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MACQUARIE FIELDS HIGH SCHOOL



2006 HIGHER SCHOOL CERTIFICATE HALF-YEARLY EXAMINATION PAPER

ECONOMICS

General Instructions:

- Reading time - 5 minutes
- Working time - 2 hours
- Write using blue or black pen
- Board-approved calculators may be used.
- Write your name on top of pages.

Section 1 Pages 2-6

Total Marks (15)

- Attempt Questions 1 - 15
- Allow about 30 minutes for this section.

Section II

Total Marks (40)

- Attempt Questions 21 - 23
- Allow about 55 minutes for this section.

Section III

Total Marks (20)

- Attempt either Question 24 **or** Question 25
- Allow about 35 minutes for this section.



Directions to School or College

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SECTION I

(20 Marks)

Attempt ALL questions.

Each question is worth 1 mark.

Mark your answers in pencil on the answer sheet provided.

Select the alternative A, B, C, or D that best answers the question.

1. Which of the following is an effect of globalisation on Australia's pattern of trade?
 - (A) A broadening of Australia's export base
 - (B) A reduction on the number of trading partners
 - (C) A narrowing of Australia's export base
 - (D) An increasing reliance on traditional export markets

2. Which of the following statements is true for the infant industry argument concerning protection?
 - (A) New businesses require temporary protection.
 - (B) Industries important for our defence require protection.
 - (C) It protects against dumping of overseas goods.
 - (D) It reallocates resources to efficient industries.

3. Which international organisation would make loan money available to a country experiencing a depreciation in its currency and falling international reserves?
 - (A) World Trade Organisation.
 - (B) International Bank for Reconstruction and Development.
 - (C) International Monetary Fund.
 - (D) World Bank.

4. Identify which of the following statements is correct. The protection of domestic industries:
 - (A) increases the level of competition on world markets
 - (B) encourages the adoption of new technologies
 - (C) maintains their returns
 - (D) improves their efficiency

5. Which of the following statements reflect an economy in transition?
 - (A) Central planning determining production decisions.
 - (B) Market forces increasingly determining production decisions.
 - (C) State ownership of all production resources
 - (D) Production quotas set for all goods.

6. Question 6 refers to the following table.

Current Account Data for a nation

Goods Imports	Goods Exports	Net Services	Net Incomes and Current Transfers
\$300b	\$200b	-\$50b	-\$200b

What is the Balance on Current Account for this nation?

- (A) -\$350b
- (B) -\$250b
- (C) -\$150b
- (D) -\$50b

7. What is the most likely result of United States foreign exchange speculators believing that the Australian dollar will appreciate?

- (A) They sell Australian dollars and the Australian dollar appreciates.
- (B) They sell US dollars and the Australian dollar depreciates.
- (C) They buy Australian dollars and the Australian dollar appreciates.
- (D) They buy US dollars and the Australian dollar depreciates.

8. Which of the following would be true for a nation's Balance of Payments if it had a floating exchange rate?

- (A) Its Capital and Financial Account surplus would mean it has a Current Account surplus.
- (B) Its Capital and Financial Account surplus would mean it has a zero balance on its Current Account.
- (C) Its Capital and Financial Account deficit would mean it has a Current Account deficit.
- (D) Its Capital and Financial Account deficit would mean it has a Current Account surplus.

9. What is the most likely effect of an appreciation of the Australian dollar?

- (A) Our imports become more expensive.
- (B) Our exports become more expensive.
- (C) The surplus on our Balance of Goods and Services would increase.
- (D) The Current Account deficit would decline.

10. When dividend payments are made to foreign shareholders by an Australian firm, how is this recorded in Australia's Balance of Payments?

- (A) As a debit on the Australian Current Account.
- (B) As a credit on the Australian Current Account.
- (C) As a debit on the Australian Capital and Financial Account.
- (D) As a debit on the Australian Capital and Financial Account.

