



Student Number _____

Economics

2014 Preliminary HSC 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 or 27
Begin your answer on a new sheet of paper

Section I

Multiple Choice

20 marks

Attempt Questions 1-20

Use the multiple choice answer sheet provided.

Allow 20 minutes for this section

- 1 The following data is for the closed economy of Soby. A closed economy doesn't trade with other countries. If savings is \$14 million, investment \$19 million and government spending \$22 million, what are the values of taxation and exports so that leakages equal injections.
 - A. Taxation of \$20 million and exporting of \$7 million
 - B. Taxation of \$27 million and no exporting
 - C. Exporting of \$13.5 million and taxation of \$13.5 million
 - D. Exporting of \$27 million and no taxation

- 2 What are the factors of production?
 - A. Land, labour, interest and profit
 - B. Land, labour, capital and enterprise
 - C. Land, labour, profit and interest
 - D. Technology, productivity, income and capital

- 3 Which of the following best describes scarcity?
 - A. Demand exceeds supply
 - B. Producers hold stock until prices rise
 - C. Some people cannot buy all they need
 - D. Resources are insufficient to satisfy all wants

4. What are TWO characteristics of a public good?
 - A. They are excludable and non-rival
 - B. They are non-excludable and rival
 - C. They are non-rival and non-excludable
 - D. They are excludable and rival

5. Which of the following best describes the forecast federal budget position for 2014/15?
 - A. A contractionary surplus of \$17 billion
 - B. An expansionary surplus of \$17 billion
 - C. A contractionary deficit of \$29 billion
 - D. An expansionary deficit of \$29 billion

6. What causes an expansion or contraction in demand for a good?
- A. A change in price of a substitute good
 - B. A change in price of a complementary good
 - C. A change in the price of the good itself
 - D. A change in government spending

7. Under which of the following conditions would firms rather be operating at?

	Average Cost / Unit	Economies of Scale
A.	Steady	Decreasing
B.	Decreasing	Decreasing
C.	Increasing	Decreasing
D.	Decreasing	Increasing

8. In the long run, which of the following will result if an economy produces more capital goods than consumer goods?

- A. A lower level of economic growth and higher unemployment
- B. An increase in its productive capacity and a higher level of economic growth
- C. A decrease in its productive capacity and a lower level of unemployment
- D. A higher level of economic growth and lower unemployment

9. What is meant by the award wage?

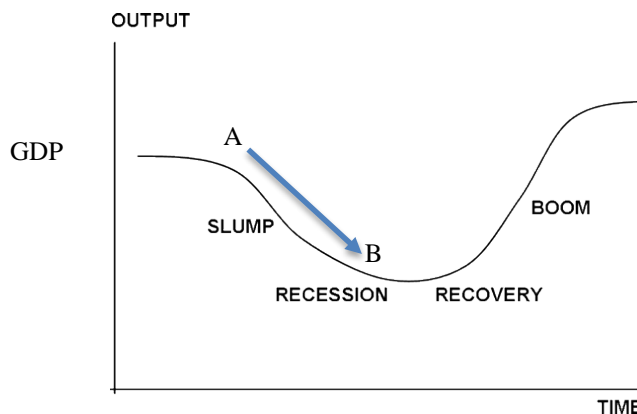
- A. The wage paid to a worker on an enterprise agreement
- B. The wage paid to a worker on an individual contract
- C. The wage paid to all employees at McDonalds.
- D. The minimum wage payable to a worker under the Fair Work Australia Act (2009)

10. According to the information below, what is the rate of unemployment in this economy?

15 – 65 Year Olds	Employed	Unemployed	Participation Rate
25 Million	17 Million	3 Million	80%

- A. 12%
- B. 15%
- C. 68%
- D. 80%

11. The following diagram shows the business cycle for the economy of Kevland.



What is the trend in this economy between points A and B?

