



Form V Economics

Annual Examination 2015

Date: Fri 28th August (AM)

Outcomes Assessed: All

General Instructions

- **Working Time: 2 hours**
- Write using black or blue pen.
- Write your name and class on all your submitted work.
- When finished, put your extended responses **and** this question paper **inside** the Answer Booklet to be collected.
- **Total: 80 marks**

Structure of Paper & Instructions

- **Section A (20 marks)**
Answer all multiple choice questions on the answer sheet provided on the front page of the Answer Booklet.
- **Section B (20 marks)**
Answer both short answer questions in the Answer Booklet.
- **Section C (20 marks)**
This extended response (with stimulus) must be answered.
- **Section D (20 marks)**
Answer only **ONE** of the extended responses in this section.

CHECKLIST
Each boy should have the following:
Question Paper
Answer Booklet for Sections A & B
2 Writing Booklets for Sections C & D

SECTION A

20 marks

Use the multiple-choice answer sheet on the front page of
the Answer Booklet for Questions 1-20

Spend no more than 25 mins on this section

1. To what does the reallocation function of government refer?
 - (A) Putting a stronger emphasis on fiscal and monetary policies to smooth fluctuations in the business cycle.
 - (B) Ensuring a minimum standard of living for all Australians.
 - (C) Influencing the patterns of production to encourage the production of some goods and discourage others.
 - (D) Changing the balance between government expenditure and taxation receipts.

2. What best describes an internal diseconomy of scale?
 - (A) Factors in a firm that cause costs per unit to rise.
 - (B) Factors in a firm that cause profits to rise.
 - (C) Factors in a firm that cause revenue to rise.
 - (D) Factors determined by the government that result in a rise in a firm's expenses.

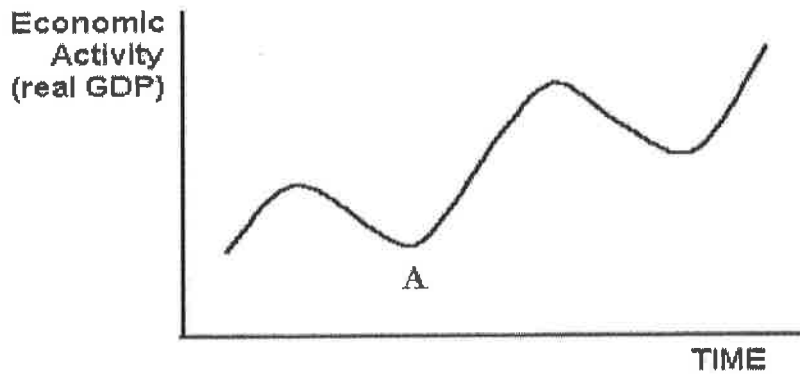
3. What will be the result when economic growth results in an increase in an economy's productive capacity over time?

	Production Possibility Frontier	Resource Use	Living Standards
(A)	Inward shift	Increase	Improve
(B)	Outward shift	Decrease	Decrease
(C)	Outward shift	Increase	Increase
(D)	Inward shift	Decrease	Decrease

4. Which of the following is a benefit of liquidity?
 - (A) The value of cash is increased by inflation over time.
 - (B) The possibility of high returns when holding shares.
 - (C) The ability to quickly transfer an asset into cash.
 - (D) It reduces the risk of a fall in the purchasing power of money.

5. In terms of an investment in the Australian financial markets, what is a derivative?
 - (A) Long term loans offered by banks to purchase assets with strong returns.
 - (B) Financial contracts to buy and sell at a later date for a certain price.
 - (C) Equities which offer returns to the holder based on the performance of the company.
 - (D) Longer term securities for which lenders receive regular fixed payments from the issuer.

6. The following graph shows an economy's business cycle:



Which combination of policies would be most appropriate at point A?

	Fiscal Policy	Monetary Policy
(A)	Increasing government expenditure relative to taxation	RBA selling Commonwealth Govt Securities
(B)	Reducing government expenditure relative to taxation	RBA selling Commonwealth Govt Securities
(C)	Increasing taxation relative to government expenditure	RBA buying Commonwealth Govt Securities
(D)	Reducing taxation relative to government expenditure	RBA buying Commonwealth Govt Securities

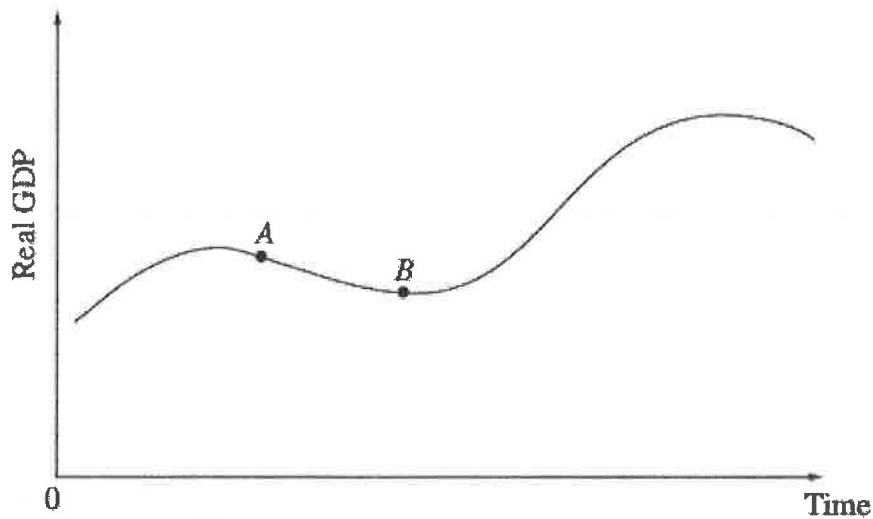
7. The following schedule represents Australia's proposed income tax rates for 2015/16:

Thresholds (\$)	Marginal Rate of Tax (%)
Up to 18,200	0
18,201 - 37,000	19
37,001 - 80,000	32.5
80,001 - 180,000	37
180,001+	47

Which of the following statements is true for someone earning \$85,000?

