ☐ The practice of selling goods abroad at a lower cost than their production cost.
- ☐ A method of promoting free trade between countries.
- ☐ An agreement between nations to eliminate tariffs.
- ☐ A type of trade barrier that encourages imports.

6) What is one of the common arguments in favor of protectionism in international trade?

- ☐ To encourage foreign investment.
- ☐ To safeguard domestic industries and jobs.
- ☐ To promote free trade and open markets.
- ☐ To increase access to foreign goods.

7) What is one of the primary reasons for taxation by governments?

- ☐ To encourage spending and consumption.
- ☐ To control inflation.
- ☐ To promote international trade.
- ☐ To generate revenue for public services and projects.

8) Why might a government typically employ an expansionary fiscal policy?

- ☐ To combat inflation and reduce aggregate demand.
- ☐ To reduce government debt and deficits.
- ☐ To address a period of economic downturn or recession.
- ☐ To increase government revenue.

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Question One: (continued)

9) Which of the following is a monetary policy instrument used by central banks to influence the economy?

- ☐ Interest rates.
- ☐ Government spending.
- ☐ Taxation
- ☐ Fiscal deficits

10) What does the marginal rate of taxation refer to:

- ☐ The total amount of taxes paid by an individual or entity.
- ☐ The average tax rate applied to all income levels.
- ☐ The proportion of extra income taken in tax.
- ☐ The tax rate that applies to essential goods and services.

11) Which of the following is an example of a government's current expenditure?

- ☐ Building a new highway.
- ☐ Paying wages of teachers employed in the state schools.
- ☐ Constructing a new school.
- ☐ Investing in research and development.

12) What does it mean when a government operates with a balanced budget?

- ☐ The government has no outstanding debt.
- ☐ Government revenues are equal to government expenditures.
- ☐ Government revenues exceed government expenditures.
- ☐ Government expenditures exceed government revenues.

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Question Two: Extended Response Items (13-27) (48 marks)

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

13) List and briefly explain ***two*** macroeconomic policy objectives that a government aims to achieve. (2 marks)

14) Briefly differentiate between **direct** taxes and **indirect** taxes in terms of their characteristics and how they are levied. (2 marks)

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Question Two: (continued)

15) Explain in brief, how substantial economies of scale act as a barrier to entry in natural monopolies. (2 marks)

16) Explain how a country still can gain from international trade although it has an absolute disadvantage with its trading partner. (2 marks)

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Question Two: (continued)

17) The table below shows the production possibilities of one worker in the U.S and Argentina.

Production per unit of Labor:		
	U.S	Argentina
Wheat	300	20
Beef	100	20

Based on the information provided in the table, answer the following questions:

a. What is the opportunity cost of one unit of wheat in each country? (1 mark)

b. Which country has a comparative advantage in wheat production? (1 mark)

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Question Two: (continued)

18) The table below shows details of the current account balance of "A country" in October 2019

	$ million
Exports of goods	2062
Imports of goods	4741
Exports of services	442
Imports of services	733
Balance of primary income	-509
Balance of secondary income	+2201

Using the information in the table,

a. Calculate the balance of trade in goods and services. (1 mark)

b. Calculate the current account balance. (1 mark)

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Question Two: (continued)

19) Discuss the relationship between inflation, international competitiveness, and a country's current account deficit. (2 marks)

20) Briefly explain the relationship between the budget deficit and the national debt. (2 marks)

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Question Two: (continued)

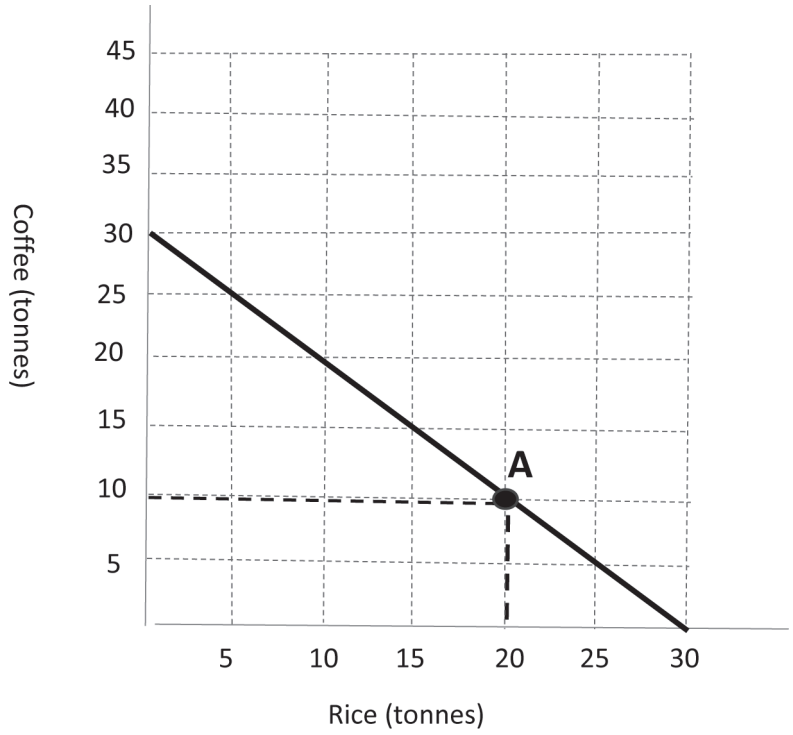
21) What is inflation targeting? Discuss how the central bank utilizes changes in interest rates to achieve it. (4 marks)

22) Compare supply-side policies with fiscal policy in terms of their objectives and approaches. Discuss any ***two*** supply-side policy tools governments can employ to achieve economic goals. (4 marks)

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Question Two: (continued)

23) The figure below shows the production possibilities for Indonesia. With the available resources, Indonesia is able to produce a maximum of 30 tonnes of rice or 30 tonnes of coffee. Initially, Indonesia produces and consumes 20 tonnes of rice and 10 tonnes of coffee (point A). Engaging in international trade may enable the country to specialize in rice production and import 1.5 tons of coffee for every ton of rice it exports.