- A. Lower unemployment, increasing inflation and lower output
 - B. Rising employment, falling inflation and lower output
 - C. Falling employment, output and inflation
 - D. Rising employment, output and inflation
12. Which of the following is a reason for government intervention in the economy?
- A. To increase government expenditure
 - B. To ensure private monopolies become more efficient
 - C. To maintain markets free of regulation
 - D. To stabilise economic activity
13. Which of the following best describes the mismatch of skills demanded by employers and those possessed by employees who are seeking employment?
- A. Frictional unemployment
 - B. Hidden unemployment
 - C. Cyclical unemployment
 - D. Structural unemployment
14. Which of the following occurs when there is a budget deficit?
- A. Government expenditure exceeds government revenue
 - B. Government expenditure equals government revenue
 - C. Government revenue exceeds government expenditure
 - D. Government expenditure exceeds government borrowing

15. Which of the following are the characteristics of a monopolistic competitive market?
- A. Many small buyers, no barriers to entry and firms are price takers
 - B. Only one firm, no close substitutes and firms are price makers
 - C. Large number of small firms, differentiated products and brand loyalty
 - D. Small number of large firms, differentiated products and barriers to entry
16. Which of the following could reduce consumer sovereignty?
- A. An increase in the level of advertising
 - B. A rise in competition between firms
 - C. A decrease in the level of advertising
 - D. A high demand for a good or service
17. To which industry do mining and agriculture belong?
- A. Primary
 - B. Secondary
 - C. Tertiary
 - D. Quarternary
18. Which of the following taxes in Australia is progressive?
- A. Company tax
 - B. Income tax
 - C. GST
 - D. Excise duty
19. Which of the following are complimentary goods?
- A. Cars and petrol
 - B. Houses and cars
 - C. Microwave ovens and TVs
 - D. Movies and concerts
20. Which factor has contributed significantly to the decline in union membership in the Australian labour market?
- A. The movement towards a more centralised system of wage determination
 - B. The increase in enterprise bargaining to determine wage outcomes
 - C. The growth in government owned businesses as a share of total employment
 - D. The slow-down in employment growth with respect to casual and part-time work

End of Section I

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Section II

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)

- a) Using an example, describe how the price mechanism works. **2**

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- b) Explain TWO negative impacts of a free market operating without government intervention. **4**

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c) Discuss how ONE government policy has been influenced by interest groups in Australia.

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Question 22 (10 marks).

a) What is the difference between economies of scale and diseconomies of scale? **2**

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b) Describe ONE advantage and ONE disadvantage of specialisation of labour. **2**

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c) Outline a factor that contributes to internal economies of scale. **2**

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d) Explain ONE benefit of increased productivity of employees for firms, and ONE benefit for the economy.

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Question 23 (10 marks).

a) Explain the law of supply. 2

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b) Distinguish between a movement along a supply curve and a shift in a supply curve. 2

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c) Distinguish between relatively elastic demand and relatively inelastic demand. 2

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d) Discuss the importance of understanding elasticity of demand for a business. 4

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Question 24 (10 marks).

Student Number:.....

- a) Describe ONE way that consumer sovereignty can be diminished by firms. **2**

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- b) Explain the difference between the average propensity to consume (APC) and the marginal propensity to consume (MPC). **2**

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- c) Explain the relationship between the level of income of a nation and the average propensity to consume. **2**

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- d) Discuss TWO links between the circular flow of income and the business cycle. **4**

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Section III Extended Response

