



امتحان دبلوم التعليم العام للمدارس الخاصة (ثنائية اللغة)

الفصل الدراسي الأول - الدور الأول

للعام الدراسي ١٤٤٧/١٤٤٦ هـ - ٢٠٢٤ / ٢٠٢٥ م

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 Choice (Items 1 – 8) (8 Marks)

Shade in the bubble (○) next to the correct answer for each of the following items.

1) The inflation target is:

- ○ Zero Inflation.
- ○ The consistent increase in price level.
- ○ The inflation rates the central bank is set to achieve.
- ○ The average price increase of a basket of selected goods and services over one year.

2) If the economy has a high level of inflation, the central bank may take the following actions to control it:

	Interest rate	Money supply	Credit regulations
○	increase	decrease	impose less restrictions
○	decrease	increase	impose more restrictions
○	decrease	decrease	impose less restrictions
○	increase	decrease	impose more restrictions

3) Which of the following is a tool of supply-side policies?

- ○ Support for technological improvement.
- ○ The exchange rate.
- ○ The reserve ratio.
- ○ The interest rate.

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Question One: (continued)

4) The figure below demonstrates the situation of increasing aggregate supply to increase aggregate demand. In such cases, the country can have:

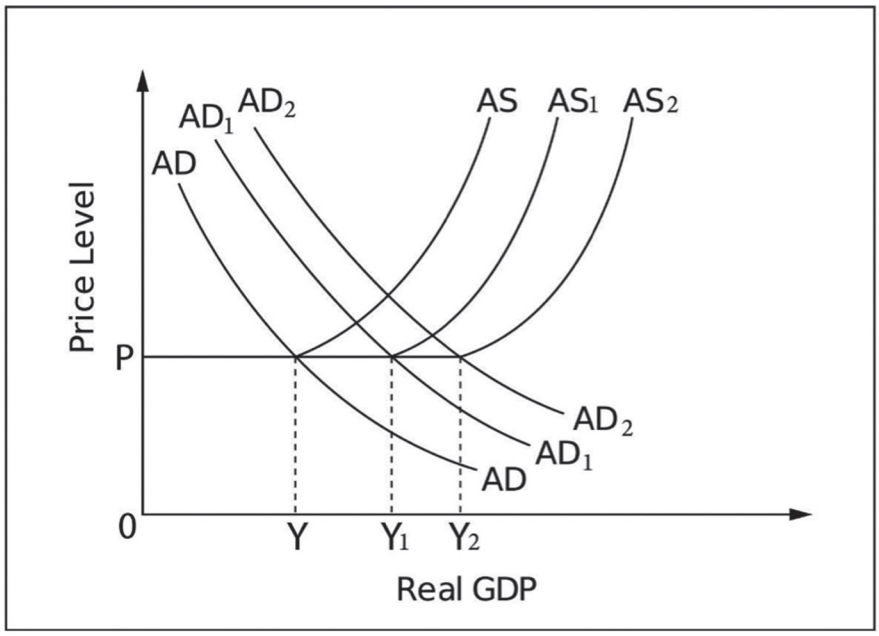


Figure: Non-inflationary economic growth

- ☐ an increase in the price level.
- ☐ a decrease in the price level.
- ☐ an increase in the real GDP while experiencing demand-pull inflation.
- ☐ an increase in the real GDP without experiencing demand-pull inflation.

5) Country A can produce 50 units of cars or 100 units of motorcycles with the same resources, while country B can produce 40 units of cars or 120 units of motorcycles. Based on this information, which statement is correct?

- ☐ Country A has a comparative disadvantage in car production.
- ☐ Country B has a comparative advantage in motorcycles production.
- ☐ Country B has an absolute advantage in both cars and motorcycles.
- ☐ Country A has a comparative advantage in motorcycles production.

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Question One: (continued)

6) What is meant by "excessive administrative burdens" in the context of international trade?

- ☐ The extra paperwork, regulations, and procedures that increase the cost of importing or exporting goods.
- ☐ The removal of tariffs and trade barriers between countries.
- ☐ The increase in consumer demand for imported goods.
- ☐ The practice of selling goods at prices below cost.

7) If the debit items in the current account equal $100 million and the credit items equal $120 million, this situation is considered as:

- ☐ A surplus in the balance of payments.
- ☐ A deficit in the balance of payments.
- ☐ A surplus in the current account.
- ☐ A deficit in the current account.

8) A fall in the value of a currency caused by market forces is known as:

- ☐ Appreciation.
- ☐ Depreciation.
- ☐ Fixed exchange rate.
- ☐ Floating exchange rate.

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Question Two: Extended Response (Items 09 – 18) (32 Marks)

Answer ALL questions in the space provided.