Suppose that Indonesia engages in international trade and specializes in rice.

a. What is the maximum quantity of rice that Indonesia can produce? (1 mark)

b. How many tonnes of rice can Indonesia export while maintaining a consistent level of consumption at 20 tonnes? (1 mark)

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Question Two: (continued)

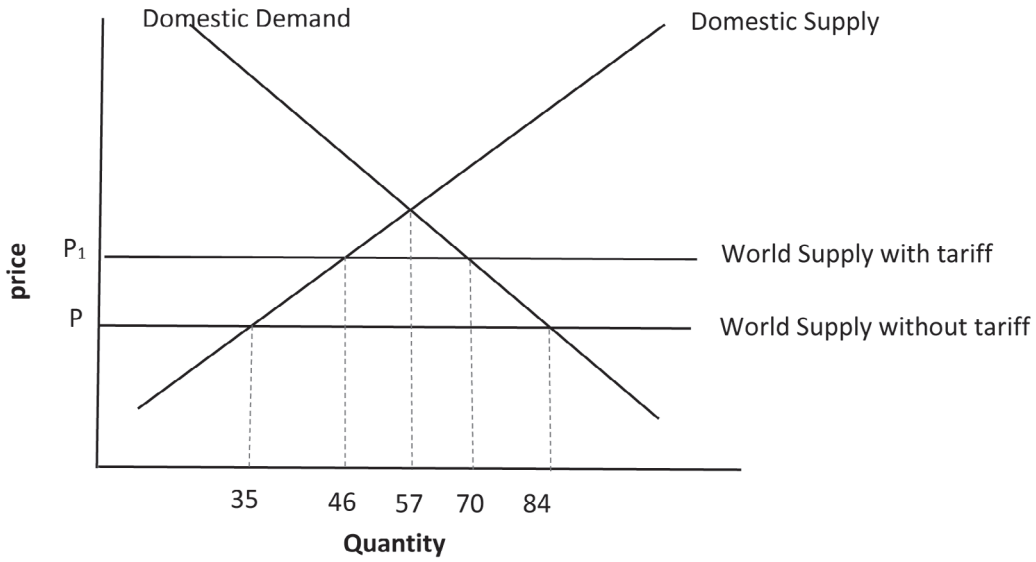
c. In exchange for rice, how many tonnes of coffee can Indonesia import? (1 mark)

d. Draw the trade possibilities curve for Indonesia. (1 mark)

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Question Two: (continued)

24) A government places a tariff on an imported product. The diagram below shows the effect of this on the home market.



Based on the diagram above you are required to:

a. Calculate the volume of imports without a tariff. (1.5 marks)

b. Calculate the volume of imports with a tariff. (1.5 marks)

c. Calculate the reduction in the volume of trade resulting from the tariff. (1 mark)

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Question Two: (continued)

25) The table below provides data on the average indexed prices of imports and exports to and from the Philippines. The base year is 2000.

	Index of export prices	Index of import prices
January 2019	107.55	119.32
January 2020	105.82	119.91

a. Have the terms of trade improved or deteriorated between January 2019 and January 2020? (2 marks)

b. Explain if this improvement or deterioration is favourable or unfavourable for the Philippines. (2 marks)

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Question Two: (continued)

26) A firm operates within a market characterized by the following key features:

-A large number of small firms.

-No barriers to entry.

-The product is homogenous.

-Each firm faces a perfectly elastic demand curve and is a price taker.

-Perfect knowledge of market conditions.

Figures ***(a)*** and ***(b)*** below show the industry and the firm's short-run equilibrium, respectively:

Figure (a)

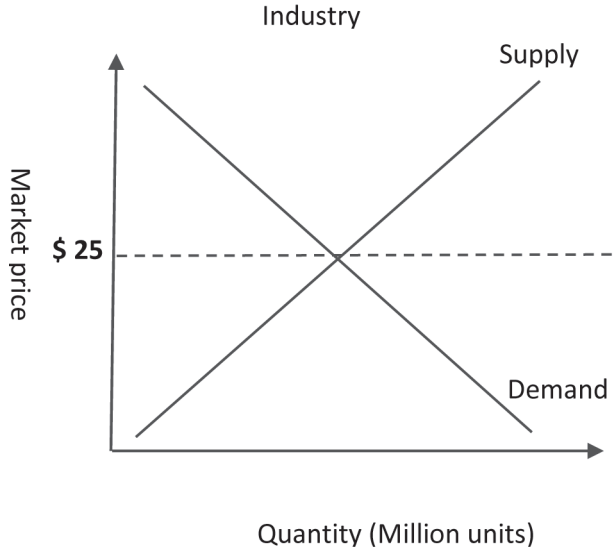
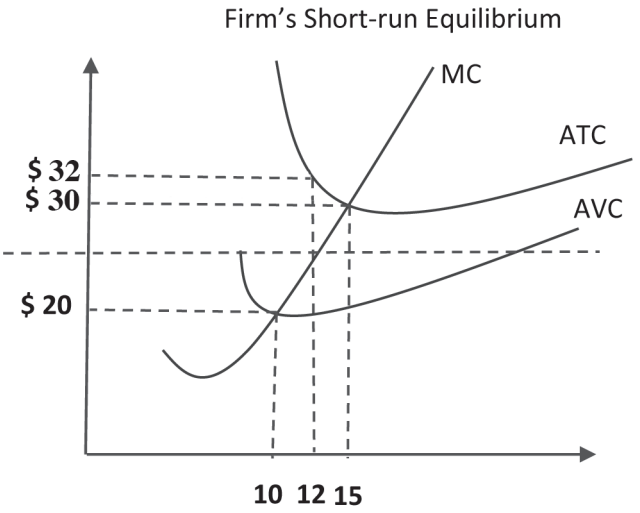