	Marginal Rate of Tax	Average Rate of Tax
(A)	37%	20.8%
(B)	37%	22.8%
(C)	\$1,850	\$19,397
(D)	\$0.37	32.8%

8. The following graph traces the business cycle of an economy:



What impacts would a move from point A to point B have on the government's budget?

	Government Expenditure	Taxation Receipts	Budget Outcome
(A)	Increase	Decrease	Smaller Surplus
(B)	Decrease	Decrease	Bigger Deficit
(C)	Increase	Increase	Smaller Deficit
(D)	Decrease	Increase	Smaller Surplus

9. Which combination of factors applies to the influences on the demand for labour in Australia?

	Output Factors	Input Factors
(A)	Cost of labour against cost of other inputs	Demand for an individual firm's product
(B)	The economy's position on the business cycle	Productivity of labour against productivity of other inputs
(C)	Cost of labour against cost of foreign labour	General conditions of the economy
(D)	Conditions in the firm's industry	Demand for an individual firm's product

10. Which of the following statements regarding monetary policy is correct?

- (A) Its impact lag is shorter than its implementation lag.
- (B) Its transmission mechanism refers to the process of buying and selling of Commonwealth Government Securities in the overnight cash market.
- (C) It can be specifically targeted to relevant sectors in the economy.
- (D) It relies on deposit-taking institutions setting their own interest rates in response to changes in the cash rate.

11. What budget outcome would ensure that this 5 sector economy remained in equilibrium?

Flow	\$ (Millions)
Investment	150
Imports	100
Savings	75
Exports	80

- (A) Surplus of \$55 million.
- (B) Deficit of \$55 million.
- (C) Surplus of \$45 million.
- (D) Deficit of \$45 million

12. Which combination of characteristics is most likely to be present in a free market economic system?

(A)	Consumer sovereignty	Private property rights	Minimum wage
(B)	Freedom of enterprise	Competition	Price mechanisms
(C)	A large public sector	System of markets	Economic freedom
(D)	Too many merit goods	Insufficient demerit goods	Inefficient allocation of resources

13. Which of the following are found in a situation of monopoly?

- (i) There are no close substitutes.
- (ii) The firm is a price taker.
- (iii) Barriers to entry make it difficult for new firms to enter this market.

- (A) (i) and (ii) only.
- (B) (ii) and (iii) only.
- (C) (i) and (iii) only.
- (D) (i), (ii) and (iii).

14. Which of the following is not a feature of Australia's current industrial relations system?

- (A) Ten minimum employment standards.
- (B) Encouragement of collective enterprise agreements.
- (C) A 'Better Off Overall Test' applying to Awards.
- (D) A wage price floor set by the Fair Work Commission.

15. If goods X and Y are substitutes and the costs of production for good X fall, what will be the impacts on the demand and supply curves for good Y?

	Demand Curve	Supply Curve
(A)	Shift to the left	Contraction along the curve
(B)	Shift to the right	Movement along the curve to the right
(C)	Expansion along the curve	Shift out to the right
(D)	Decrease in demand	Increase in supply

16. What is the likely impact of broadening the base of the goods and services tax (GST) to include health-related products?
- (A) Greater revenue for the government, a more efficient tax system and a more equal distribution of income.
 - (B) Greater revenue for the government, a more efficient tax system and a less equal distribution of income.
 - (C) Less revenue for the government, a less efficient tax system and a more equal distribution of income.
 - (D) Less revenue for the government, a more efficient tax system and a less equal distribution of income.

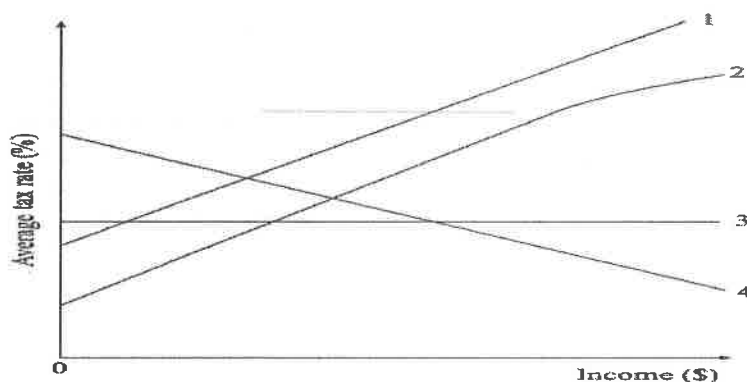
17. The following table shows a firm's short run production data:

Labour Input	Total Output
1	80
2	150
3	210
4	280
5	340

Which of the following statements is true?

- (A) The marginal product of the 3rd worker is 70.
- (B) Labour productivity is at its lowest when the 5th worker is hired.
- (C) The short run average cost is 75 when 2 workers are employed.
- (D) Maximum profits will be achieved when output is at its highest.

18. The following represents the structure of various taxes:



Which of the above taxes would represent the Federal Government's decision to impose a \$10 tax on all visits to a doctor?