9) The following table represents macroeconomic data of country (A), country (B), and country (C) for the year 2023:

Country	GDP Growth Rate (%)	Inflation Rate (%)	Unemployment Rate (%)
A	-0.9%	42%	16%
B	3.2 %	4.2%	6.3%
C	3.2%	4.7%	6.3%

a. Which country appears to have the best macroeconomic performance? (0.5 mark)

b. Explain your answer. (1.5 mark)

10) Differentiate between the **cyclical budget deficit** and the **structural budget deficit**. (2 marks)

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Question Two: (continued)

11) What is the impact of rising interest rates on investment? **Explain** your answer. (2 marks)

12) "**Monetary Policy is one of the economic policies that is implemented to achieve macroeconomic goals**."

Based on this argument, answer the following questions:

a. What is monetary policy? (1 mark)

b. Explain the difficulty of controlling the money supply practically. (1 mark)

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Question Two: (continued)

13) Explain the importance of education and training in meeting the objectives of supply-side policies. (2 marks)

14) The following data shows the terms of trade index for Country Z over two years:

	Year 1	Year 2
Terms of trade index	90	110

Based on the data provided, answer the following questions:

a. What is meant by the terms of trade? (1 mark)

b. Based on the change in terms of trade index for Country Z from Year 1 to Year 2, **discuss** the potential implications of favorable terms of trade for export revenues in each of the following two scenarios:

i.**Scenario 1:** The rise in the price of exports relative to import prices is caused by an increase in demand for Country Z's exports. (1.5 mark)

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Question Two: (continued)

ii. **Scenario 2:** The rise in the price of exports relative to import prices is caused by an increase in the costs of production for Country Z.

(1.5 mark)

15) State **three** disadvantages of protectionism and **discuss** one of them. (4 marks)

16) **"The current account is considered a mirror of the country's trade with the rest of the world."**.

Based on this argument, answer the following questions:

a. Define the following terms:

i. Current account deficit. (1 mark)

ii. Current account surplus. (1 mark)

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Question Two: (continued)

b. Analyze the structural problems in an economy which are caused by a deficit in the current account. (2 marks)

17) The table below demonstrates the progressive income tax for country (X): (5 marks)

Table: The tax on income rate for country X

Income range (USD)	Tax rate (%)
0 - 10,000	0 %
10,001 – 30,000	20%
30,001 – 60,000	35%
60,001 +	45%

Based on the data provided, answer the following questions:

a. Calculate the income tax for a person with an income of USD 50,000.

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Question Two: (continued)

b. Analyze how the progressive income tax may be used to distribute income more evenly.

c. Analyze how taxes could be used to direct the consumption of certain products in the country.

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Question Two: (continued)

18) The graph below shows the supply and demand curves for a national currency (US dollars $) in terms of a foreign currency (Euro €): (5 marks)

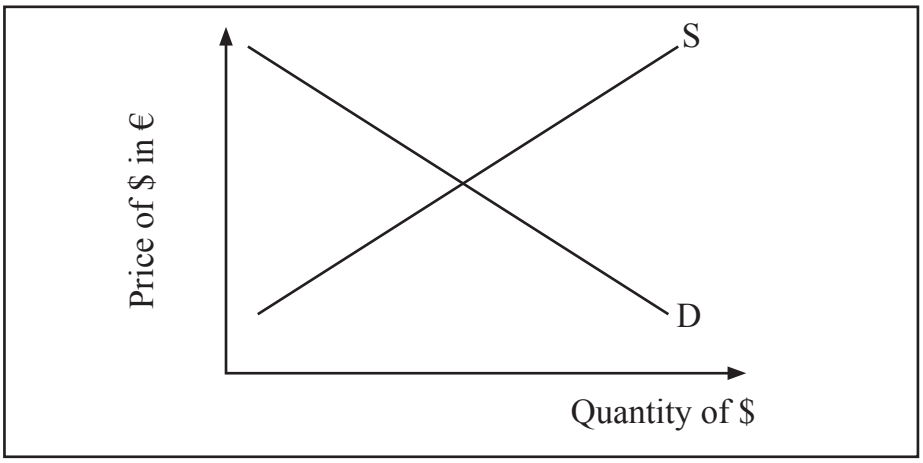


Figure: supply and demand curves for a national currency (US dollars $) in terms of a foreign currency (Euro €)

Using the information given in the figure, answer the following questions:

a. **Illustrate** how a floating exchange rate is determined in the foreign exchange market and **indicate** the equilibrium exchange rate (Pe) and quantity (Qe) **on the graph**.

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Question Two: (continued)

b. **Determine** the impact of a fall in demand for exports (locally produced goods and services sold abroad) on the demand for the national currency. **Illustrate** your answer graphically.

Draw the graph:

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Question Two: (continued)

c. **Determine** the impact of increased share purchases by foreigners on the demand for the national currency.