Figure (b)



a. Based on the market characteristics provided, identify the market structure in which the firm is operating. (1 mark)

b. Using figures ***(a)*** and ***(b)***, determine the firm's Marginal Revenue (MR). (1 mark)

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Question Two: (continued)

c. Based on figure ***(b)***, determine the firm's shut-down price. (1 mark)

d. Assume the firm is maximizing its profit. Based on figures ***(a)*** and ***(b)***,

(i) Determine the level of output at which the firm maximizes its profit. (2 marks)

(ii) Explain whether the firm is currently making a profit or incurring a loss. Provide a rationale for your answer. (1 mark)

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Question Two: (continued)

27) Imagine an economy that is initially at full employment, with an output (real GDP) equal to the potential or full-employment level of GDP (Yfe). However, due to increased consumer and business confidence, there has been a surge in aggregate demand (AD), resulting in a rising demand for goods and services. This has led to inflationary pressure and a situation where real GDP surpasses the full-employment level of GDP. Price levels are rising, and there is concern about overheating.

a. Using the AS-AD Model, illustrate the initial equilibrium in this economy when it is at full employment. Label the curves as follows: (1 mark)

The Long-Run Aggregate Supply Curve as 'LRAS.'

The Short-Run Aggregate Supply Curve as '$SRAS_0$.'

The Aggregate Demand Curve as 'AD_0.'".

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Question Two: (continued)

b. Explain the impact of the increase in aggregate demand on real GDP and the price level. Use the AS-AD model to illustrate your answer. **Draw** the new AD curve. Label it AD_1. (2 marks)

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Question Two: (continued)

c. To address the inflationary pressures, the central bank conducts a contractionary monetary policy. Provide one example of a contractionary monetary policy and explain how it can be used to combat inflation and return the economy to full employment. (3 marks)

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امتحان دبلوم التعليم العام للمدارس الخاصة (ثنائية اللغة)

للعام الدراسي ١٤٤٦/١٤٤٥ هـ - ٢٠٢٤/٢٠٢٣ م

الدور الثاني - الفصل الدراسي الأول

تنبيه:
- المادة: الإقتصاد
- الأسئلة في (١٢) صفحة.
- زمن الإجابة: ثلاث ساعات.
- الإجابة في الورقة نفسها.

تعليمات مهمة:

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- 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.

صحيح ● **غير صحيح** ▭ ◉ ◒ ✗ ✓

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Question One: Multiple Choise (Items 1 – 12) (12 marks)

There are 12 multiple-choice items worth one mark each.
Shade in the bubble (⬭) next to the **correct** answer for each of the following items.

1) What type of costs does current government spend cover?

- ⬭ Operating costs for state-financed services.
- ⬭ Spending on building state schools and hospitals.
- ⬭ Expenditure on capital goods for the public sector.
- ⬭ Paying wages for teachers employed in privately-owned schools.

2) Which type of unemployment can be reduced by improved education and training when using supply-side policy tools?

- ⬭ Cyclical unemployment.
- ⬭ Seasonal unemployment.
- ⬭ Technological unemployment.
- ⬭ Both frictional and structural unemployment.

3) What influences the amount of tax passed by firms on to consumers?

- ⬭ Producer's cost.
- ⬭ Purchase value.
- ⬭ Market competition.
- ⬭ Price elasticity of demand.

4) What happens to aggregate demand when there is a decrease in the government budget surplus?

- ⬭ It decreases.
- ⬭ It increases.
- ⬭ It is unpredictable.
- ⬭ It remains unchanged.

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Question One: (continued)

5) What can a government do to implement contractionary fiscal policy?

- ▢ Increase its spending and/or decrease taxes.
- ▢ Maintain its current spending and tax levels.
- ▢ Reduce its spending and/or increase taxes.
- ▢ Decrease its spending and/or reduce taxes.

6) What factors does a government consider when determining a good growth rate for its economy?

- ▢ Changes in the size of the labor force.
- ▢ Changes in organizational structure.
- ▢ Changes in international relations.
- ▢ Changes in project funding.

7) What is the primary purpose of the trading possibilities curve?

- ▢ To demonstrate the efficiency gains from regulated trade.
- ▢ To determine the optimal production under trade restrictions.
- ▢ To illustrate the potential consumption choices under free trade.
- ▢ To compare consumption choices under different trade regimes.

8) Which factor would cause an increase in the price of exports?

- ▢ An increase in the demand for exports.
- ▢ A decrease in the demand for exports.
- ▢ An increase in the supply of exports.
- ▢ A decrease in the supply of exports.

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Question One: (continued)

9) What does primary income in the balance of payments comprise of?

- ▢ Personal income tax payments.
- ▢ Revenue generated from tourism.
- ▢ Income earned from investments abroad.
- ▢ Domestic earnings on investment in the country.

10) Which factor may offset the comparative advantage in international trade?

- ▢ High transport costs.
- ▢ Rate of growth.
- ▢ Overspending.
- ▢ Dumping.

11) What does 'red tape' refer to in the context of protecting domestic industries?

- ▢ Excessive administrative burdens.
- ▢ Regulation related to domestic firms.
- ▢ Foreign competition control measures.
- ▢ Trade barriers with neighboring countries.

12) What determines the price of a currency on the foreign exchange market?

- ▢ The government's control over the currency.
- ▢ The location of the foreign exchange market.
- ▢ The financial institutions that participate in the market.
- ▢ The relative strength of the demand for and the supply of the currency.

