



Student Number _____

Economics

2012 Preliminary Examination

General Instructions

- Reading time – 5 minutes
- Working time – 3 Hours
- Write using black or blue pen
- Board approved calculators may be used
- Write your **computer number** where indicated
- **Do not remove this paper from the examination room**

Section I – 20 marks

- Attempt Questions 1-20
Use the answer sheet provided

Section II – 40 marks

- Attempt Questions 21-24
Complete on the examination paper

Section III – 20 marks

- Attempt Question 25
Begin your answer on a new sheet of paper

Section IV – 20 marks

- Attempt Question 26
Begin your answer on a new sheet of paper

Section I
Multiple Choice
20 marks

Use the multiple choice answer sheet provided.
Allow 20 minutes for this section

1. In Economics, which of the following best describes scarcity?

- A The demand for a good exceeds supply
- B Producers holding stock until prices rise
- C Some people cannot buy all they need
- D Resources are insufficient to satisfy all wants

2. The following table shows leakages and injections for an economy. What is the value of exports if the economy is in equilibrium?

Saving	\$100 million
Investment	\$75 million
Government spending	\$120 million
Taxation	\$80 million
Imports	\$90 million
Exports	?

- A \$75 million
- B \$175 million
- C \$270 million
- D \$312 million

3. The following table shows a production possibility schedule for wheat and wool in an economy.

Wheat	0	40	80	120
Wool	150	100	50	0

What is the opportunity cost of producing 80 units of wheat?

- A 40 units of wheat
- B 50 units of wool
- C 80 units of wheat
- D 100 units of wool

4. Which of the following is not a goal of a firm?

- A Maximising profits
- B Increase wages for employees
- C Increasing market share
- D Meeting shareholder expectations

5. The following table shows the labour market statistics for an economy.

Number of persons employed	13 000 000
Number of persons unemployed	1 500 000
Number of persons aged 15 years and over	20 000 000

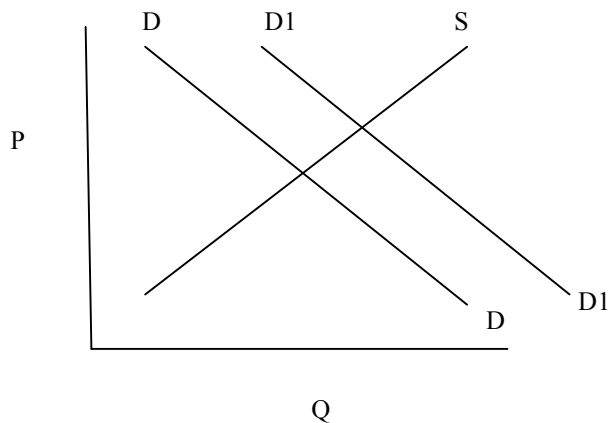
What is the unemployment rate in this economy?

- A 6.5%
- B 7.5%
- C 10.3%
- D 11.5%

6. What is a likely impact of increasing casualisation of the Australian workforce?

- A An increase in economic growth
- B Lower costs for employers in hiring labour
- C A reduction in the flexibility of the labour market
- D A rise in the level of full time employment

7. The following diagram shows the demand and supply for fishing lures.



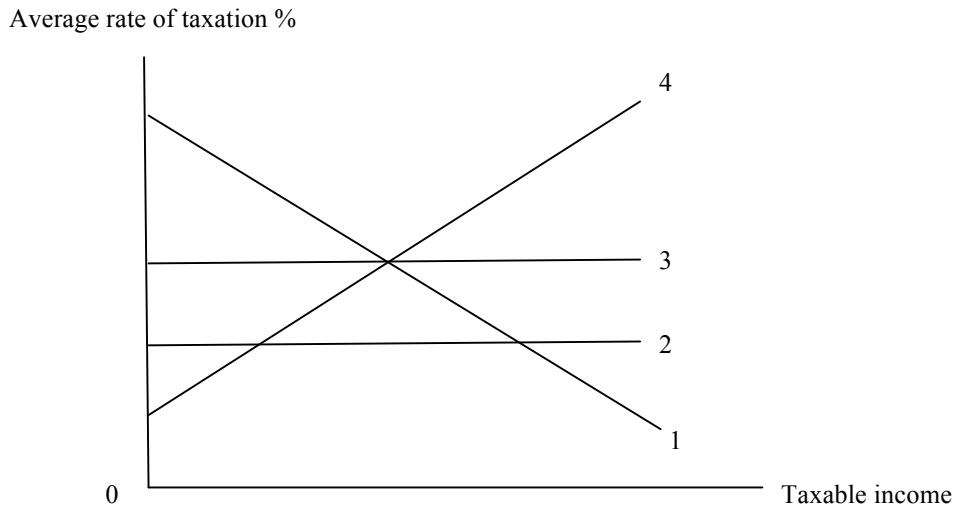
Which of the following could cause the movement from DD to D1D1?