20 marks

Attempt Question 25

Begin your answer on a new sheet of examination paper

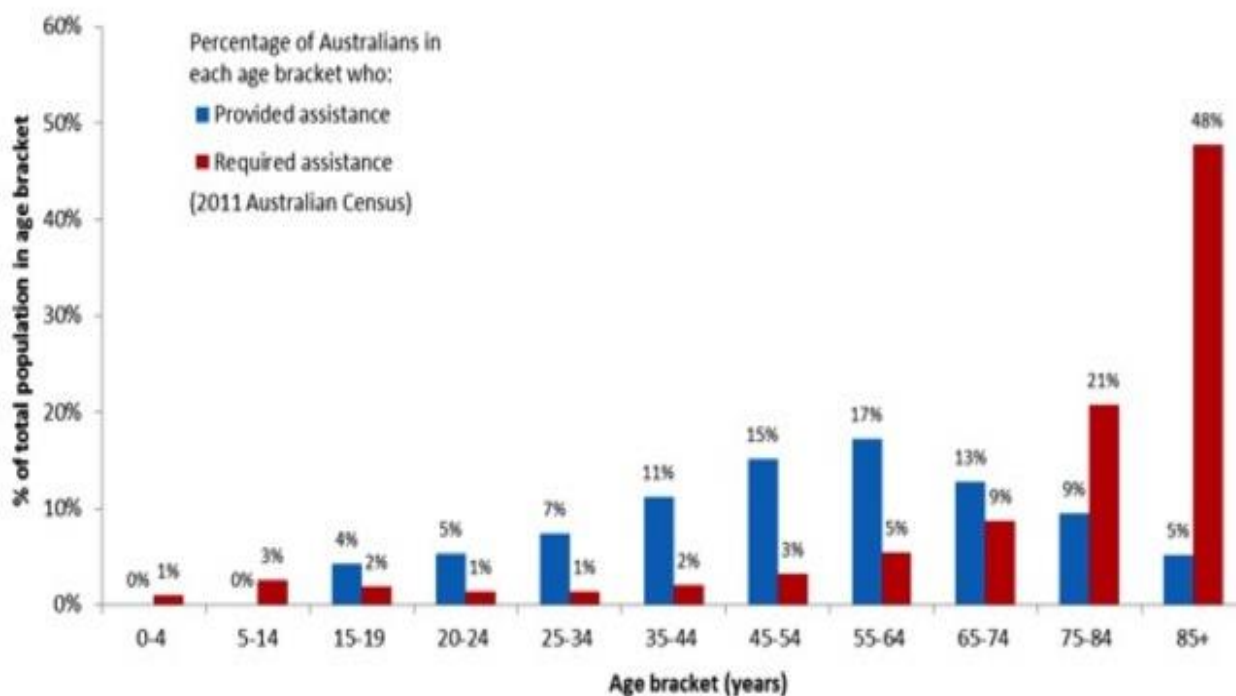
Allow 40 minutes for this section

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)

Describe the factors which affect the supply of labour and evaluate the impact of labour market trends on individuals in Australia. In your response refer to the information below.



2.7

The number of
people of working
age to support each
Australian aged
65 years and over
by 2050

Source: 2010 Intergenerational
Report

Section IV

Extended Response

20 marks

Attempt Question 26 or 27

Begin your answer on a new sheet of examination paper

Allow 40 minutes for this section

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

Describe the different market structures and analyse how the government may intervene to correct market failure.

OR

Question 27

With reference to the Australian economy, examine recent trends in unemployment and evaluate the success of fiscal policy in reducing unemployment.

End of paper

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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 Economsic
- 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 |

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 Econsomic
- B Economicsbro
- C Ecomonics
- D Economics

A B C D

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

Section II

Question 21

- a) Using an example, describe how the price mechanism works. 2

2	Correctly describes the price mechanism and gives an example
1	Correctly describes or gives an example

- b) Explain TWO negative impacts of a free market operating without government intervention. 4

4	Explains TWO negative impacts
3	Explains ONE and identifies ONE
2	Explains ONE; identifies TWO
1	Identifies ONE

Answers include:

- Public goods are not provided
- Merit goods are undersupplied
- Demerit goods are oversupplied
- Concentration of power may occur
- Price too high
- Price too low

- c) Discuss how ONE government policy has been influenced by interest groups in Australia.