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Question Two: Extended Response (Items 13 – 27) (48 marks)

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

13) Distinguish between "progressive tax" and "regressive tax". (2 marks)

14) Describe **ONE** reason for government spending. (2 marks)

15) Briefly explain how the monetary policy is used to meet the government's inflation target. (2 marks)

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Question Two: (continued)

16) Compare the terms "absolute advantage" and "comparative advantage". (2 marks)

17) What are import quotas? Explain the impact of quotas on consumers. (2 marks)

18) List the main components of a country's balance of payments and define any **TWO** of them. (2 marks)

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Question Two: (continued)

19) Which type of balance of payments accounts can be improved by protectionist policies? Give an example. (2 marks)

20) Briefly explain the difference between a natural monopoly and an oligopoly. (2 marks)

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Question Two: (continued)

21) Taxes can be grouped in a number of ways, such as the marginal rate of taxation and the average rate of taxation. Based on this statement, answer the following questions.

a. Differentiate between the marginal rate of taxation and the average rate of taxation. (2 marks)

b. Calculate the marginal rate of taxation if a person earns an extra $1000 and $20 is taken in tax. (1 mark)

c. Calculate the average rate of taxation if a person earns $80,000 and pays $20,000 tax. (1 mark)

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Question Two: (continued)

22) The Supply side tools, among others, include spending on education and training, infrastructure development and technological improvement. Based on this statement, answer the following questions.

a. Explain the main objective of supply-side policy. (1 mark)

b. Analyze how promoting infrastructure development is used as a tool in the supply-side policy. (1 mark)

c. Discuss how reforms in the tax and benefit system are considered as one of the other supply-side tools. (2 marks)

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Question Two: (continued)

23) A country's balance of payment is a record of all the economic transactions between the residents and that country and the residents in other countries. In this context

a. Discuss the difference between the current account deficit and the current account surplus. (2 marks)

b. Explain any two causes of the current account deficit. (2 marks)

24) The value of a currency is often affected by market forces. You are required to analyze the following:

a. The impact of a fall in a currency's value on exports and imports. (1 mark)

b. The impact of a rise in a currency's value on exports and imports. (1 mark)

c. Identify any four factors determining the exchange rate in a floating exchange system. (2 marks)

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Question Two: (continued)

25) Assume that the table below shows the details of the current account balance of Oman in USD.

Item	Amount ($ billion)
Exports of goods	3670
Imports of goods	5620
Exports of services	900
Imports of services	400
Balance of primary income	300
Balance of secondary income	150

Using the information in the table, calculate the following for Oman:

a. Balance of trade in goods. (1 mark)

b. Balance of trade in services. (1 mark)

c. Balance of trade in goods and services. (1 mark)

d. Current account balance. (1 mark)

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Question Two: (continued)

26) The impact of expansionary and contractionary monetary policy on the price level
The Central Bank of Oman (CBO) has increased the interest rates by 25 baiza points to 5.75 percent, following the decision by the US Federal Reserve to do the same. Oman follows a fixed exchange-rate regime, and consequently, its interest rates are closely aligned with US policy rates. The CBO's repo rate generally moves in tandem with the Fed's policy rate. The repo rate is the policy rate that allows commercial banks to acquire short-term liquidity from the Central Bank as the lender of last resort. The CBO has cautioned banks not to increase the cost of borrowing to consumers given ample liquidity in the system. (Oman Observer, 2023)

a. Discuss the impact of increasing interest rates on investment. (2 marks)

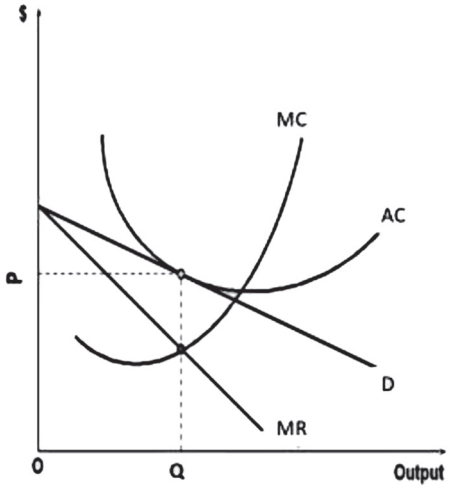
b. Determine and explain the monetary policy followed in the above scenario. (2 marks)

c. Discuss the direction given by the CBO to the commercial banks in Oman in this case. (2 marks)

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Question Two: (continued)

27) The following figure shows the costs and revenue curves for a producer who sells his product in a monopolistic competition market.



Based on the figure above, answer the following:

a. Does the figure above show the equilibrium in the short run or the long run? Justify. (2 marks)

b. Which output level represents the maximum profit for this producer? Justify. (1 mark)

c. In the figure above, if AC = AR, what will be the effect on the profit? (1 mark)

d. Discuss how the firm can achieve productive and allocative efficiency. (1 mark)

e. What is the meaning of non-price competition? (1 mark)

[End of the Examination]

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امتحان دبلوم التعليم العام للمدارس الخاصة (ثنائية اللغة)

للعام الدراسي ١٤٤٤ هـ - ٢٠٢٢ / ٢٠٢٣ م

الدور الأول - الفصل الدراسي الأول

تنبيه:
- المادة: الإقتصاد
- الأسئلة في (١٢) صفحة.
- زمن الإجابة: ثلاث ساعات.
- الإجابة في الورقة نفسها.