[End of the Examination]

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SULTANATE OF OMAN
MINISTRY OF EDUCATION

Marking Guide of Economics for Bilingual Program
2024/2025
Semester One – First 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 (8 Marks):

Item N.	Answer	Mark	Page Reference	Learning Outcomes	Learning Level
1	c. The inflation rate the central bank is set to achieve	1	215	Define inflation target.	AO1
2	d. <table><tr><td>increase</td><td>decrease</td><td>impose more restrictions</td></tr></table>	1	235-236	Differentiate between expansionary and contractionary monetary policy	AO2
3	a. Support for technological improvement	1	243	Identify the supply-side policy tools	AO1
4	d. an increase in the real GDP without experiencing demand-pull inflation	1	245	Discuss the impact of supply-side policy on the equilibrium national income, the level of real output, the price level and employment, using aggregate demand (AD) and aggregate supply (AS) analysis.	AO2
5	b. Country B has a comparative advantage in motorcycles production.	1	255-256	Differentiate between absolute and comparative advantage	AO2

6	a. The extra paperwork, regulations, and procedures that increase the cost of importing or exporting goods	1	268	Differentiate between tools of protection in terms of their definitions	AO1
7	c. A surplus in the current account	1	277	Differentiate between balance and imbalances (deficits and surplus) in the current account of the balance of payments.	AO2
8	b. Depreciation	1	286	Differentiate between depreciation and appreciation of a floating exchange rate	AO1

Second: Answers for the Extended Response Items (32 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.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
9.a	Country (B)	0.5	215 - 217	Explain a government's macroeconomic policy objective of price stability, low unemployment, and economic growth.	AO2
9.b	Since Country (B) has the best combination of the highest growth rate **(0.5 mark)**, lowest inflation rate **(0.5 mark)**, and the lowest unemployment rate **(0.5 mark)**, it appears to have had the best macroeconomic performance.	1.5	215 - 217		AO2
10	Cyclical budget deficit: The budget deficit that occurs due to a fall (decline) in economic activity. **(1mark)** Structural budget deficit: The budget deficit that arises when a government is committed to too much spending relative to its tax revenue Or : The budget deficit caused by an imbalance between government spending and taxation. **(1mark)** *Each correct comparison is worth 1 mark (1*2=2 marks)* *Any other correct answer that points to the keywords or its meanings should be awarded.*	2	221-222	Define fiscal policy, government's budget, budget surplus, budget deficit, balanced budget, and national debt.	AO1

Item N.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
11	Rising interest rates will **decrease the investment**. *(1mark)* Because the increase in interest rates will **increase the cost of borrowing funds for investing** (0.5 mark) and **increase the opportunity cost of using profits to invest** (0.5 mark). *Any other correct answer that points to the keywords or its meanings should be awarded. (0.5*2=1 mark)*	2	236	Discuss the impact of expansionary and contractionary monetary policy on the equilibrium level of national income, the real level of output, the price level and employment, using aggregate demand (AD) and aggregate supply (AS) analysis.	AO1 + AO2
12.a	Monetary policy is a demand-side policy that seeks to influence aggregate demand by affecting the quantity of money. *Any other correct definition that points to the keywords or its meanings should be awarded.*	1	234	Define monetary policy	AO1
12.b	In practice, controlling the money supply could be difficult. This is partly because **commercial banks have a strong incentive to increase their lending** and may seek to circumvent (get round) any limits a central bank seeks to place on the growth of their lending. Trying to control certain forms of money may lead to new forms of money being used *Any other correct explanation that points to the keywords or its meanings should be awarded.*	1	238	Discuss the impact of expansionary and contractionary monetary policy on the equilibrium level of national income, the real level of output, the price level and employment, using aggregate demand (AD) and aggregate supply (AS) analysis.	AO2

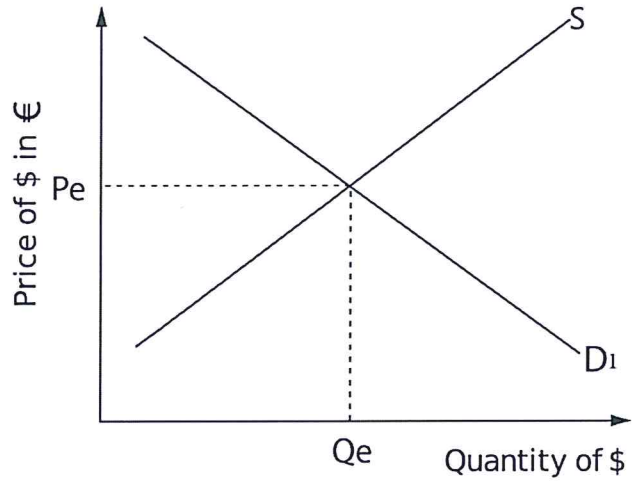
Item N.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
13	Increasing spending on education and training could **raise the quality of education and training** (0.5 mark). If this occurs, **workers' skills and productivity may increase** (0.5 mark), **increase flexibility and mobility of workers** (0.5 mark). **A more efficient labour force** is one of the key causes of an increase in a country's productive capacity (0.5 mark). *Any other correct explanation that points to the keywords or its meanings should be awarded.*	2	243	Identify the supply-side policy tools	AO2
14.a	Terms of trade: a numerical measure of the relationship between export and import prices. *Any other correct definition that points to the keywords or its meanings should be awarded.*	1	259	Calculate the terms of trade index	AO1
14.b	***I. Scenario 1 (Increase in Demand):*** In this scenario, the favorable terms of trade due to increased demand for exports would likely **lead to higher export revenues** (0.5 mark) for Country Z. As demand for its goods rises, Country Z can **sell more at higher prices** (0.5 mark), resulting in **increased income from exports** (0.5 mark).	1.5	259	Analyze the causes of changes in the terms of trade	AO3