- A A decrease in the price of fishing lures
- B An increase in the price of fishing rods
- C A compulsory fishing program introduced into Australian schools
- D A decrease in the production costs of fishing lures

8. Which of the following is directly affected by the Reserve Bank's Domestic Market operations?
- A The cash rate
 - B Mortgage rates
 - C Share prices on the stock exchange
 - D The inflation rate
9. Which of the following is a consequence of rising unemployment?
- A A rise in living standards
 - B Increased spending by employers on training programs for employees
 - C Greater use of outsourcing
 - D Lower levels of economic growth
10. What is the difference between a public and a merit good?
- A Public goods are non excludable and merit goods are usually produced by governments to meet social needs
 - B Governments produce public goods and private businesses produce merit goods
 - C Everyone consumes public goods but only high income earners consume merit goods
 - D Public goods are excludable and merit goods are non excludable
11. When a firm expands, which of the following will not lead to internal economies of scale?
- A Bulk buying raw materials for a discount
 - B Spending money on research and development
 - C Taking advantage of a skilled labour force and transport network
 - D Employees specialising in the work place
12. How could the Reserve Bank tighten the stance of Monetary Policy?
- A Purchase second hand government securities to reduce the cash rate
 - B Sell second hand government securities to reduce the cash rate
 - C Sell second hand government securities to increase the cash rate
 - D Purchase second hand government securities to increase the cash rate

13. What does utility refer to?
- A The satisfaction derived from consumption
 - B Another name for welfare payments
 - C The opportunity cost of consumption
 - D The Holden Meroo

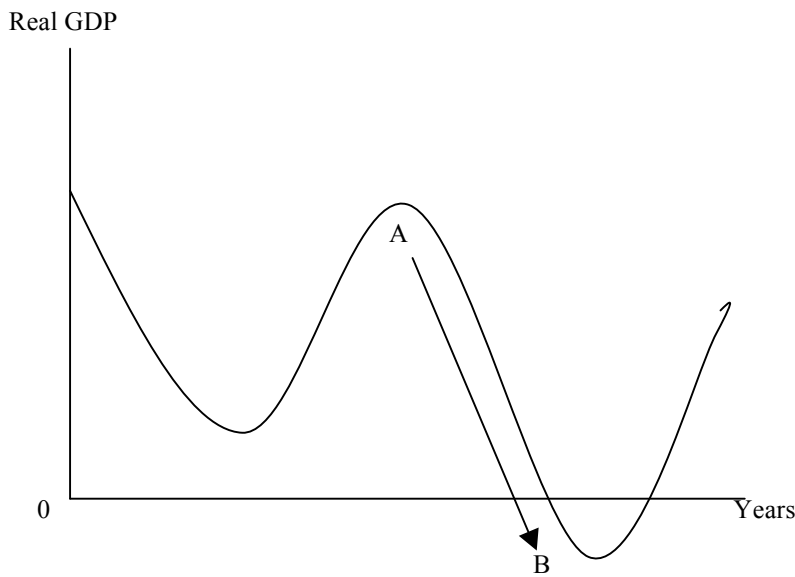
14. The following diagram shows average rates of taxation.



Which of the lines represents a progressive income tax system?