تعليمات مهمة:

- يجب الحضور إلى قاعة الامتحان قبل عشر دقائق على الأقل من بدء زمن الامتحان.
- يجب إحضار أصل ما يثبت الهوية وإبرازها للعاملين بالامتحانات.
- يجب الالتزام بالزي (الدشداشة البيضاء والمصر أو الكمة للذكور) والزي المدرسي للطالبات ، ويستثنى من ذلك الدارسون من غير العمانيين بشرط الالتزام بالذوق العام، ويمنع على جميع المتقدمات ارتداء النقاب داخل المركز وقاعات الامتحان.
- يحظر على الممتحنين اصطحاب الهواتف النقالة وأجهزة النداء الآلي وآلات التصوير والحواسيب الشخصية والساعات الرقمية الذكية والآلات الحاسبة ذات الصفة التخزينية والمجلات والصحف والكتب الدراسية والدفاتر والمذكرات والحقائب اليدوية والآلات الحادة أو الأسلحة أياً كان نوعها وأي شيء له علاقة بالامتحان.
- يجب على الممتحن الامتثال لإجراءات التفتيش داخل المركز طوال أيام الامتحان.
- 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.

صحيح ● **غير صحيح** ⊖ ◉ ◔ ⊗ ✓

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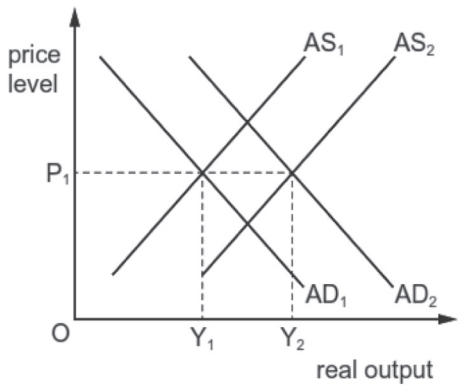
Question One: Multiple Choise (Items 1 – 6) (6 marks)

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. In which circumstances will country X have a comparative advantage in the production of rice over country Y?

- ⬭ when X has lower costs production rice than Y.
- ⬭ when X is in a customs union and Y is outside that union.
- ⬭ when X uses dollars for trading and Y uses a different currency.
- ⬭ when X uses more units of labour than Y to produce rice.

2. The diagram below shows an economy with an initial equilibrium real output of Y1 at a price level of P1.



Which combination of events is likely to cause the equilibrium real output to rise to Y2?

- ⬭ an increased budget deficit and a fall in energy costs.
- ⬭ an increased budget surplus and a rise in energy costs.
- ⬭ an increased trade deficit and a fall in indirect tax.
- ⬭ an increased trade surplus and a rise in indirect tax.

3. What is indicated by an economy's terms of trade?

- ⬭ The degree of its dependence on imports.
- ⬭ The international competitiveness of its exports.
- ⬭ The purchasing power of its exports relative to its imports.
- ⬭ The relative strength of its currency in the foreign exchange market.

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Question One: (continued)

4. A government reduces the benefits that it pays to unemployed workers to increase their incentive to work.

Which types of macroeconomic policies are being used?

	fiscal policy	monetary policy	supply-side policy
☐	✓	×	×
☐	✓	✓	×
☐	✓	×	✓
☐	×	×	✓

5. The table below shows an approximate summary of the current account of the balance of payments for Thailand.

Bank of Thailand current account (millions of USA dollars)		
		April 2018
1	exports	18 990
2	imports	18715
3	trade balance	275
4	net services, primary income and secondary income	1130

What is the current account balance, in millions of USA dollars?

☐ –855

☐ 1405

☐ 1680

☐ 39,110

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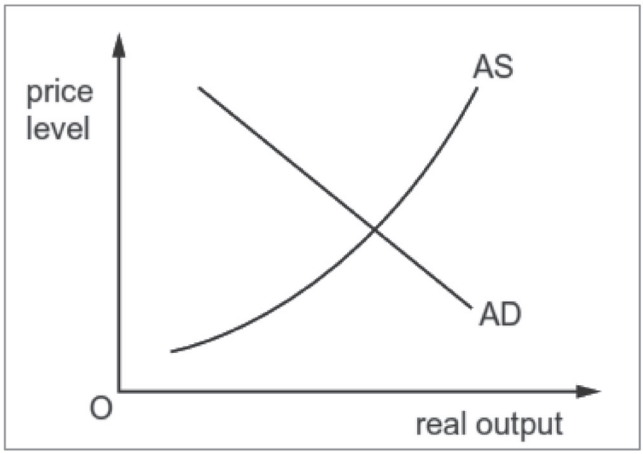
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Question One: (continued)

6) The economy in the diagram below is initially in the macroeconomic equilibrium listed below.

Which change will definitely result in a rise in real output?



- ▢ a fall in personal taxation and a fall in government expenditure.
- ▢ a rise in consumption and a rise in the cost of raw materials.
- ▢ a rise in export revenues and a fall in import expenditure.
- ▢ a rise in government expenditure and a fall in investment.

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Question Two: (6 marks)

Fill in the gaps with the following words, There are four extra words in the box.

Progressive tax	Sunk costs	Oligopoly	Infant	Variable costs
Predatory pricing	Automatic stabilizers	Regressive tax	Dumping	Perfect competition

7. When a firm sells its goods below average cost to force competition out of the market is called _____.

8. The costs that cannot be recovered and act as a barrier to exit from the market are regarded as _____.

9. _____ industries are new industries that have a low output and a high average cost.

10. _____ is selling products in a foreign market at below their production cost.

11. _____ is a tax which takes a larger percentage of the earnings of those on low incomes.

12. _____ are changes in government spending and taxation that occur to reduce fluctuations in aggregate demand without any alteration in government policy.