11. How could the developed nations best assist trade in developing countries?

- (A) By raising tariffs on imports from developing countries.
- (B) By raising quotas on imports from developing countries.
- (C) By decreasing foreign investment to developing countries.
- (D) By decreasing foreign aid to developing countries

12. Which of the following organisations assists countries who need to rebuild infrastructure after a natural disaster?

- (A) The World Bank
- (B) The World Trade Organisation
- (C) The International Monetary Fund
- (D) The European Union

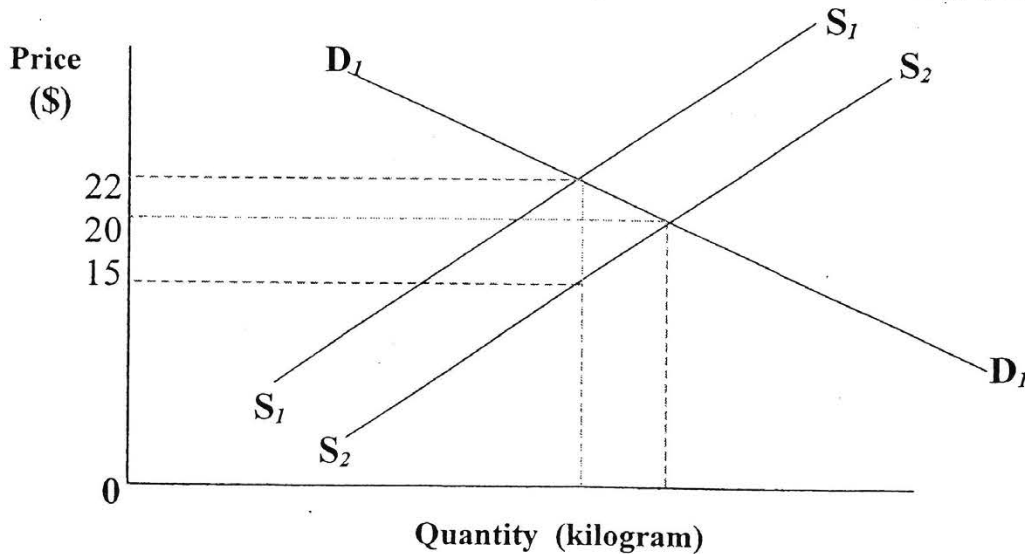
13. Which of the following policies would be most effective at improving the international competitiveness of Australia?

- (A) Fiscal policy
- (B) Monetary policy
- (C) International trade policies
- (D) Microeconomic policies

14. Which of the following tends to increase private capital inflow?

- (A) A fall in the level of employment
- (B) A rise in domestic interest rates
- (C) A rise in the value of the \$A
- (D) A rise in the Federal Governments budget surplus

15. In the following diagram, D_1D_1 and S_1S_1 represent the demand and supply for sugar.



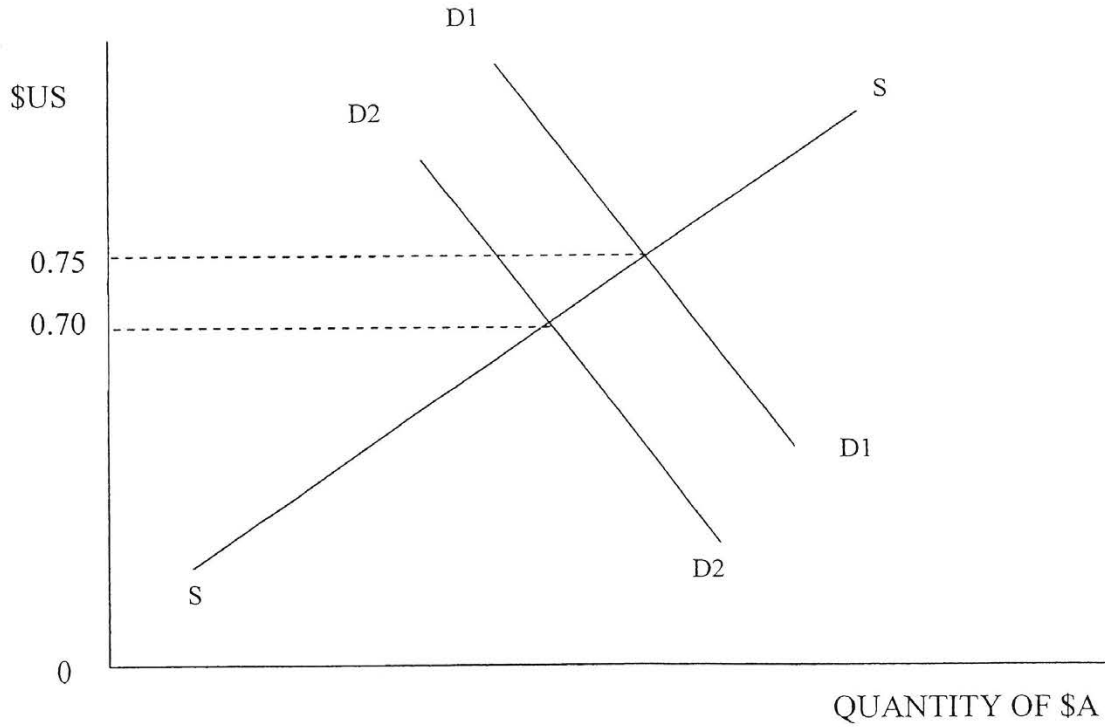
What is the size of the subsidy per kilogram granted to sugar producers?