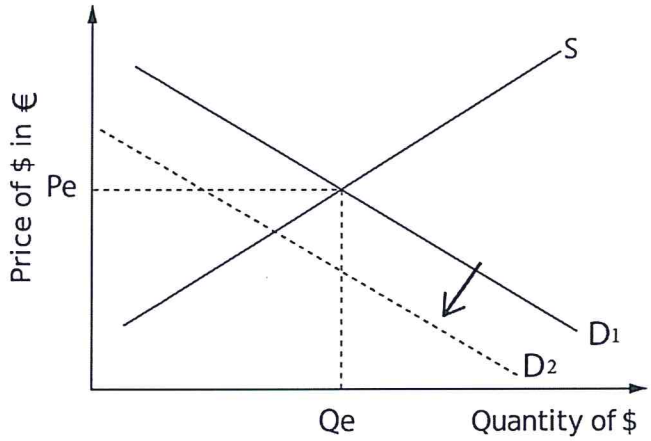
Item N.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
	II. Scenario 2 (Increase in Costs of Production): In this case, although the terms of trade are favorable, the increase in production costs could **offset some of the benefits** (0.5 mark). If production costs rise significantly, exporters might not benefit as much from increased prices, potentially leading to **a decline in export volumes** (0.5 mark) and **a decline in overall revenues** (0.5mark). *Any other correct explanation that points to the keywords or its meanings should be awarded.*	1.5			
15	Students can state any three of the following (the first half of the given answer, and discuss one of them (the second part of the answer). **Note: one mark only is assigned to the discussion.** **Protectionism may:** - prevent countries from specializing in the products in which they have a comparative advantage (1 mark) – this can lower global output and living standards (1 mark) - reduce international competition (1 mark) – this can increase prices and lower the quality of products (1 mark) - reduce the choice of products available to consumers (1 mark) - this can lower the living standards (1 mark) - lower the size of firms' markets (1 mark) - this may reduce their ability to take advantage of economies of scale (1 mark) - reduce firms' choice of raw materials and capital goods (1 mark) – this may increase costs of production (1 mark)	4	272	Discuss the disadvantages of protectionism.	AO1 + AO2

Item N.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
	- result in a trade war **(1 mark)** – this can push up prices **(1 mark)**. *1 mark for each correct disadvantage (1*3=3 marks)* *1 mark for discussing one point*				
16.a	i. A current account deficit means that the combined debit items on the four parts of the current account are greater than the combined credit items on the four parts. **(1 mark)** *Any other correct definition that points to the keywords or its meanings should be awarded.*	1	277	Differentiate between balance and imbalances (deficits and surplus) in the current account of the balance of payments.	AO1
	ii. A current account surplus occurs when the credit items on the four parts of the current account exceed the combined debit items. **(1 mark)**. *Any other correct definition that points to the keywords or its meanings should be awarded.*	1			
16.b	Structural problems in the economy generate a current account deficit that lasts over the long run **(1 mark)**. This indicates that domestic firms are not internationally competitive and that the country may have to borrow to finance the surplus spending **(1 mark)**. *Any other correct explanation that points to the keywords or its meanings should be awarded.*	2	278		AO3

<table>
<tr><th>Item N.</th><th>Correct Answer</th><th>Mark</th><th>Page Reference</th><th>Learning Outcomes</th><th>Learning Level</th></tr>
<tr><td>17.a</td><td>The income tax for a person with an income of USD 50,000 is USD 11,000. Details as follows:
<table>
<tr><th>Income range (USD)</th><th>Tax rate (%)</th><th>Tax paid (USD)</th></tr>
<tr><td>0 - 10,000</td><td>0 %</td><td>(10,000x0)/100)=0 (0.5 mark)</td></tr>
<tr><td>10,001 – 30,000 (=20,000)</td><td>20%</td><td>(20,000x0.20)=4,000 (0.5 mark)</td></tr>
<tr><td>30,001 – 50,000 (=20,000)</td><td>35%</td><td>(20,000x0.35)=7,000 (0.5 mark)</td></tr>
<tr><td colspan="2">Total</td><td>11,000 (0.5 mark)</td></tr>
</table>
Student gets the mark for the final answer per step.</td><td>2</td><td>225 - 226</td><td rowspan="2">Differentiate between Progressive, regressive, and proportional taxes</td><td>AO2</td></tr>
<tr><td>17.b</td><td>A progressive income tax may be used to distribute income more evenly, as such a tax narrows the gap between the disposable income of rich people and people on low incomes (1 mark). The gap could be further narrowed by the government using some of the tax taken from rich people to provide cash benefits to those on low incomes. (1 mark)
Any other correct explanation that points to the keywords or its meanings should be awarded.</td><td>2</td><td>225 - 226</td><td>AO3</td></tr>
</table>