4	Correctly identifies ONE policy (1), correctly identifies ONE interest group related to the policy (1), Discusses – pros & cons of the influence – will the outcome be better/worse? (2)
3	Any combination of the above adding to 3 marks
2	Any combination of the above adding to 2 marks
1	Either identifies ONE policy or ONE interest group

Question 22

a) What is the difference between economies of scale and diseconomies of scale? **2**

2	Correctly states the difference between economies and diseconomies of scale
1	States correctly what either economies or diseconomies of scale are

b) Describe ONE advantage and ONE disadvantage of specialisation of labour. **2**

2	Describes ONE advantage and ONE disadvantage of specialisation of labour
1	Describes ONE advantage or disadvantage only

c) Outline a factor that contributes to internal economies of scale. **2**

2	Outlines ONE factor that contributes to internal economies of scale
1	Identifies ONE factor

d) Explain ONE benefit of increased productivity of employees for firms, and ONE benefit for the economy. **4**

4	Explains ONE benefit for firms and ONE benefit for the economy
3	Explains ONE and identifies ONE
2	Explains ONE or identifies TWO
1	Identifies ONE

Question 23

a) Explain the law of supply. 2

2	Correctly explains the law of supply: as price increases, suppliers are more willing and able to supply a product
1	Shows some, but not complete knowledge of the law of supply.

b) Distinguish between a movement along a supply curve and a shift in a supply curve. 2

2	Correctly distinguishes between a movement along a curve and a shift in a curve
1	Correctly identifies either a movement along or shift of a curve

Movements along the curve occur because of a price change. They take the form of an expansion or contraction of supply.

Shifts in supply occur when there is a factor leading to an increase or decrease of supply, or a shift of the entire curve outwards or inwards.

c) Distinguish between relatively elastic demand and relatively inelastic demand. 2

2	Correctly distinguishes between relatively elastic and inelastic demand
1	Shows some knowledge of elastic or inelastic demand; does not distinguish clearly.

Elasticity of demand refers to the responsiveness of demand to a price change. Relatively elastic demand means that there will be a strong response to a price change, ie. demand will rise or fall by a more than proportional amount to the price change. Relatively inelastic demand means there is a weak responsiveness to a price change.

d) Discuss the importance of understanding elasticity of demand for a business. 4

4	Discusses the importance of understanding elasticity by: <ul style="list-style-type: none"> - identifying that it will help determine revenue - identifying total outlay method of calculating revenue - Applying that business decisions are impacted by the elasticity of a product - Need to talk about factors affecting elasticity??
3	
2	
1	

Question 24

a) Describe ONE way that consumer sovereignty can be diminished by firms. 2

2	Describes ONE way
1	Lists one way

Answers could include: advertising, planned obsolescence, etc.

b) Explain the difference between the average propensity to consume (APC) and the marginal propensity to consume (MPC). 2

2	Explains that the MPC refers to the change in consumption based on a change in income, rather than APC which is the overall proportion of income consumed.
1	Shows some, but incomplete knowledge.

c) Explain the relationship between the level of income of a nation and the average propensity to consume. 2

2	Explains that as the average income of a nation increases, the APC will fall. This is because less of the total income is being spent on necessities/needs and more can be saved.
1	Shows some, but incomplete knowledge.

d) Discuss TWO links between the circular flow of income and the business cycle. 4

4	Discusses TWO links between the CFI and the business cycle
3	Discusses ONE link and outlines ONE link
2	Discusses ONE link or outlines TWO
1	Outlines ONE

- Example 1

Downswing: leakages > injections. Possibly $S > I$ (excess savings); $T > G$ (Budget surplus) or $M > X$ (trade surplus).

Year 11 Economics 2014 Preliminary Examinations – Question 25

Describe the factors that affect the supply of labour and evaluate the impact of labour market trends on individuals in Australia. In your response refer to the information below.