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Question Three: Extended Response (Items 13 – 24) (48 marks)

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

13. In recent decades, governments have generally tended to impose indirect taxes. Explain this issue by elaborating on **four** significant advantages in direct taxes against direct taxes. (4 marks)

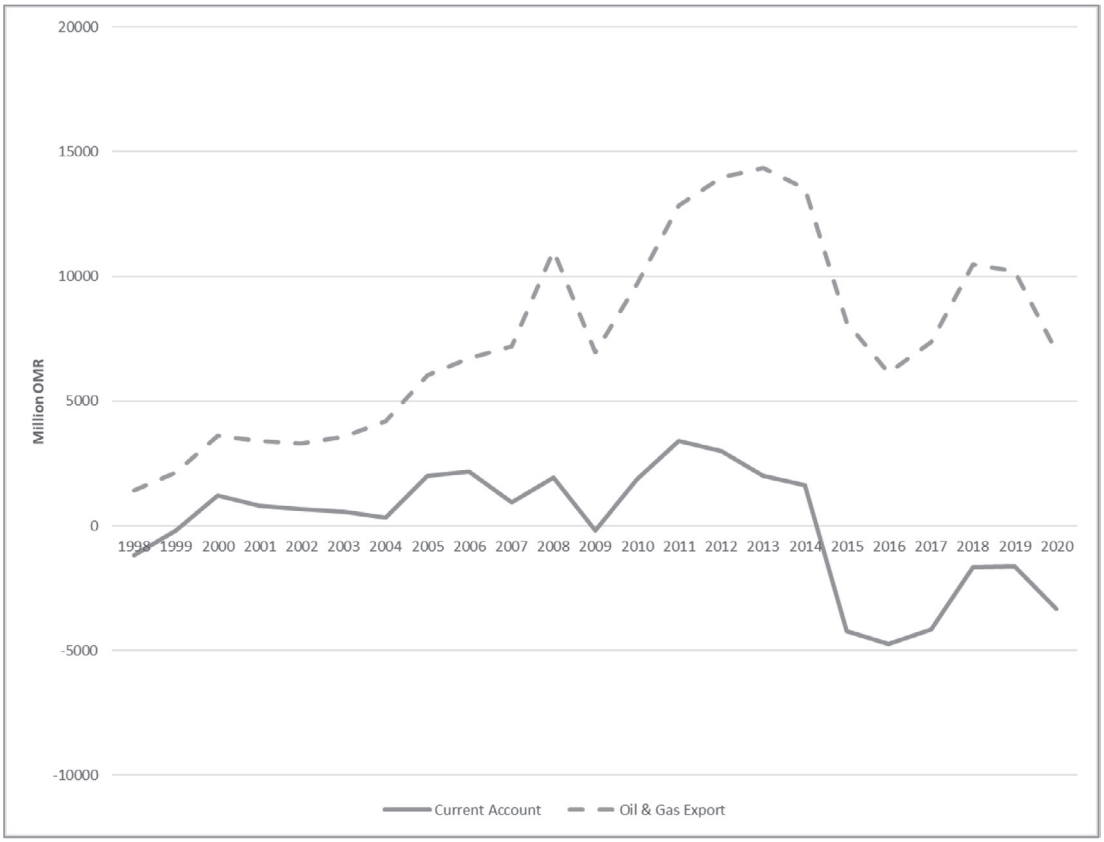
14. What are the disadvantages of indirect taxes versus any other types of taxes? (4 marks)

15. Can a country have a comparative advantage in all products? Justily your answer. (4 marks)

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Question Three: (continued)

16. Oman's main export is oil and gas. The Figure below shows Oman's current account and its oil and gas exports. Answer the following questions. (4 marks)



(year)

Figure 2: Current Account in Oman

a. Explain what it generally implies when a country's current account shows a deficit. (1 mark)

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Question Three: (continued)

b. In the case of Oman, discuss the most likely rationale behind the current account deficit since 2015. Give reasons. (1 mark)

c. Which years did Oman have a current account surplus? (1 mark)

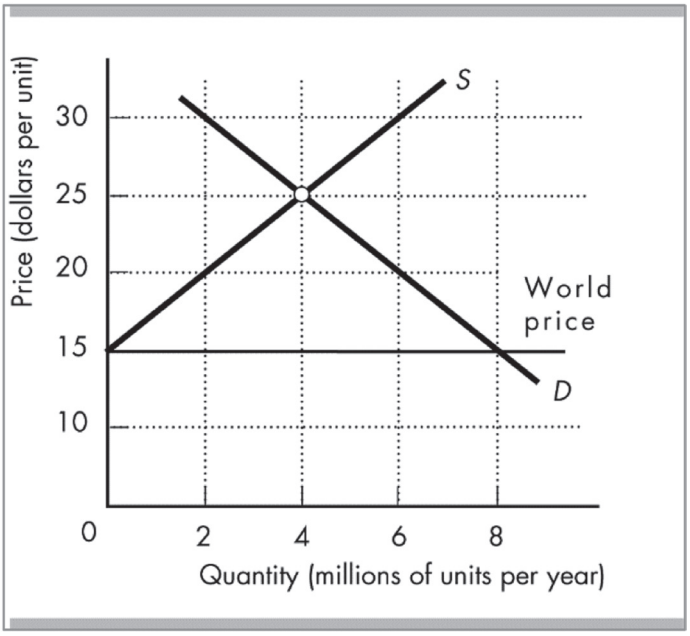
d. List **three** major reasons for current account surplus. (1 mark)

17. What is the difference between a budget surplus, a budget deficit and a balanced budget? Which of these three budget outcomes is currently the case in the USA. (4 marks)

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Question Three: (continued)

18. Figure 3 below shows the domestic supply and demand for an imported good. The world price is $15 per unit. Answer the following questions (4 marks)



a. At the world price of $15 per unit, what is the domestic consumption and the domestic production? (2 marks)

b. What is the quantity imported at the world price of $15 per unit? (2 marks)