- (A) Tax 1
- (B) Tax 2
- (C) Tax 3
- (D) Tax 4

19. In the 4 diagrams below, DD and SS represent demand and supply curves for Good X:

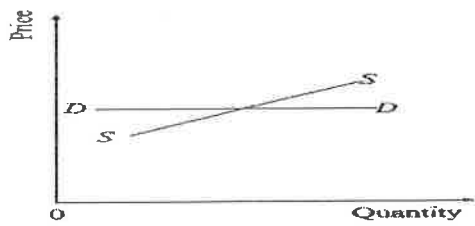


DIAGRAM 1

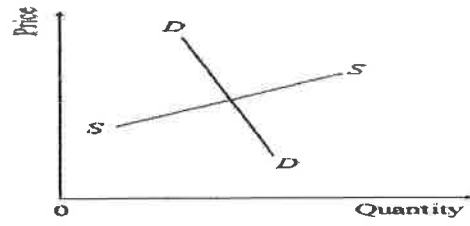


DIAGRAM 2

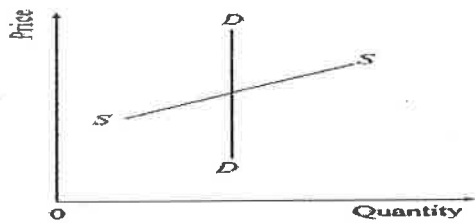


DIAGRAM 3

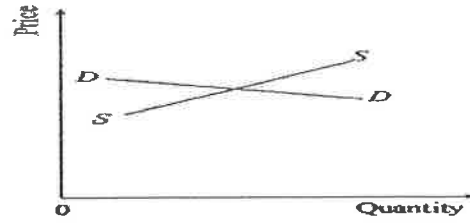
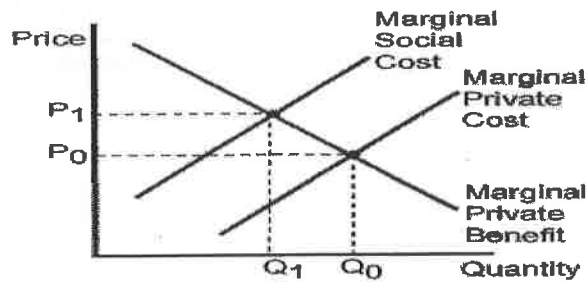


DIAGRAM 4

If an indirect tax is imposed on Good X, in which of the scenarios would the incidence of the tax be the greatest for the producers?

- (A) Diagram 1.
- (B) Diagram 2.
- (C) Diagram 3.
- (D) Diagram 4.

20. The following graph represents the demand and supply schedule for a particular good:



Which of the following statements is not true?

- (A) Negative externalities are present.
- (B) P_1Q_1 represents the social optimum.
- (C) A subsidy to the producer will ensure the appropriate market outcome.
- (D) Without government intervention, P_0Q_0 would be the market equilibrium position.

END OF SECTION A

SECTION B

20 marks

Use the spaces provided below to answer Questions 21 & 22

Spend no more than 25 mins on this section

21. This question is based on the following demand and supply schedule for headphones:

Price (\$)	Quantity Supplied (Per Week)	Quantity Demanded (Per Week)
250	700	300
225	650	450
200	600	500
175	550	550
150	500	600
125	400	650
100	300	700

(a) Describe the situation in the market at the price of \$150? (1 mark)

.....

(b) What is the producer revenue at the equilibrium price? (1 mark)

.....

(c) Using the total outlay method, describe the elasticity of demand for headphones when the price changes from \$200 to \$250. (Show working) (2 marks)

.....

.....

(d) Outline two factors which could affect the price elasticity of demand for headphones. (2 marks)

.....

.....

.....

.....

- (e) Outline two factors which could affect the price elasticity of supply for headphones. (2 marks)

.....

.....

.....

.....

- (f) Explain what per unit subsidy would be needed to ensure to ensure an equilibrium quantity of 650 headphones? (2 marks)

.....

.....

.....

.....

22. The following table gives information about the labour market in a particular economy:

Total Population	85 million
Working Age Population EITHER employed OR officially unemployed	60 million
Working Age Population NOT employed NOR seeking employment	10 million
Part Time Employed	17 million
Full Time Employed	28 million

- (a) How many people are officially unemployed? (1 mark)

.....

.....

- (b) Calculate the participation rate. (1 mark)

.....

.....

Question 22 continues on the next page

SECTION C

20 marks

Use a Writing Booklet to answer this question

Put your name and master's initials on the front cover of your Writing Booklet

Spend approximately 35 mins on this section

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

- Demonstrate knowledge and understanding relevant to the question
- Use the information provided
- Apply relevant economic terms, concepts, relationships and theory
- Present a sustained, logical and cohesive response

23. Discuss how the Federal Government's fiscal policy is used to influence the economy.

Table 1: Budget aggregates

	Actual	Estimates			Projections		Total ^(a)
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
Underlying cash balance (\$b)(b)	-48.5	-41.1	-35.1	-25.8	-14.4	-6.9	-82.3
Per cent of GDP	-3.1	-2.6	-2.1	-1.5	-0.8	-0.4	
Fiscal balance (\$b)	-43.7	-39.4	-33.0	-23.4	-9.2	-3.2	-68.9
Per cent of GDP	-2.8	-2.5	-2.0	-1.3	-0.5	-0.2	

(a) Total is equal to the sum of amounts from 2015-16 to 2018-19.

(b) Excludes net Future Fund earnings.

The rapid fall in the iron ore price has been the largest single contributor to write-downs to Government tax receipts over the past year, contributing around \$20 billion of the total \$52 billion. Weaker expected wage growth since the 2014-15 MYEFO has also significantly downgraded expected tax receipts.

This Budget does not seek to offset the deterioration in receipts by dramatically reducing Government spending or hiking taxes. Nevertheless, the average annual pace of consolidation until 2018-19 is 0.5 per cent of GDP, broadly consistent with the average pace of consolidation in the 2014-15 Budget.

The Government has set itself a target of reaching a surplus of 1 per cent of GDP by 2023-24, consistent with the medium-term fiscal strategy of running surpluses on average over the course of the economic cycle.

Australian Federal Govt, 2015/16 Budget Papers – Fiscal Strategy, May 2015.