Item N.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
17.c	Taxes are imposed to discourage the consumption of certain products. These may be imports. A government may be concerned that the country is spending more on imports than it is earning from selling exports. Taxes may also be imposed on demerit goods in order to improve people's health and the environment. **(1 mark)** *Any other correct explanation that points to the keywords or its meanings should be awarded.*	1	225 - 226		AO3
18.a	A floating exchange rate is determined by the forces of supply and demand in the foreign exchange market without government intervention. The equilibrium exchange rate (Pe) is found where the quantity of the national currency demanded equals the quantity supplied. **(1 Mark)** *Any other correct explanation that points to the keywords or its meanings should be awarded.* In the Graph: The equilibrium exchange rate (Pe) is where the demand curve on national currency (D1) intersects with the supply curve on national currency (S1).	2	285-286	Identify how a floating exchange rate is determined.	AO2

Item N.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
	 The equilibrium quantity (Qe) is the corresponding quantity at this point. **(1 Mark for drawing only)**				
18.b	A fall in demand for exports reduces the foreign demand for the national currency because foreign buyers need fewer units of the national currency to pay for fewer exports. This causes the demand curve for national currency to shift leftward, resulting in a decrease in the exchange rate. **(1 Mark)** *Any other correct explanation that points to the keywords or its meanings should be awarded.* ***Graph:*** The graph should show **a leftward shift** in the demand curve (from D1 to D2), resulting in a lower equilibrium exchange rate. **(1 Mark)**	2	286-287	Discuss the causes of changes in a floating exchange rate.	AO2

Item N.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
					
18.c	When foreign investors buy shares in a country's companies, they need to convert their foreign currency into the domestic currency to make these purchases. This increases the demand for the national currency in the foreign exchange market. *Any other correct explanation that points to the keywords or its meanings should be awarded.*	1	286-287	Discuss the causes of changes in a floating exchange rate.	AO2

[The End of the Marking Guide]





امتحان دبلوم التعليم العام للمدارس الخاصة (ثنائية اللغة)

الفصل الدراسي الأول - الدور الثاني

للعام الدراسي ١٤٤٧/١٤٤٦ هـ - ٢٠٢٥/٢٠٢٤ م

تنبيه:
- المادة: الإقتصاد
- الأسئلة في (٩) صفحة.
- زمن الإجابة: ثلاث ساعات.
- الإجابة في الورقة نفسها.

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- 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.
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- 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 Choice (Items 1 – 8) (8 Marks)

Shade in the bubble (⬭) next to the **correct** answer for each of the following items.

1) "**The inflation target**" could be defined as:

- ⬭ The interest rate a central bank is set to achieve.
- ⬭ The inflation rate a central bank is set to achieve.
- ⬭ The inflation rate that increases instability of prices.
- ⬭ The inflation rate that increases investor uncertainty.

2) Which of the following constitute the main tools of a monetary policy?

- ⬭ Interest rates and money supply
- ⬭ Interest rates and exchange rates
- ⬭ Money supply and credit regulations
- ⬭ Interest rates, money supply, exchange rates, and credit regulations

3) A supply-side policy aims to:

- ⬭ Increase the prodactive capacity of the economy.
- ⬭ Maintain constant the short-term competitiveness and productivity.
- ⬭ Reduce the quantity firms are willing to supply at any given price level.
- ⬭ Decline the productive capacity of an economy and shift out the LRAS curve.

4) The tools of a supply-side policy include:

- ⬭ Spending on education and training
- ⬭ Investment on infrastructure
- ⬭ Technological improvement
- ⬭ All of the above

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Question One: (continued)

5) Which of the following situations best describes an absolute advantage (used in the context of international trade)?

- ☐ A situation where, for a given set of resources, one country can produce more of a particular product than another country.
- ☐ A country can produce a product at a lower opportunity than another country.
- ☐ When the total output will rise to the same level in two countries.
- ☐ When the total output of a country significantly decreases.

6) A government uses protectionism (in international trade) to:

- ☐ liberalize free trade
- ☐ increase imports
- ☐ protect domestic producers from foreign competition
- ☐ place specific restrictions on international trade for the benefit of a foreign economy

7) What does the balance of payments record?