- A \$22
- B \$7
- C \$5
- D \$2

Question 24 (10 marks)

Marks

The diagram shows information about the demand and supply of Australian dollars (\$A) in terms of United States dollars (\$US). Both countries have flexible exchange rates.



(a) Define the term exchange rate.

1

(b) State the term given to the movement of the exchange rate of the \$A in the diagram above.

1

Question 24 continues on next page

(c) Outline TWO causes of a decrease in demand for \$A 2

(i)

(ii)

(d) What is meant by the term trade weighted index? 2

(e) Discuss TWO benefits of a depreciation of the \$A. 4

(i)

(ii)

End of Question

Question 22 (10 marks)

The table shows data for Australia's international investment position (\$m)

Period	Foreign Liabilities	Foreign Assets	Net Foreign Liabilities
1999/00	328,705	123,693	205,012
2001/02	862,105	475,565	386,540
Jun 2003	926,285	483,264	443,021

Marks

(a) Distinguish between the two types of foreign liabilities of Australia

2

(i)

(ii)

(b) Describe the trend in Australia's changing foreign liabilities and foreign assets.

2

(c) Define the term net foreign debt.

2

Question 22 continues on next page

(d) "In December 2002 Australia's net external debt was 48.8% of G.D.P." What is the significance of this statement?

1

(e) Identify THREE possible reasons for the rise in Australia's Foreign Debt.

3

(i)

(ii)

(iii)

End of Question 22

Question 23 (10 marks)

Marks

The following information relates to a proposed free trade agreement between Australia and the United States.

"The ultimate prize through the construction of a two way economic freeway between Australia and the US is the transformation of a 20 million market population into one of more than 300 million. Australia's perennial problem of being a relatively small economy will be resolved. The great opportunities of the future lie with the smaller and medium sized enterprises bound for the global market."

Source: The Sydney Morning Herald, 2 March 2004

- (a) Define the term protection. 1

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- (b) Outline TWO methods governments can use to protect domestic industries. 2

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- (c) Explain TWO economic reasons why governments protect domestic industries. 2

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Question 23 continues on the next page

STUDENT NUMBER/NAME:

Question 23 (continued)

Marks

- (d) Discuss the costs and benefits of Australia entering into a free trade agreement with another country such as the USA.

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End of Question 23

NAME:

Section III

Total marks (20)

Attempt EITHER Question 24 OR Question 25

Allow about 35 minutes for this section

Answer the question on a separate piece of paper.

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
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Question 24 (20 marks)

Analyse the impact of globalisation on Australia's Balance of Payments and Foreign Debt.

OR

Question 25 (20 marks)

Analyse the impact of globalisation on living standards in the global economy and the economic development strategies of an economy other than Australia.

End of paper