**END OF SECTION C
SECTION D FOLLOWS**

SECTION D

20 marks

Answer only ONE question from this section

Use a separate Writing Booklet

Put your name and master's initials on the front cover of your Writing Booklet

Spend approximately 35 mins on this section

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

- Demonstrate knowledge and understanding relevant to the question
- Apply relevant economic terms, concepts, relationships and theory
- Present a sustained, logical and cohesive response

EITHER

24. Examine the process of wage determination in the Australian economy.

OR

25. Examine the role of monetary policy in the Australian economy.

END OF THE EXAMINATION

SOLS

SYDNEY GRAMMAR SCHOOL



Form V Economics

Annual Examination 2015

Date: Fri 28th August (AM)

Outcomes Assessed: All

General Instructions

- Working Time: 2 hours
- Write using black or blue pen.
- Write your name and class on all your submitted work.
- When finished, put your extended responses **and** this question paper **inside** the Answer Booklet to be collected.
- Total: 80 marks

Structure of Paper & Instructions

- Section A (20 marks)
Answer all multiple choice questions on the answer sheet provided on the front page of the Answer Booklet.
- Section B (20 marks)
Answer both short answer questions in the Answer Booklet.
- Section C (20 marks)
This extended response (with stimulus) must be answered.
- Section D (20 marks)
Answer only **ONE** of the extended responses in this section.

CHECKLIST
Each boy should have the following:
Question Paper
Answer Booklet for Sections A & B
2 Writing Booklets for Sections C & D

SECTION A

20 marks

Use the multiple-choice answer sheet on the front page of the Answer Booklet for Questions 1-20
Spend no more than 25 mins on this section

1. To what does the reallocation function of government refer?
- (A) Putting a stronger emphasis on fiscal and monetary policies to smooth fluctuations in the business cycle.
 - (B) Ensuring a minimum standard of living for all Australians.
 - (C) Influencing the patterns of production to encourage the production of some goods and discourage others.
 - (D) Changing the balance between government expenditure and taxation receipts.

2. What best describes an internal diseconomy of scale?
- (A) Factors in a firm that cause costs per unit to rise.
 - (B) Factors in a firm that cause profits to rise.
 - (C) Factors in a firm that cause revenue to rise.
 - (D) Factors determined by the government that result in a rise in a firm's expenses.

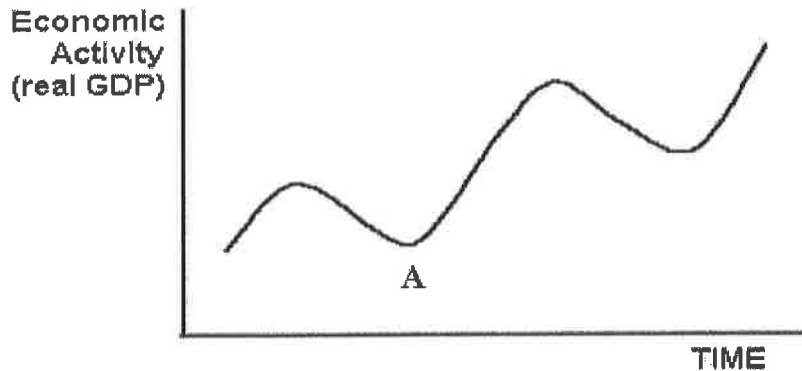
3. What will be the result when economic growth results in an increase in an economy's productive capacity over time?



	Production Possibility Frontier	Resource Use	Living Standards
(A)	Inward shift	Increase	Improve
(B)	Outward shift	Decrease	Decrease
<input checked="" type="radio"/> (C)	Outward shift	Increase	Increase
(D)	Inward shift	Decrease	Decrease

4. Which of the following is a benefit of liquidity?
- (A) The value of cash is increased by inflation over time.
 - (B) The possibility of high returns when holding shares.
 - (C) The ability to quickly transfer an asset into cash.
 - (D) It reduces the risk of a fall in the purchasing power of money.
5. In terms of an investment in the Australian financial markets, what is a derivative?
- (A) Long term loans offered by banks to purchase assets with strong returns.
 - (B) Financial contracts to buy and sell at a later date for a certain price.
 - (C) Equities which offer returns to the holder based on the performance of the company.
 - (D) Longer term securities for which lenders receive regular fixed payments from the issuer.

6. The following graph shows an economy's business cycle:



Which combination of policies would be most appropriate at point A?

	Fiscal Policy	Monetary Policy
(A)	Increasing government expenditure relative to taxation	RBA selling Commonwealth Govt Securities
(B)	Reducing government expenditure relative to taxation	RBA selling Commonwealth Govt Securities
(C)	Increasing taxation relative to government expenditure	RBA buying Commonwealth Govt Securities
(D)	Reducing taxation relative to government expenditure $\Rightarrow \uparrow \text{DEB} / \downarrow \text{SW}$	RBA buying Commonwealth Govt Securities $\Rightarrow \downarrow i.R.$

7. The following schedule represents Australia's proposed income tax rates for 2015/16:

Thresholds (\$)	Marginal Rate of Tax (%)
Up to 18,200	0
18,201 - 37,000 = \$18,200 x	19
37,001 - 80,000 = \$43,000 x	32.5
80,001 - 180,000 = \$5,000 x	37
180,001+	47