- ☐ The government's annual budget balance
- ☐ Only the trade in goods between countries
- ☐ The total value of a country's imports and exports
- ☐ All financial transactions made between a country and the rest of the world

8) The decrease in the value of a domestic currency in relation to a foreign currency due to variations in the foreign exchange rate is:

- ☐ Valuation
- ☐ Inflation
- ☐ Depreciation
- ☐ Appreciation

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Question Two: Extended Response (Items 9 – 20) (32 Marks)

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

9) "**Governments seek to achieve price stability, but usually avoid zero inflation**." Based on this statement, explain two reasons why a government avoids a zero-inflation rate. (2 marks)

10) Define the following terms:

a. Budget surplus: (1 mark)

b. Budget deficit: (1 mark)

11) Differentiate between **expansionary** and **contractionary** monetary policy in term of their role in balancing the economy. (2 marks)

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Question Two: (continued)

12) "**The Interest rate is one of the monetary policy tools that can control the economy**."
Explain how the interest rate is used to control inflation. (2 marks)

13) Demonstrate how can supply-side policies increase employment. Support your answer with examples. (2 marks)

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Question Two: (continued)

14) The table below reports the indexes of export prices and import prices for XYZ country for the years 2022 and 2023.

Years	Index of export prices	Index of import prices
2022	100	100
2023	90	180

a. Calculate the terms of trade index for the years 2022 and 2023. (1 mark)

b. Analyze the movements of the terms of trade between 2022 and 2023. (2 marks)

c. Discuss the implications of the movements of the terms of trade. (1 mark)

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Question Two: (continued)

15) List **TWO** possible tools of protectionism. (2 marks)

a. _____

b. _____

16) "**Tools of protectionism could be used to prevent dumping**."
Based on this argument, answer the following questions:

a. Define dumping. (1 mark)

_____

_____

b. How can dumping destroy existing competition? (1 mark)

_____

_____

_____

_____

17) List **FOUR** components of the current account of the balance of payments. (2 marks)

a. _____

b. _____

c. _____

d. _____

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Question Two: (continued)

18) The table below represents the Balance of Payments Data for country (X) (in Millions $): (2 marks)

Component	Year 1	Year 2
Exports of Goods and Services	5000	4900
Imports of Goods and Services	6000	6200
Balance of Primary Income	300	300
Balance of Secondary Income	100	100
Current Account Balance	-600	-900

Based on the data provided, **analyze** the causes of the growing current account deficit.

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Question Two: (continued)

19) The table below shows different income ranges, and the tax rate applied for each income range. (5 marks)

Income Range per year ($)	Tax Rate (%)
0 – 25,000	0
25,001 – 50,000	10
50,001 – 100,000	20
100,001 – 150,000	30

Based on the data provided, answer the following questions:

a. **Identify** whether this tax system is regressive or progressive. **Explain** your answer.

b. Discuss how the tax system described in the table may affect income distribution and the ability to reduce inequality.

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Question Two: (continued)

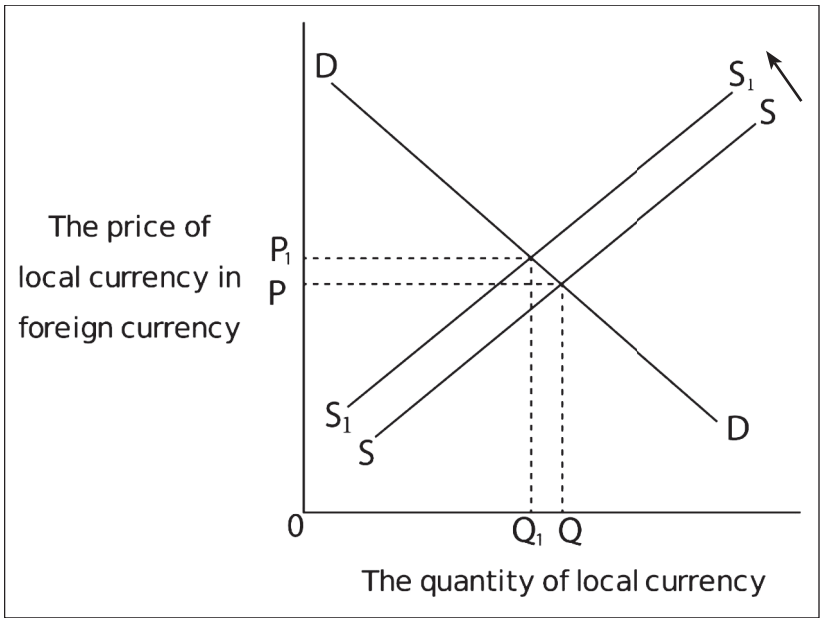
20) The foreign exchange rate is the price of one currency in terms of another currency. (5 marks)

a. Explain the impact of currency appreciation on the following:

(i) The price of a country's exports and the foreign demand for these exports.

(ii) The price of a country's imports and the local demand for these imports.

b. The following figure shows a change in the supply of country (X)'s local currency against a foreign currency.



Is this a case of depreciation or appreciation?