- A 1
 - B 2
 - C 3
 - D 4
15. Which institution is responsible for the supervision of banks and non bank financial institutions in Australia?
- A The Reserve Bank
 - B The Australian Prudential Regulation Authority
 - C The Australian Competition and Consumer Commission
 - D The Australian Securities and Investments Commission
16. What type of financing occurs when a firm expands its operations by floating shares on the Australian Stock Exchange?
- A Equity financing in the derivatives financial market
 - B Debt financing in the secondary financial market
 - C Equity financing in the secondary financial market
 - D Equity financing in the primary financial market

17. The following diagram shows the business cycle for an economy.



What would be the trends in this economy between points A and B?

- A Rising employment, production and inflation
 - B Rising employment, falling production and rising inflation
 - C Falling employment, falling production and rising inflation
 - D Falling employment, production and inflation
18. Which of the following institutions is responsible for protecting consumers in the Australian financial system?
- A The Australian Securities and Investments Commission
 - B The Reserve Bank of Australia
 - C The Australian Prudential Regulation Authority
 - D The Australian Stock Exchange
19. What is the most common way that the Federal government finances a budget deficit?
- A By selling government bonds
 - B By printing more notes for circulation
 - C By increasing interest rates
 - D By charging more for government services
20. If a bank advertised a nominal interest rate of 5.5% and the inflation rate was 4.5%, what is the real interest rate?
- A 1%
 - B 4.5%
 - C 5.5%
 - D 10%

End of Section I

Section II

Student Number:.....

Short answer response

40 marks.

Attempt all questions in the spaces provided

Allow 1 hour and 10 minutes for this section

Question 21 (10 marks)

The following table shows a demand and supply schedules for apples.

Price \$	Demand	Supply
1	950	50
2	800	100
3	600	250
4	450	450
5	400	700

- (a) Define market equilibrium. 1

.....
.....

- (b) State the equilibrium price of apples. 1

.....

- (c) Calculate the elasticity of demand over the price range \$2 to \$3 using the total outlay method. Is the demand price elastic or price inelastic? 2

.....
.....
.....

- (d) What is excess supply? At what price does excess supply occur? 2

.....
.....
.....
.....

Student Number:.....

(e) Explain how the price mechanism operates to clear the market of excess supply **4**

.....

.....

.....

.....

.....

.....

.....

.....

Inflation remains low The effects of the price on carbon will start to affect these measures over the next couple of quarters. The Bank's assessment of the outlook for inflation is unchanged: it is expected to be consistent with the target over the next one to two years.

Source: Governor of the RBA, Glenn Stevens. Aug 2012.

- (a) Define the term inflation. **1**

.....
.....

- (b) Explain how a carbon tax will affect inflation. **2**

.....
.....
.....
.....
.....
.....

- (c) State the Reserve Bank's inflation target over the course of the economic cycle. **1**

.....

- (d) What is the cash rate and discuss how it can be used to manage inflation. **6**

.....
.....
.....
.....
.....
.....
.....
.....PTO for more lines

.....

.....

.....

.....

.....

Question 23 (10 marks)

Student Number:.....

Income \$	Consumption \$
500	480
600	520
700	550
800	580
900	600

- (a) How much money is saved at \$600? **1**

.....

- (b) Calculate the marginal propensity to save when income increases from \$700 to \$800. Explain the effect on the marginal propensity to save as income rises. **3**

.....
.....
.....
.....
.....

- (c) Discuss three factors which influence consumption. **6**

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Question 24 (10 marks)

Student Number:.....

- (a) What is an economic system? **2**

.....
.....

- (b) Explain the role of consumer sovereignty in the Australian economy. **4**

.....
.....
.....
.....
.....
.....
.....
.....
.....