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 with a clear introduction, body and conclusion • Demonstrates a precise and extensive knowledge that describes the factors affecting the supply of labour • Uses relevant economic data and stimulus material to support a contemporary and comprehensive evaluation of the impact of labour market trends on individuals
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 with a clear introduction, body and conclusion • Demonstrates a correct and appropriate knowledge that describes the factors affecting the supply of labour • Uses relevant stimulus data to support a logically developed evaluation of the impacts of labour market trends on individuals
9-12	<ul style="list-style-type: none"> • Uses appropriate economic terms, concepts, issues, relationships and theory • Develops an answer that shows some structure including an introduction, body and conclusion • Demonstrates correct knowledge that outlines factors affecting supply of labour • Uses stimulus data to provide an explanation of the role of government intervention in the Australian economy
5-8	<ul style="list-style-type: none"> • Uses some economic terms, concepts, issues, relationships and theory • Develops an answer that has some structure. No clear introduction, body and conclusion • Demonstrates some knowledge of factors affecting supply of labour • Makes minimal use of stimulus data concerning the impacts of labour market trends on indivs
1-4	<ul style="list-style-type: none"> • Applies some appropriate terminology to communicate economic ideas • Demonstrates limited written structure • Presents a limited understanding of the factors affecting the supply of labour or the impacts of labour market trends • Provides little if any stimulus data to support their answer

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Mark:.....

Signed:.....

Year 11 Economics 2014 Preliminary Examinations – Question 26

With reference to the Australian economy, analyse the limitations of the free market economy.

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 with a clear introduction, body and conclusion • Demonstrates a precise and extensive knowledge that analyses the limitations of the free market economy. • Uses relevant economic data and examples from Australia’s mixed market economy throughout the response
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 with a clear introduction, body and conclusion • Demonstrates a correct and appropriate analysis of the limitations of the free market economy • Uses relevant data and examples of the Australian mixed market economy
9-12	<ul style="list-style-type: none"> • Uses appropriate economic terms, concepts, issues, relationships and theory • Develops an answer that shows some structure including an introduction, body and conclusion • Demonstrates correct knowledge that outlines limitations of the free market economy • Uses data and examples of the Australian mixed market economy
5-8	<ul style="list-style-type: none"> • Uses some economic terms, concepts, issues, relationships and theory • Develops an answer that has some structure. No clear introduction, body and conclusion • Demonstrates some knowledge of the limitations of the free market economy • Makes minimal use of examples and data
1-4	<ul style="list-style-type: none"> • Applies some appropriate terminology to communicate economic ideas • Demonstrates limited written structure • Presents a limited understanding of the limitations of the free market economy • Provides little if any examples or data to support their answer

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Mark:.....

Signed:.....

Year 11 Economics 2014 Preliminary Examinations – Question 27

Evaluate the impact of different taxes on the distribution of income and wealth and the allocation of resources in the Australian economy.

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 with a clear introduction, body and conclusion • Demonstrates a precise and extensive knowledge of the different taxes in Australia • Uses relevant examples and data to support a contemporary and comprehensive evaluation of the impacts of these taxes on the distribution of income and wealth and the allocation of resources in 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 with a clear introduction, body and conclusion • Demonstrates a correct and appropriate knowledge that describes the types of taxes in Aust • Uses relevant examples and data to support a logically developed evaluation of the impacts of taxes on the distribution of income and wealth and the allocation of resources in the Aust economy.
9-12	<ul style="list-style-type: none"> • Uses appropriate economic terms, concepts, issues, relationships and theory • Develops an answer that shows some structure including an introduction, body and conclusion • Demonstrates correct knowledge that outlines different taxes in Australia • Uses examples and data to provide an explanation of the impacts of taxes on the distribution of income as well as the allocation of resources.
5-8	<ul style="list-style-type: none"> • Uses some economic terms, concepts, issues, relationships and theory • Develops an answer that has some structure. No clear introduction, body and conclusion • Demonstrates some knowledge of different taxes • Shows minimal understanding of the effects taxes have on the distribution of income and allocation of resources
1-4	<ul style="list-style-type: none"> • Applies some appropriate terminology to communicate economic ideas • Demonstrates limited written structure • Presents a limited understanding of the different taxes in Australia • Provides little if any insight into the effects of taxes on economic indicators

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