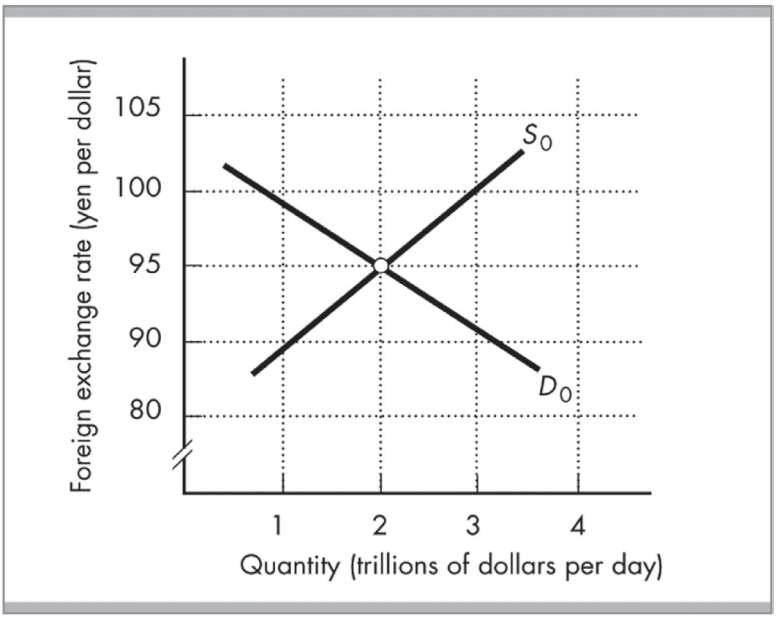
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Question Three: (continued)

19. Figure 4 shows the USA foreign exchange market. If the expected future exchange rate falls: (4 marks)



a. Show on the graph how the exchange rate changes. (2 marks)

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Question Three: (continued)

b. Does the dollar appreciate or depreciate? (2 marks)

20. In imperfectly competitive markets, there are various barriers to entry and exit. Explain firms' predatory pricing and potential collusion under Cost Barriers. Provide at least **four** example in your explanation. (4 marks)

21. When oil prices rose in 1973, higher unemployment and inflation occured in the USA and most oil-consuming countries. (4 marks)

a. Draw the aggregate demand(AD)- aggregate supply(AS) model to depict what happened before and after the oil shock. (2 marks)

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Question Three: (continued)

b. Explain why an expansionary supply-side policy may lead to better results. (2 marks)

22. Is it correct to argue that deficit countries are harmed while surplus countries benefit from international free trade? Justify your answer. (4 marks)

23. What are the **four** conditions that define a perfect competitive market. (4 marks)

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Question Three: (continued)

24. Explain why public utilities such as electricity, water and gas have consistently been put forward to support their public ownership. (4 marks)

[End of the Examination]

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سلطنة عمان
وزارة التربية والتعليم



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

امتحان دبلوم التعليم العام للمدارس الخاصة (ثنائية اللغة)

للعام الدراسي ١٤٤٤ هـ - ٢٠٢٢ / ٢٠٢٣ م

الدور الثاني - الفصل الدراسي الأول

تنبيه:
- المادة: الإقتصاد
- الأسئلة في (٨) صفحات.
- زمن الإجابة: ثلاث ساعات.
- الإجابة في الورقة نفسها.

تعليمات مهمة:

- يجب الحضور إلى قاعة الامتحان قبل عشر دقائق على الأقل من بدء زمن الامتحان.
- يجب إحضار أصل ما يثبت الهوية وإبرازها للعاملين بالامتحانات.
- يجب الالتزام بالزي (الدشداشة البيضاء والمصر أو الكمة للذكور) والزي المدرسي للطالبات ، ويستثنى من ذلك الدارسون من غير العمانيين بشرط الالتزام بالذوق العام، ويمنع على جميع المتقدمات ارتداء النقاب داخل المركز وقاعات الامتحان.
- يحظر على الممتحنين اصطحاب الهواتف النقالة وأجهزة النداء الآلي وآلات التصوير والحواسيب الشخصية والساعات الرقمية الذكية والآلات الحاسبة ذات الصفة التخزينية والمجلات والصحف والكتب الدراسية والدفاتر والمذكرات والحقائب اليدوية والآلات الحادة أو الأسلحة أياً كان نوعها وأي شيء له علاقة بالامتحان.
- يجب على الممتحن الامتثال لإجراءات التفتيش داخل المركز طوال أيام الامتحان.
- 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.

صحيح ● **غير صحيح** ⊖ ◉ ◔ ⊗ ✓

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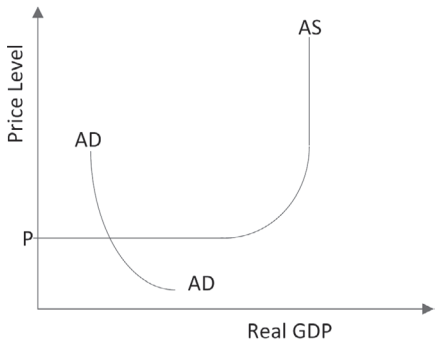
Question One: Multiple Choise (Items 1 – 6) (6 marks)

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. In which circumstances will country X have a comparative advantage in the production of rice over country Y?

- ⬭ When X has lower operating costs in producing rice than Y.
- ⬭ When X is in a customs union and Y is outside that union.
- ⬭ When X uses dollars for trading and Y uses a different currency.
- ⬭ When X uses more units of labour than Y to produce rice.

2. Given the status of the economy in the figure opposite, which of the following would cause the least concern among relevant economic policy objectives?



- ⬭ Economic growth.
- ⬭ Higher national income.
- ⬭ Low unemployment.
- ⬭ Price stability.

3. All of the following are policy tools, except for:

- ⬭ Interest rate.
- ⬭ Money Supply.
- ⬭ Credit regulation.
- ⬭ Government expenditures.