- (c) Describe two reasons why the Federal government intervenes in the operation of the Australian economy. **4**

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Section III
Extended Response

20 marks

Attempt Question 25

Allow 40 minutes for this section

Answer the question in a **SEPARATE** writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you:

- Use your knowledge and the economic information provided
 - Apply economic terms, concepts, relationships and theory
 - Present a sustained, logical and well-structured answer to the question
-

Question 25 (20 marks)

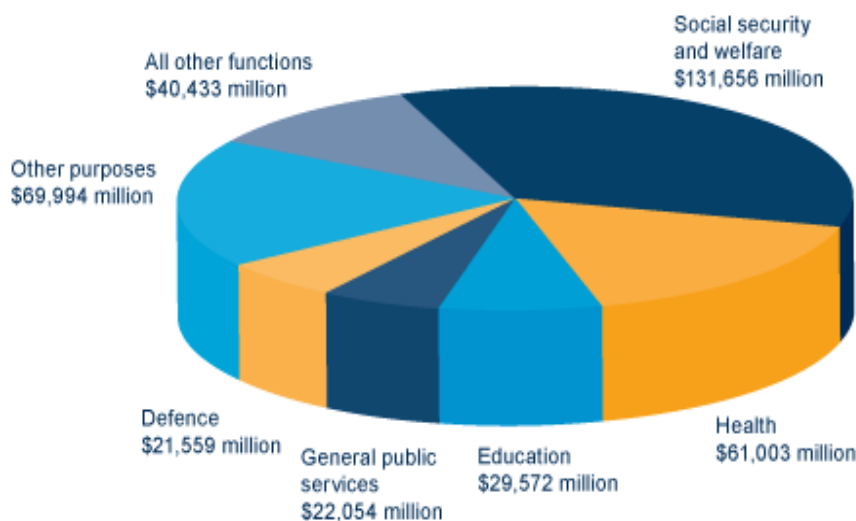
Evaluate how the budget assists in achieving the economic and social goals of the Federal Government.

In your response you should refer to the economic data below.

This budget delivers a surplus this coming year. It funds new cost of living relief for Australian families. It helps businesses invest, compete and adapt. It will create more wealth, prosperity, jobs and advance the standard of living of millions of Australians.

Source: Treasurer Swan, May 2012.

Proposed Expenditure for 2012/13



Section IV
Extended Response

20 marks

Attempt Question 26

Allow 40 minutes for this section

Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you:

- Use your knowledge
 - Apply economic terms, concepts, relationships and theory
 - Present a sustained, logical and well-structured answer to the question
-

Question 26 (20 marks)

Discuss the factors which affect the demand for labour and analyse recent trends in the Australian labour market.

End of paper

Section I – Multiple Choice

Circle the most correct answer to each question below

Example:

Which of the following is the most correct spelling of the term *Economics*

- A Ecomonsic
- B Economicsbro
- C Ecomonics
- D Economics

A

B

C

D

- | | | | | |
|-----|---|---|---|---|
| 1. | A | B | C | D |
| 2. | A | B | C | D |
| 3. | A | B | C | D |
| 4. | A | B | C | D |
| 5. | A | B | C | D |
| 6. | A | B | C | D |
| 7. | A | B | C | D |
| 8. | A | B | C | D |
| 9. | A | B | C | D |
| 10. | A | B | C | D |
| 11. | A | B | C | D |
| 12. | A | B | C | D |
| 13. | A | B | C | D |
| 14. | A | B | C | D |
| 15. | A | B | C | D |
| 16. | A | B | C | D |
| 17. | A | B | C | D |
| 18. | A | B | C | D |
| 19. | A | B | C | D |
| 20. | A | B | C | D |

BLANK PAGE

Section I – Multiple Choice

Circle the most correct answer to each question below

Example:

