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Student Number



Pymble Ladies' College

2004

YEAR 11 ANNUAL EXAMINATION

Economics

Total marks – 80

Section I

Pages 2-5

20 marks

- Attempt Questions 1– 20
- Allow about 30 minutes for this section

Section II

Pages 6-17

40 marks

- Attempt Questions 21–24
- Allow about 55 minutes for this section

Section III

Page 18

20 marks

- Attempt either Question 25 or Question 26
- Allow about 35 minutes for this section

General Instructions

- Time allowed – 2 hours
- Write using black or blue pen
- Board-approved calculators may be used
- Write your Student Number at the top of pages 6, 9, 13 and 16.

Section I

Multiple Choice

Attempt ALL questions

Choose the best response to the questions.

Mark your answers on the answer sheet provided.

1. The basic economic problem of all economies involves -
 - (A) satisfying limited wants
 - (B) printing money to buy goods
 - (C) allocating unlimited resources
 - (D) choosing between alternative production possibilities

2. Education and police services are best described as -
 - (A) basic needs
 - (B) collective wants
 - (C) individual wants
 - (D) complementary wants

3. Welfare payments redistribute income from -
 - (A) business to individuals
 - (B) business to government
 - (C) government to individuals
 - (D) taxpayers to government

4. In a five sector circular flow income model of an economy, equilibrium occurs when -
 - (A) imports equal exports
 - (B) savings equal injections
 - (C) leakages equal injections
 - (D) the government budget is balanced

5. *Consumer sovereignty* refers to how the pattern of consumer spending determines -
 - (A) tax rates for business
 - (B) the size of government
 - (C) what goods are produced
 - (D) how goods are distributed

6. Disposable income equals a person's -
 - (A) gross income
 - (B) gross income less savings
 - (C) gross income less spending
 - (D) gross income less personal tax

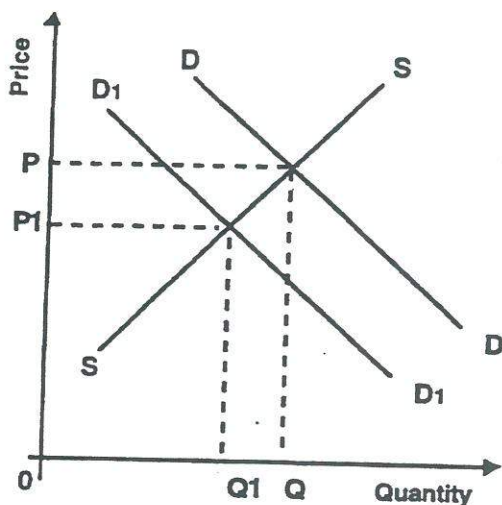
11. It is normally assumed that the main objective of most firms is to –

- (A) maximise profit
- (B) increase market share
- (C) maximise growth in assets
- (D) pay the lowest wages in their industry

12. An example of a negative externality is –

- (A) smoke from passing cars
- (B) taxes paid to the government
- (C) an increase in the price of imports
- (D) being disappointed with a purchase

The market diagram below is for Stars soft drink. Use it to answer question 13.



13. What could have caused the original demand curve DD to shift to $D1D1$?

- (A) a fall in the price of Stars-
- (B) a rise in the price of Stars
- (C) a decrease in the supply of Stars
- (D) a large fall in the price of a substitute drink

14. A government sets a price above the market equilibrium price. This represents -

- (A) a floor price, and creates a surplus
- (B) a floor price, and creates a shortage
- (C) a ceiling price, and creates a surplus
- (D) a ceiling price, and creates a shortage

15. Unemployment caused by a fall in economic activity defines –

- (A) cyclical unemployment
- (B) structural unemployment
- (C) frictional unemployment
- (D) hard core unemployment

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Section II

40 marks

Attempt Questions 21–24

Allow about 55 minutes for this section

Answer the questions in the spaces provided.