TAX PAID
 0
 3572
 13975
 1850

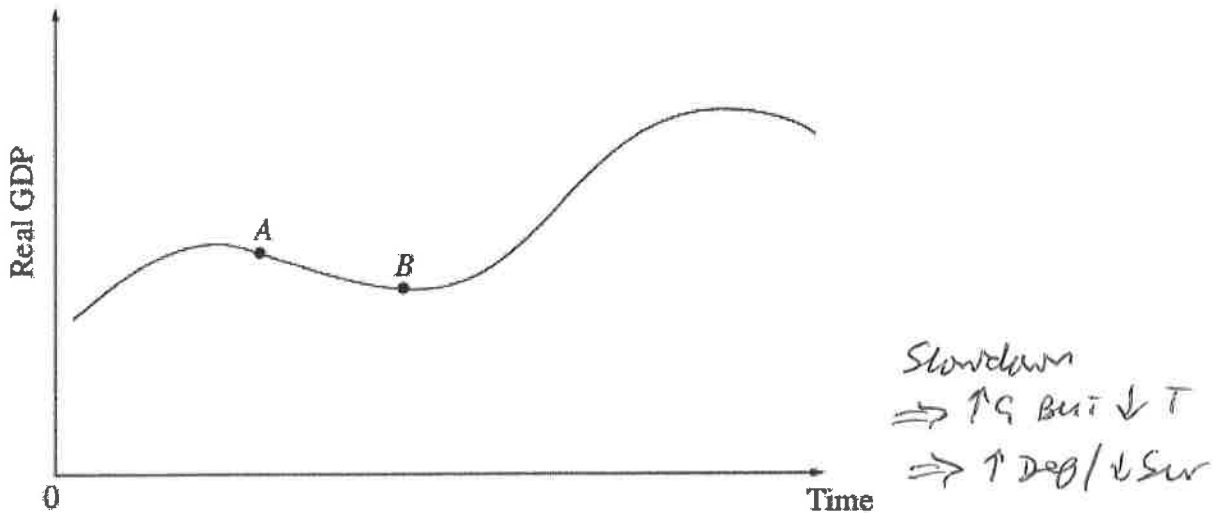
 19397

 85000
 X100
 = 22.826

Which of the following statements is true for someone earning \$85,000?

Marginal Rate of Tax	Average Rate of Tax
(A) 37%	20.8%
(B) 37%	22.8%
(C) \$1,850	\$19,397
(D) \$0.37	32.8%

8. The following graph traces the business cycle of an economy:



What impacts would a move from point A to point B have on the government's budget?

- (A)
- (B)
- (C)
- (D)

Government Expenditure	Taxation Receipts	Budget Outcome
Increase	Decrease	Smaller Surplus
Decrease	Decrease	Bigger Deficit
Increase	Increase	Smaller Deficit
Decrease	Increase	Smaller Surplus

9. Which combination of factors applies to the influences on the demand for labour in Australia?

	Output Factors	Input Factors
(A)	Cost of labour against cost of other inputs ✗	Demand for an individual firm's product ✗
(B)	The economy's position on the business cycle ✓	Productivity of labour against productivity of other inputs ✓
(C)	Cost of labour against cost of foreign labour ✗	General conditions of the economy ✗
(D)	Conditions in the firm's industry ✓	Demand for an individual firm's product ✗

10. Which of the following statements regarding monetary policy is correct?

- (A) Its impact lag is shorter than its implementation lag. ✗
- (B) Its transmission mechanism refers to the process of buying and selling of Commonwealth Government Securities in the overnight cash market. ✗
- (C) It can be specifically targeted to relevant sectors in the economy. ✗
- (D) It relies on deposit-taking institutions setting their own interest rates in response to changes in the cash rate. ✓

11. What budget outcome would ensure that this 5 sector economy remained in equilibrium?

Flow	\$ (Millions)
Investment	150
Imports	100
Savings	75
Exports	80

- (A) Surplus of \$55 million.
- (B) Deficit of \$55 million.
- (C) Surplus of \$45 million.
- (D) Deficit of \$45 million

$S + M = 175$ | $I + X = 230$ (+)
 so $T > G$ needs to be by 55

12. Which combination of characteristics is most likely to be present in a free market economic system?

(A)	Consumer sovereignty ✓	Private property rights ✓	Minimum wage ✗
(B)	Freedom of enterprise ✓	Competition ✓	Price mechanisms ✓
(C)	A large public sector ✗	System of markets ✓	Economic freedom ✓
(D)	Too many merit goods ✗	Insufficient demerit goods ✗	Inefficient allocation of resources ✗

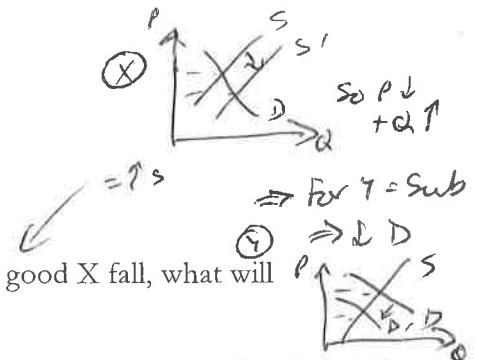
13. Which of the following are found in a situation of monopoly?

- (i) There are no close substitutes. ✓
- (ii) The firm is a price taker. ✗
- (iii) Barriers to entry make it difficult for new firms to enter this market. ✓

- (A) (i) and (ii) only.
- (B) (ii) and (iii) only.
- (C) (i) and (iii) only.
- (D) (i), (ii) and (iii).

14. Which of the following is not a feature of Australia's current industrial relations system?

- (A) Ten minimum employment standards. ✓
- (B) Encouragement of collective enterprise agreements. ✓
- (C) A 'Better Off Overall Test' applying to Awards. ✗
- (D) A wage price floor set by the Fair Work Commission. ✓



15. If goods X and Y are substitutes and the costs of production for good X fall, what will be the impacts on the demand and supply curves for good Y?

	Demand Curve	Supply Curve
(A)	Shift to the left ✓	Contraction along the curve ✓
(B)	Shift to the right ✗	Movement along the curve to the right ✗
(C)	Expansion along the curve ✗	Shift out to the right ✗
(D)	Decrease in demand ✓	Increase in supply ✗

16. What is the likely impact of broadening the base of the goods and services tax (GST) to include health-related products?
- (A) Greater revenue for the government, a more efficient tax system and a more equal distribution of income.
 - (B)** Greater revenue for the government, a more efficient tax system and a less equal distribution of income.
 - (C) Less revenue for the government, a less efficient tax system and a more equal distribution of income.
 - (D) Less revenue for the government, a more efficient tax system and a less equal distribution of income.