[End of the Examination]

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SULTANATE OF OMAN
MINISTRY OF EDUCATION

Marking Guide of Economics for Bilingual Program

2024/2025

Semester One – Second Session

Subject: Economics

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

Note: There are 13 pages in this guide

First: Answers for the Multiple-Choice Items (8 Marks):

Item N.	Answer	Mark	Page Reference	Learning Outcomes	Learning Level
1	b. The inflation rate a central bank is set to achieve.	1	215	Define inflation target.	AO1
2	d. Interest rates, money supply, exchange rates, and credit regulations.	1	234-235	Identify the main tools of monetary policy.	AO2
3	a. Increase the productive capacity of the economy.	1	243	List the two objectives of supply-side policy.	AO1
4	d. All of the above.	1	243	Identify the supply-side policy tools.	AO1
5	a. A situation where, for a given set of resources, one country can produce more of a particular product than another country.	1	255-256	Differentiate between absolute and comparative advantage	AO2
6	c. protect domestic producers from foreign competition.	1	266	Define protectionism.	AO1
7	d.All financial transactions made between a country and the rest of the world.	1	276	Define balance of payments account, surplus, and deficits.	AO2

8	c. Depreciation	1	286	Differentiate between depreciation and appreciation of a floating exchange rate.	AO1

Second: Answers for the Extended Response Items (32 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.	Correct Answer	Mark	Page Reference	Learning Outcomes	Learning Level
9	A government would not aim for a zero-inflation rate for three connected reasons: 1) Any measure of inflation tends to overstate any rise in prices. 2) To aim for zero inflation may result in deflation. 3) A low and stable rise in prices caused by higher spending is likely to encourage firms to increase their output. **Students can provide 2 reasons each is worth 1 mark (1*2=2 marks)*	2	215	Explain a government's macroeconomic policy objective of price stability, low unemployment, and economic growth.	AO2
10.a	A budget surplus occurs when government revenue exceeds government spending. *Any other correct definition that points to the keywords or its meanings should be awarded.*	1	221	Define fiscal policy, government's budget, budget surplus, budget deficit, balanced budget, and national debt.	AO1
10.b	A budget deficit occurs when government expenditures exceed government revenues. *Any other correct definition that points to the keywords or its meanings should be awarded.*	1			

11	An expansionary monetary policy attempts to stimulate the economy by boosting demand via cutting the interest rate and increasing the money supply **(1 mark)** whereas a contractionary policy aims to slow the economy by reducing the money supply, raising the interest rates, and putting restrictions on bank lending **(1 mark)**. *Each correct comparison is worth 1 mark (1*2=2 marks)* *Any other correct answer that points to the keywords or its meanings should be awarded.*	2	235	Differentiate between expansionary and contractionary monetary policy.	AO2
12	The rise in interest rates is a policy response to rising inflation **(1 mark)**. However, the central bank may reduce the interest rates to stimulate the economy when inflation is falling and economic growth is slowing. **(1 mark)** *Any other correct explanation that points to the keywords or its meanings should be awarded*	2	234	Identify the main tools of monetary policy.	AO2

13	**Part 1: Explanation of How Supply-Side Policies Can Help Increase Employment** **(1 mark)** Supply-side policies can increase employment by improving the efficiency and flexibility of labor markets, making it easier for businesses to hire workers *Provides a clear explanation (1 mark)* *Provides a vague or incomplete explanation (0.5 marks)* **Part 2: Example of a Supply-Side Policy** **(1 mark)** **Full Mark (1 mark):** For example, reducing income taxes can incentivize individuals to enter the workforce by increasing the return on labor." *Provides a relevant and specific example (1 mark)* *Provides an example of a supply-side policy but lacks sufficient detail or context (0.5 marks)*	2	246	Discuss the impact of supply-side policy on the equilibrium national income, the level of real output, the price level and employment, using aggregate demand (AD) and aggregate supply (AS) analysis.	AO1

14.a	a. The terms of trade is a measure of the ratio of export prices and import prices. The ratio is calculated as follows: $Terms\ of\ trade\ index = \frac{index\ of\ export\ prices}{index\ of\ import\ prices} \times 100$ $Terms\ of\ trade\ index_{2022} = \frac{100}{100} \times 100$ $Terms\ of\ trade\ index_{2022} = 100\%$ **(0.5 mark)** $Terms\ of\ trade\ index_{2023} = \frac{90}{180} \times 100$ $Terms\ of\ trade\ index_{2023} = 50\%$ **(0.5 mark)** *0.5 mark per final result.*	1	259	Calculate the terms of trade index.	AO2
14.b	We observe that the terms of trade **declined** by 50% in 2023 as compared with 2022 **(0.5 mark)**. This shows an **unfavorable movement** in terms of trade **(0.5 mark)**. This deterioration in the terms of trade is **due to both the decrease in export prices and the increase in import prices (1 mark)**. *Any other correct explanation that points to the keywords or its meanings should be awarded*	2	259-260	Analyze the causes of changes in the terms of trade.	AO3
14.c	This unfavorable movement in the terms of trade indicates that the country can buy less imports with the same quantity of exports, which alters its purchasing power. **(1 mark)** *Any other correct explanation that points to the keywords or its meanings should be awarded*	1	259-260	Discuss the impacts of changes in the terms of trade.	AO3