Which of the following is the most correct spelling of the term *Economics*

- A Ecomonsic
- B Economicsbro
- C Ecomonics
- D Economics

A B C D

- | | | | | |
|-----|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| 1. | A | B | C | <input checked="" type="radio"/> D |
| 2. | <input checked="" type="radio"/> A | B | C | D |
| 3. | A | B | C | <input checked="" type="radio"/> D |
| 4. | A | B | C | D |
| 5. | A | B | <input checked="" type="radio"/> C | D |
| 6. | A | <input checked="" type="radio"/> B | C | D |
| 7. | A | B | <input checked="" type="radio"/> C | D |
| 8. | <input checked="" type="radio"/> A | B | C | D |
| 9. | A | B | C | <input checked="" type="radio"/> D |
| 10. | <input checked="" type="radio"/> A | B | C | D |
| 11. | A | B | <input checked="" type="radio"/> C | D |
| 12. | A | <input checked="" type="radio"/> B | C | D |
| 13. | <input checked="" type="radio"/> A | B | C | D |
| 14. | A | B | C | <input checked="" type="radio"/> D |
| 15. | A | <input checked="" type="radio"/> B | C | D |
| 16. | A | B | C | <input checked="" type="radio"/> D |
| 17. | A | B | C | <input checked="" type="radio"/> D |
| 18. | <input checked="" type="radio"/> A | B | C | D |
| 19. | <input checked="" type="radio"/> A | B | C | D |
| 20. | <input checked="" type="radio"/> A | B | C | D |

Section II

Q. 21 a)

1	Correctly defines market equilibrium
---	--------------------------------------

The price level where quantity demanded equals quantity supplied

b)

1	\$4
---	-----

c)

1	Correctly calculates elasticity
2	Correctly calculates elasticity and states that demand is price

At \$2 TO = \$1600

At \$3 TO = \$1800

Therefore PED is inelastic

d)

1	Correctly defines excess supply or gives the price at which there is excess supply
2	Correctly defines excess supply and gives the price at which there is excess supply

ES is when the quantity supplied exceeds the quantity demanded at a particular price.
 It occurs at \$5

e)

1	Makes a reference to decrease in price.
2	Makes a reference to decrease in price, expansion in demand or contraction in supply
3	Makes a reference to decrease in price, expansion in demand and contraction in supply
4	Makes a reference to decrease in price, expansion in demand and contraction in supply and this continues until $Q=S$ and market is cleared

Sellers will offer their goods at a lower price. The fall in price will lead to an expansion in demand and a contraction in supply. This will continue until $Q=S$ and the market is cleared.

Q22.

a)

1	Correctly defines the term inflation
---	--------------------------------------

A sustained increase in the level of prices over a period of time

b)

1	Tax levied on polluters
2	Prices will increase and inflation will record this

Tax levied on top 500 polluters/users of carbon. They will pass this on to consumers in the form of higher prices. Inflation will increase as the prices of G & S increases.

c)

1	2-3%
---	------

d)

1	Correctly defines cash rate
2	Correctly defines cash rate and makes a link between inflation and rising cash rate
3	Correctly defines cash rate, makes a link between inflation and RBA increasing cash rate and banks passing on this rate rise by increasing their own lending rates.
4	As above + borrowing is now more expensive
5	As above + spending across the economy will fall
6	As above + less demand will mean prices won't rise as much or as quickly.

Student:.....

Year 11 Economics
2012 Preliminary Examination – Question 25

Mark Range	Criteria
17-20	<ul style="list-style-type: none">• Integrates appropriate economic terms, concepts, issues, relationships and theory• Develops a sustained logical and well-structured answer that evaluates in detail how the budget assists in achieving economic and social goals of Fed Government• Uses relevant economic data to support their answer
13-16	<ul style="list-style-type: none">• Consistently uses appropriate economic terms, concepts, issues, relationships and theory• Develops a logical and well-structured answer that explains how the budget assists in achieving economic and social goals of Fed Government• Uses relevant economic data to support their answer
9-12	<ul style="list-style-type: none">• Uses appropriate economic terms, concepts, issues, relationships and theory• Develops an answer that describes in general terms the role of RBA in Australia• Demonstrates correct knowledge that describes how the budget assists in achieving economic and social goals of Fed Government• Uses economic data to support their answer
5-8	<ul style="list-style-type: none">• Uses some economic terms, concepts, issues, relationships and theory• Develops an answer that refers to the budget and goals of the Fed Government• Makes minimal use of economic data
1-4	<ul style="list-style-type: none">• Applies some appropriate terminology to communicate economic ideas• Demonstrates limited knowledge of the budget• Provides little if any economic data to support their answer

.....

.....

.....

.....

.....

.....

.....

.....

Mark:.....

Signed.....