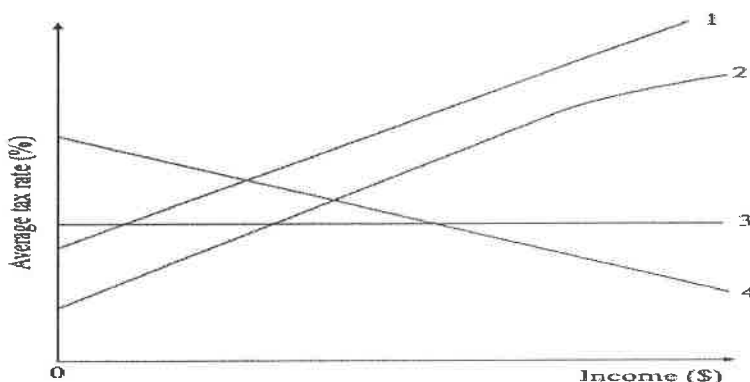
17. The following table shows a firm's short run production data:

Labour Input	Total Output	MP	Productivity
1	80		$80/1 = 80$
2	150	60	75
3	210		70
4	280		80
5	340		68

Which of the following statements is true?

- (A) The marginal product of the 3rd worker is 70. *
- (B)** Labour productivity is at its lowest when the 5th worker is hired. ✓
- (C) The short run average cost is 75 when 2 workers are employed. - ? Nothing re costs
- (D) Maximum profits will be achieved when output is at its highest. - No when $MR = MC$

18. The following represents the structure of various taxes:



Which of the above taxes would represent the Federal Government's decision to impose a \$10 tax on all visits to a doctor?

- (A) Tax 1
- (B) Tax 2
- (C) Tax 3
- (D)** Tax 4

19. In the 4 diagrams below, DD and SS represent demand and supply curves for Good X:

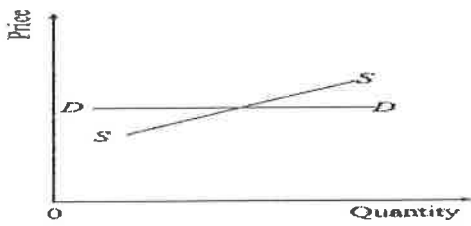


DIAGRAM 1

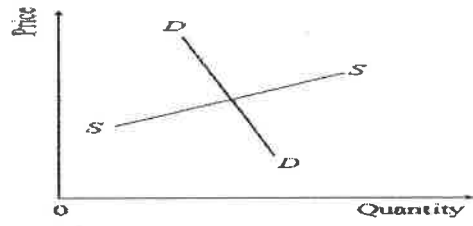


DIAGRAM 2

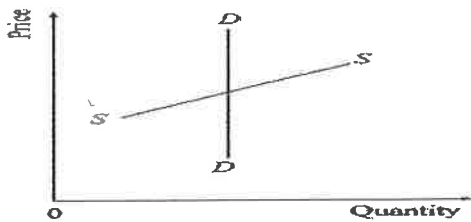


DIAGRAM 3

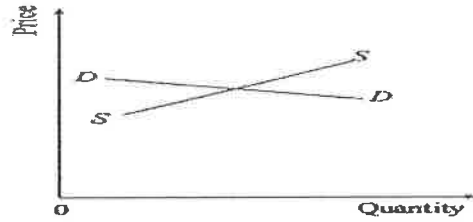


DIAGRAM 4

If an indirect tax is imposed on Good X, in which of the scenarios would the incidence of the tax be the greatest for the producers?

(A)

Diagram 1.

- No P_a ⇒ producer pays all!!

= ↓ in S

(B)

Diagram 2.

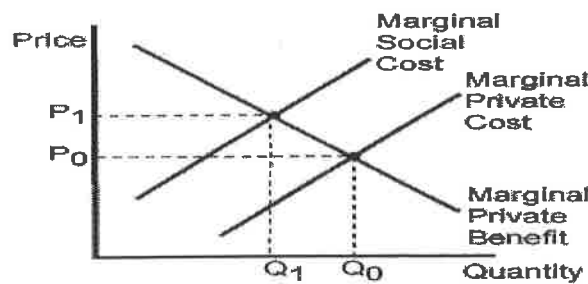
(C)

Diagram 3.

(D)

Diagram 4.

20. The following graph represents the demand and supply schedule for a particular good:



Which of the following statements is not true?

(A)

Negative externalities are present. ✓

(B)

P_1Q_1 represents the social optimum. ✓

(C)

A subsidy to the producer will ensure the appropriate market outcome. ✗ TAX

(D)

Without government intervention, P_0Q_0 would be the market equilibrium position. ✓

END OF SECTION A

SECTION B

20 marks

Use the spaces provided below to answer Questions 21 & 22
Spend no more than 25 mins on this section

21. This question is based on the following demand and supply schedule for headphones:

Price (\$)	Quantity Supplied (Per Week)	Quantity Demanded (Per Week)
250	700	300
225	650	450
200	600	500
175	550	550
150	500	600
125	400	650
100	300	700

(a) Describe the situation in the market at the price of \$150? (1 mark)

Excess Demand / Shortage

(b) What is the producer revenue at the equilibrium price? (1 mark)

$\$175 \times 550 = \underline{\underline{\$96,250}}$

(c) Using the total outlay method, describe the elasticity of demand for headphones when the price changes from \$200 to \$250. (Show working) (2 marks)

$\$200 \times 500 = \$100,000$ } So as $P \uparrow \Rightarrow TR \downarrow$ (1)
 $\$250 \times 300 = \$75,000$ } \Rightarrow ELASTIC (1)

(d) Outline two factors which could affect the price elasticity of demand for headphones. (2 marks)

NEED TO DO MORE THAN JUST STATE

- Necessity / Luxury (Only counts as 1 mark)
- Habit Forming / Addictive
- Close Substitute / Complement
- Length of time since price change
- % spent on good out of Y