15	The main tools for protectionism are: • Tariffs • import quotas • export subsidies • Embargoes • excessive administrative burdens. *student can provide 2 tools and get 1 mark for each* *(1*2=2 marks)*	2	266-268	Differentiate between tools of protection in terms of their definitions.	AO1
16.a	Dumping occurs when a country or company exports goods to another country at a price lower than the cost of production. **(1 mark)** *Any other correct definition that points to the keywords or its meanings should be awarded.*	1	269	Discuss the advantages of protectionism.	AO1
16.b	Dumping can destroy existing competition because domestic firms in the importing country cannot match the artificially low prices. As a result, they may lose market share, become unprofitable, and potentially be forced to close down, leaving the dumping firm with a dominant market position. *Any other correct explanation that points to the keywords or its meanings should be awarded.*	1	269	Discuss the advantages of protectionism.	AO1

17	The current account of the balance of payments consists of: - Trade in goods - Trade in services - Primary income - Secondary income *Students should provide 4 components and get 0.5 mark for each component (0.5*4=2 mark)*	2	277	Identify the components of the current account of the balance of payments.	AO1
18	**Part 1: Identification and Explanation of the Causes of the Growing Current Account Deficit (1 mark)** **Full Mark (1 mark):** • **Criteria**: The answer correctly identifies that the growing current account deficit is due to a deterioration in the balance of trade (exports and imports of goods and services), with imports rising more than exports. It also notes that primary and secondary income balances remain unchanged. • **Example Answer**: "The growing current account deficit is due to the increase in imports of goods and services, which rose from $6000 million in Year 1 to $6200 million in Year 2, while exports of goods and services decreased slightly from $5000 million to $4900 million. The primary and secondary income balances remained unchanged, so the deficit is primarily driven by the trade imbalance."	2	278	Analyze the causes of imbalance in the current account of the balance of payments	AO3

	Half Mark (0.5 mark): • **Criteria**: The answer partially explains the cause of the growing current account deficit but may not clearly link it to the imbalance in exports and imports or fails to mention the unchanged income balances. **Part 2: Linking the Explanation to Data and Providing Further Analysis (1 mark)** **Full Mark (1 mark):** • **Criteria**: The answer demonstrates a clear link to the data provided, using specific numbers from the table to show how the changes in exports and imports contributed to the growing deficit. It effectively analyzes the trend from Year 1 to Year 2. • **Example Answer**: "The data reveals that the exports of goods and services decreased by $100 million (from $5000 million to $4900 million), while imports increased by $200 million (from $6000 million to $6200 million). This resulted in a worsening of the trade balance and contributed to the overall increase in the current account deficit from -$600 million in Year 1 to -$900 million in Year 2." **Half Mark (0.5 mark):** • **Criteria**: The answer includes some reference to the data but lacks a full and clear				

	explanation or does not directly link the data points to the growing deficit. • **Example Answer**: "The current account deficit increased due to changes in exports and imports."				
19.a	The tax system is **progressive**. **(1 mark)** Because it take higher percentage of a person or firm's income as that income rises. **(1 mark)**	2	225-226	Differentiate between Progressive, regressive, and proportional taxes.	AO3

19.b	In the progressive tax system, where the tax burden is distributed more heavily on higher-income individuals who contribute a larger portion of their additional income in taxes **(1 mark)**. This can be seen as more equitable because it places a greater responsibility on wealthier individuals to contribute to public finances, potentially helping to redistribute wealth and reduce income inequality. **(1 mark)** By taxing higher incomes at a higher rate, the system could help to reduce the gap between the rich and the poor, improving overall economic equity.**(1 mark)** **2 mark** *for explaining how the progressive tax system helps reduce inequality (mentioning redistribution of wealth, or that higher earners pay more).* **1 mark** *for linking this to the broader effect on income distribution and economic equity (e.g., improving fairness, reducing the wealth gap, or funding social programs).*	3	226	Analyze the reasons for taxation.	AO3

20.a.i	Currency appreciation will make exports more expensive in foreign currencies **(1 mark)** and, consequently, decrease the demand for the country's exports **(1 mark).** *Any other correct explanation that points to the keywords or its meanings should be awarded.*	2	286	Differentiate between depreciation and appreciation of a floating exchange rate.	AO2
20.a.ii	Currency appreciation will make imports cheaper in terms of the domestic currency **(1 mark)** and, consequently, increase the local demand for imports **(1 mark).** *Any other correct explanation that points to the keywords or its meanings should be awarded.*	2			
20.b	appreciation	1			

[The End of the Marking Guide]