Question 26 Marker feedback

Issues that the question was asking you about:

- Labour is a derived demand – its demand comes from the demand for G & S
- Factors affecting demand for labour: output v input factors
 1. The output of the firm
 - a. General eco conditions; $AD = C + I + G + (X - M)$; time lags; excess capacity
 - b. Conditions in the firm's industry
 - c. D for indiv firm's products
 2. Productivity of labour
 - a. How to become more productive: capital, technology
 3. Cost of other inputs
 - a. Capital
 - b. Labour on-costs
 - c. Labour / capital ratio
- Diagrams to use that will help: increase/decrease in demand → can also be used as a labour D & S diagram; Wage rate diagram & effects of a rise in demand; CFOI
- Recent trends in the Aus workforce:
 - Casualisation of the labour market
 - Population size
 - Age distribution
 - Education patterns
 - Labour Force Participation Rate
 - Females in the workplace
 - Structural change because of mining boom

Specific feedback:

- Many confused the demand for labour with the supply of labour.
- Supply of labour does not affect the demand for labour.
- Economic diagrams, models and graphs must be included. Many made references to specific shifts/movements in demand or supply but did not think to use diagrams to represent this.
- Those who incorporate terminology into their response will score higher marks as they are able to communicate using economic language. Many students are still too informal with their writing. This means you need to learn your terminology!
- Give plenty of consideration to your introduction before launching in to your essay. Many were rushed and did not cover the points you talked about.
- When analysing, you need to draw out and relate implications. Therefore, when outlining trends, you need to determine what effect this is going to have on the labour market.
- Discussing means to identify issues and provide points for and against. With regards to demand for labour, you should be looking at how the demand for labour is affected by various factors in both a positive and negative way.

20	19	18	17	15	14	13	12	11	10	9	8	7	6	4	3	0
1	2	3	1	1	1	2	3	4	7	5	3	2	2	1	1	1

Student:.....

Year 11 Economics
2011 Preliminary Examinations – Question 26

Mark Range	Criteria
17-20	<ul style="list-style-type: none"> • Integrates appropriate economic terms, concepts, issues, relationships and theory • Develops a sustained logical and well-structured answer that explains in detail the role of the Australia government in markets/fiscal policy in the economy • Demonstrates a precise and extensive knowledge that explains how the government intervene to correct market failure/fiscal policy is used to manage the economy • Uses relevant economic data and stimulus material to support a contemporary and comprehensive discussion of the role of the Australian government in correcting market failure/role fiscal policy plays managing the Australian economy
13-16	<ul style="list-style-type: none"> • Consistently uses appropriate economic terms, concepts, issues, relationships and theory • Develops a logical and well-structured answer that explains the role of the Australia government in markets/fiscal policy in the economy • Demonstrates a correct and appropriate knowledge that describes how the government intervene to correct market failure/fiscal policy is used to manage the economy • Uses relevant economic data to support a logically developed discussion of the role of the Australian government in correcting market failure/role fiscal policy plays managing the Australian economy
9-12	<ul style="list-style-type: none"> • Uses appropriate economic terms, concepts, issues, relationships and theory • Develops an answer that describes in general terms the role of the Australia government in markets/fiscal policy in the economy • Demonstrates correct knowledge that describes how the government intervene to correct market failure/fiscal policy is used to manage the economy • Uses economic data to provide a description of the role of the Australian government in correcting market failure/role fiscal policy plays managing the Australian economy
5-8	<ul style="list-style-type: none"> • Uses some economic terms, concepts, issues, relationships and theory • Develops an answer that refers to the role of the Australia government in markets/fiscal policy in the economy • Demonstrates some knowledge of how the government intervene to correct market failure/fiscal policy is used to manage the economy • Makes minimal use of economic data concerning the role of the Australian government in correcting market failure/role fiscal policy plays managing the Australian economy
1-4	<ul style="list-style-type: none"> • Applies some appropriate terminology to communicate economic ideas • Demonstrates limited knowledge of the of the Australia government in markets/fiscal policy in the economy • Presents a limited understanding of how how the government intervene to correct market failure/fiscal policy is used to manage the economy • Provides little if any economic data to support their answer

.....

.....

.....

.....

.....

Mark:.....

Signed.....