Question 21 (10 Marks)

Table showing level of interest rate and economic activity 1999 - 2004

Date	GDP %	RBA Cash Rate
1999 – 00	3.8	6.0
2000 - 2001	2.0	5.0
2001 -2002	3.9	4.75
2002 - 2003	2.9	5.25
2003 - 2004	3.75	5.25

Marks

a Define the term *interest rate*.

1

2

b Outline the stance of monetary policy between 1999 and 2004.

3

c Discuss the impact of a fall in the interest rate on economic activity, employment and investment.

d Explain the Reserve Bank's procedure of changing the interest rate.

End of question 21

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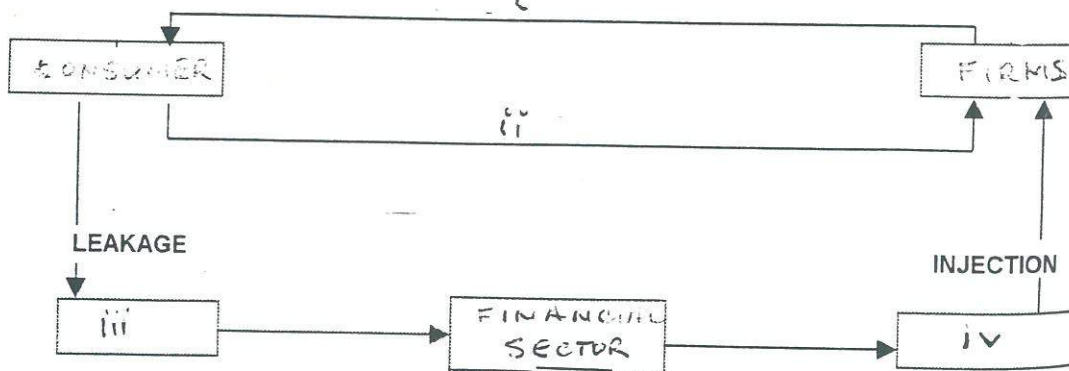
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Section II (continued)

Question 22 (10 marks)

CIRCULAR FLOW OF INCOME



With reference to the above diagram

Marks

a Label each of the following flows

2

- i _____
- ii _____
- iii _____
- iv _____

- b How does the introduction of the government impact on the circular flow of income?

c How does the introduction of the foreign or overseas sector impact on the circular flow of income?

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Question 23 (10 marks)

Questions (a) to (e) are based on the following supply and demand table for DVD players

Price per DVD player	Quantity demanded per month	Quantity supplied per month
\$	('000)	('000)
100	10	2
200	8	4
300	6	6
400	4	8
500	2	10

Marks
2

- a Draw the market supply and demand curves for DVD players. Fully label the diagram.

1

b Define the term *market demand*.

1

c Define the term price *elasticity of demand*.

2

d Using the total outlay method (showing your working) describe the price elasticity of demand when the price of DVD players rise from:

i \$100 to \$200

ii \$400 to \$500

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Section II (continued)

Question 24 (10 marks)

Marks

2

a What is meant by the term *internal economies of scale*? Give an example.

2

b What is meant by the term *internal diseconomies of scale*? Give an example.

Marks

2

c What is meant by the term *external economies of scale*? Give an example.

2

d What is meant by the term *external diseconomies of scale*? Give an example.

Draw a fully labelled diagram showing internal and external economies and diseconomies of scale ²

End of Question 24

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Section III

20 marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Answer the question on a **NEW SHEET** of paper. Extra writing paper is available.

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

- use economic data
 - apply economic terms, concepts, relationships and theory
 - present a sustained, logical and well-structured answer to the question
-

Question 25 (20 marks)

Explain how and why the government intervenes in the operation of the free market to achieve more desirable outcomes.

OR

Question 26 (20 marks)

Examine the similarities and differences between Australia and one other economy you have studied in relation to economic growth, employment and quality of life.

End of paper