X 1 MARK EACH

- (e) Outline two factors which could affect the price elasticity of supply for headphones. (2 marks)

NEED TO DO MORE THAN JUST STATE

- Time
- Availability of raw materials
- Mobility of factors
- Excess Capacity
- Ability to store
- Availability of substitutes

X1 MARK EACH

- (f) Explain what per unit subsidy would be needed to ensure an equilibrium quantity of 650 headphones? (2 marks)

@ 650 Headphones

QD requires price of \$125

BUT Qs " " " \$225

⇒ Firms need extra \$100 per unit (1)

22. The following table gives information about the labour market in a particular economy:

Total Population	85 million
Working Age Population EITHER employed OR officially unemployed	60 million
Working Age Population NOT employed NOR seeking employment	10 million
Part Time Employed	17 million
Full Time Employed	28 million

- (a) How many people are officially unemployed? (1 mark)

60 - 17 - 28 = 15 million (1)

Accept even if minus

- (b) Calculate the participation rate. (1 mark)

$$= \frac{\text{Lab Force}}{\text{W/Age Pop}} \times 100 = \frac{60}{60+10} \times 100 = \frac{60}{70} \times 100$$

= 85.7% { ACCEPT 85 or 86 } (1)

- (c) Explain 2 reasons why the official measure of unemployment underestimates the misallocation of labour resources in an economy. (4 marks)

1) HIDDEN UNEMPLOYMENT (1)

= Those not seeking work
⇒ Opportunity cost of lost production

} (1)

2) UNDEREMPLOYMENT (1)

= Those who work but want to work more
⇒ Production not @ max / Underutilisation

} (1)

- (d) Explain the advantages and disadvantages of the increasing 'casualisation' of work currently occurring in the Australian economy. (4 marks)

ADS - Flexibility $\left\{ \begin{array}{l} \text{Employees} \\ \text{Employers} \end{array} \right\} \begin{array}{l} \text{can count as} \\ \text{x2 factors} \end{array} \right\} (2)$
- Cost savings for employers

DISADS - lack of security $\left\{ \begin{array}{l} \text{Employees} \\ \text{Employers} \end{array} \right\} \begin{array}{l} \text{can count} \\ \text{as x2} \\ \text{factors} \end{array} \right\} (2)$
- ↓ staff loyalty

END OF SECTION B
RETURN TO Q PAPER FOR SECTIONS C & D

SECTION C

20 marks

Use a Writing Booklet to answer this question

Put your name and master's initials on the front cover of your Writing Booklet

Spend approximately 35 mins on this section

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

- Demonstrate knowledge and understanding relevant to the question
- Use the information provided
- Apply relevant economic terms, concepts, relationships and theory
- Present a sustained, logical and cohesive response

23. Discuss how the Federal Government's fiscal policy is used to influence the economy.

SEE NEXT PAGE

Table 1: Budget aggregates

	Actual	Estimates			Projections		Total ^(a)
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
Underlying cash balance (\$b)(b)	-48.5	-41.1	-35.1	-25.8	-14.4	-6.9	-82.3
Per cent of GDP	-3.1	-2.6	-2.1	-1.5	-0.8	-0.4	
Fiscal balance (\$b)	-43.7	-39.4	-33.0	-23.4	-9.2	-3.2	-68.9
Per cent of GDP	-2.8	-2.5	-2.0	-1.3	-0.5	-0.2	

(a) Total is equal to the sum of amounts from 2015-16 to 2018-19.

(b) Excludes net Future Fund earnings.

The rapid fall in the iron ore price has been the largest single contributor to write-downs to Government tax receipts over the past year, contributing around \$20 billion of the total \$52 billion. Weaker expected wage growth since the 2014-15 MYEFO has also significantly downgraded expected tax receipts.

This Budget does not seek to offset the deterioration in receipts by dramatically reducing Government spending or hiking taxes. Nevertheless, the average annual pace of consolidation until 2018-19 is 0.5 per cent of GDP, broadly consistent with the average pace of consolidation in the 2014-15 Budget.

The Government has set itself a target of reaching a surplus of 1 per cent of GDP by 2023-24, consistent with the medium-term fiscal strategy of running surpluses on average over the course of the economic cycle.

Australian Federal Govt, 2015/16 Budget Papers – Fiscal Strategy, May 2015.

END OF SECTION C
SECTION D FOLLOWS

FORM 5 ANNUAL EXAMINATION 2015 – SECTION C

23. Discuss how the Federal Government’s fiscal policy is used to influence the economy.

Outcomes Assessed: P1, P2, P4, P5, P6, P7, P8, P9, P10, P12

Criteria	Below Average	Above Average
Structure: Has the response been presented in a well written manner?	Poor planning Repetitive Too short Lack of key terms/definitions	Well structured Cohesive arguments Discussed F.P. role in growth, reallocation, economic stability, national saving/debt
Coverage: Have all parts of the question been adequately treated?	Limited discussion of F.P. No real coverage of recent Budget	Either a detailed coverage of current budget and policies OR a discussion of recent approaches taken by past governments
Content: What level of development has been offered in the relevant areas of the question	Confused r/ship between expansionary/contractionary stance and surplus/deficit outcomes	Linked theory to practice. Were able to identify difference with M.P. as the other MACRO tool.
Supporting Evidence: Has there been an appropriate level of economic evidence/examples/data used in the response? Use of Stimulus: Has there been an appropriate use of the stimulus provided?	May have had theory but failed to give current figures on GDP, unemployment, deficit, inflation rate. Little/NO use of stimulus OR Poorly integrated into response	Used data from past and present budgets as well as looking at T and G. Integrated stimulus well* into response and used it to help their discussion.

* Whilst some boys may have had figures from the stimulus they were already familiar with (deficits) Boys MUST make it clear when they are referring to stimulus. Only the best candidates used the information in the Budget quote.