4. A country's trade is balanced when.

- ⬭ Its government expenditures are equal to its tax revenues.
- ⬭ Its net exports are greater than zero.
- ⬭ Its net exports are equal to zero.
- ⬭ Its imports exceed its exports.

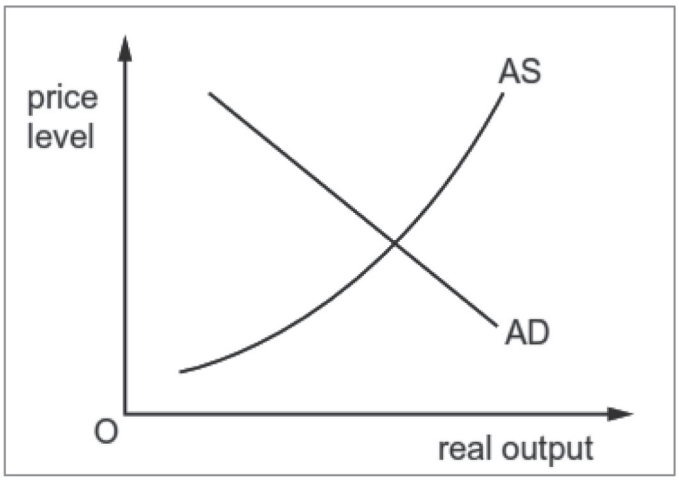
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Question One: (continued)

5. The theory of comparative advantage is credited to:

- ☐ David Ricardo.
- ☐ Adam Smith.
- ☐ Milton Friedman.
- ☐ John Maynard Keynes.

6. The economy in the diagram below is initially in the macroeconomic equilibrium listed below.



Which change will definitely result in a rise in real output?

- ☐ A fall in personal taxation and a fall in government expenditure.
- ☐ A rise in consumption and a rise in the cost of raw materials.
- ☐ A rise in export revenues and a fall in import expenditure.
- ☐ A rise in government expenditure and a fall in investment.

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

Fill in the blank using the following phrases. There are four extra phrases.

Infant	fiscal policy	automatic stabilisers	normal goods	sin tax
Natural Monopoly	regressive tax	terms of trade	monetary policy	balance of payment

7. The changes in a government's budget occur for two reasons. If a deliberate decision of a government causes these changes, it is called _____.

8. If the changes in government taxation and spending happen to reduce fluctuations in aggregate demand without any alteration in government policy, they are called _____.

9. _____ industries are new industries that have a low output and a high average cost.

10. A numerical ratio of export prices and import prices is called _____.

11. The electricity industry, for a long time, was considered a _____ because it was controlled by one entity.

12. _____ is a tax which takes a larger percentage of the earnings of those on low incomes.

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Question Three: Extended Response (Items 13 – 24) (48 marks)

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

13. In recent decades, governments have generally tended to impose indirect taxes. Explain this issue by elaborating on **FOUR** significant advantages indirect taxes have over direct taxes. (4 marks)

14. What are the two disadvantages of indirect taxes versus any other type of taxes? (4 marks)

15. Can a country have a comparative advantage in all products? Justify your answer. (4 marks)

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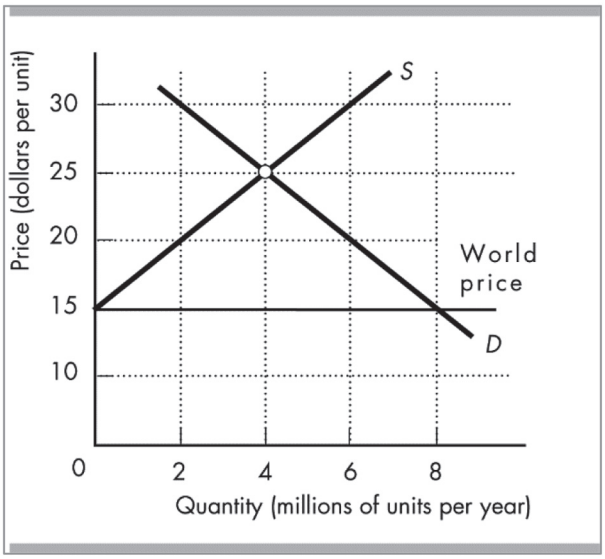
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Question Three: (continued)

16. What is the difference between a budget surplus and a budget deficit? (4 marks)

17. Figure 3 below shows the domestic supply and demand for an imported good. The world price is $15 per unit. Answer the following questions.



a. At the world price of $15 per unit, what is the domestic consumption and the domestic production? (2 marks)

b. What is the quantity imported at the world price of $15 per unit? (2 marks)

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Question Three: (continued)

18. Define absolute and comparative advantage. (4 marks)

19. How is a floating exchange rate determined? Why do currency traders buy the local currency? (4 marks)

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Question Three: (continued)

20. Why might unemployment not fall despite increased government spending and reduced taxes? (4 marks)

21. List **TWO** types of government spending and provide **ONE** example for each. (4 marks)

22. Is it correct to argue that deficit countries are harmed while surplus countries benefit from international free trade? Justify your answer. (4 marks)

Do not write in this space

Question Three: (continued)

23. What are the **FOUR** conditions that define a perfect competitive market (4 marks)

24. The following table shows the averages of index of Export prices and index of import prices in a country in different years. Answer the following questions. (4 marks)

$$\text{Terms of Trade (TOT)} = \frac{\text{Index of average export prices}}{\text{Index of average import prices}} \times 100$$

Year	Index of Export prices	Index of import prices
2020	102	96
2021	94	100
2022	92	99

a. Define imports, exports and terms of trade.

b. Calculate the Terms of Trade for the year 2022.

[End of the Examination]

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