Marks: Range 20-6, Average - 14.55

Range: 6 x 1, 8 x 2, 9 x 1, 10 x 2, 11 x 3, 12 x 5, 13 x 10, 14 x 14, 15 x 11, 16 x 16, 17 x 14, 18 x 6, 19 x 5, 20 x 1

General Comment: **DISCUSS - Identify issues and provide points for and/or against**

Whilst this had been taught differently amongst the classes boys were able to access the top marks through a number of approaches. The best responses (regardless of approach) had a similar theme, they were well structured, defined key terms, understood the role of F.P. (and how it aims to compliment M.P), were able to talk about the current budget and ultimately the way the Government uses its taxation and expenditure to influence economic activity.

Too many boys failed to make mention of key current indicators and relied solely on the stimulus to provide them with figures, this will not always be possible. There was a need to know the deficit and GDP. Also unemployment and inflation were often mentioned (only a 20 or so gave a current unemployment and inflation figures). You must know these all for next year.

SECTION D

20 marks

Answer only ONE question from this section

Use a separate Writing Booklet

Put your name and master's initials on the front cover of your Writing Booklet

Spend approximately 35 mins on this section

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

- Demonstrate knowledge and understanding relevant to the question
- Apply relevant economic terms, concepts, relationships and theory
- Present a sustained, logical and cohesive response

EITHER

24. Examine the process of wage determination in the Australian economy.

OR

25. Examine the role of monetary policy in the Australian economy.

SEE
NEXT
PAGES

END OF THE EXAMINATION

FORM 5 ANNUAL EXAMINATION 2015 – SECTION D

24. Examine the process of wage determination in the Australian economy.

Criteria	Below Average	Above Average
Structure: Has the response been presented in a well written manner?	Intros weak and rambling; Paras and sentences too long; Conclusions too long and repetitive of intros.	Intro started with good definitions; Good, clear and logical argument throughout; Succinct conclusion.
Coverage: Have all parts of the question been adequately treated?	Did not consider all streams that determine pay and conditions; eg Awards, Collective Agreements; Common Law Contracts (& Working Owner of Incorporated Business).	Detailed coverage of all 3 (or 4) streams; Also covered minimum wage and 10 National Employment Standards.
Content: What level of development has been offered in the relevant areas of the question?	Did not differentiate between the minimum award and industrial awards; Very little detail on the streams offered.	Mentioned role of trade unions, employer associations and the Fair Work Commission in the process
Supporting Evidence: Has there been an appropriate level of economic evidence/examples/data used in the response?	Incorrect or no real evidence/examples/stats given	Examples and stats given; eg various % of the labour market in each stream; Knew details of current minimum wage and the Nat Employment Standards

Mark:

Number: 13; Mean 13.4; Median 13.5.

Range: 9 x 2, 10 x 1, 11 x 1, 13 x 2, 14 x 2, 15 x 2, 16 x 2, 19 x 1.

General Comment:

Not too many chose this q and I can understand why. It has been a long time ago since we covered this material and it does require specific knowledge of Chapter 11 (The Changing Australian Labour Market). You also needed some good stats and examples to support your points.

Most of the answers didn't really discuss the process in detail. Indeed, many of the answers could have been written by someone with a decent general knowledge rather than by someone who has studied Form 5 Economics.

The better ones clearly knew their material and managed to integrate some economic theory into their answers.

FORM 5 ANNUAL EXAMINATION 2015 – SECTION D

25. Examine the role of monetary policy in the Australian economy.

Criteria	Below Average	Above Average
Structure: Has the response been presented in a well written manner?	Intros weak and rambling; Paras and sentences too long; Diagrams too small, unlabelled and unexplained; Don't draw to side of a paragraph either!; Unnecessarily fully explained both 'sides' of DMOs; ie did buying AND selling (just say 'opposite'!!! Conclusions too long and repetitive of intros.	Intro started with good definition, distinguishing between the x 3 objectives and the target; Good, clear and logical argument throughout; Clear use of diagrams that were not only big, clear and labelled but also explained; Didn't go through both sides of market operations/channels or impacts of \uparrow/\downarrow i rates but just said 'opposite applies...'.
Coverage: Have all parts of the question been adequately treated?	Only mentioned market operations and/or transmission mechanism rather than 'examined' these aspects.	Discussed market operations and channels of the transmission mechanism and related these to specific phases of the Australian economy.
Content: What level of development has been offered in the relevant areas of the question?	Boys spent too long on the intricacies of either DMOs and/or the channels of the transmission mechanism	Succinct consideration of DMOs and channels of the transmission mechanism, leaving more time for supporting evidence
Supporting Evidence: Has there been an appropriate level of economic evidence/examples/data used in the response?	Not enough eggs of various stances and/or stats (inflation, growth, etc) given; Far too many focussed on the past with v little on most recent era - indeed many didn't even state the current cash rate!	Relevant examples given throughout or discussed in terms of changing stances at the end; Also stated corresponding growth, inflation and unemployment rates.

Marks:

Number: 85; Mean 15.1; Median 15.

Range: 7 x 1, 9 x 1, 10 x 2, 11 x 2, 12 x 3, 13 x 3, 14 x 13, 15 x 20, 16 x 19, 17 x 15, 18 x 3, 19 x 3.

General Comments:

RBA has 3 broad objectives (price stability, full employment & economic prosperity) but only one specific target: headline inflation between 2-3% **on average in the medium term/over the b/cycle**;
 Low inflation is the target as this is a pre-requisite for sustainable eco growth - ie the objectives;
 When you draw MS in market operations, it is best use a vertical line as the supply of cash in ESAs is fixed each night;
 Talk more about stances of monetary policy rather than just \uparrow/\downarrow cash rates - this has particular relevance when you consider that the long-term cash rate average is 4.5 – 5.5%;
 The better you can relate the theory to the Australian economy, the better the response!!!