

Student _____

MACQUARIE FIELDS HIGH SCHOOL



2007 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 (20)

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

Section II

Total Marks (40)

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

Section III

Total Marks (20)

- Attempt either Question 25 or Question 26
- 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. Why do developing countries promote policies that raise their levels of economic development?
 - (A) To achieve increases in population growth.
 - (B) To achieve higher levels of human development.
 - (C) To achieve greater inequality in the distribution of income.
 - (D) To achieve higher levels of protection from import competition.

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. Question 4 relates to the following table.

The following table shows export/import data for a trading nation.

Year	Export Price Index	Import Price Index	Terms of Trade Index
2002	100	100	100
2003	125	110	

What is the terms of trade index for 2003?

- (A) 125
- (B) 110
- (C) 88
- (D) 114

5. Which of the following is a feature of economies 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 are three common features of developing countries?

- (A) Low per capita incomes, high population growth and low levels of foreign debt.
- (B) High population growth, high levels of foreign debt and high levels of capital accumulation.
- (C) Low levels of domestic savings, low levels of technology and high levels of foreign debt.
- (D) Low levels of savings, low per capita incomes and high levels of capital accumulation.

10. What is the best indicator of the level of economic development in an economy?

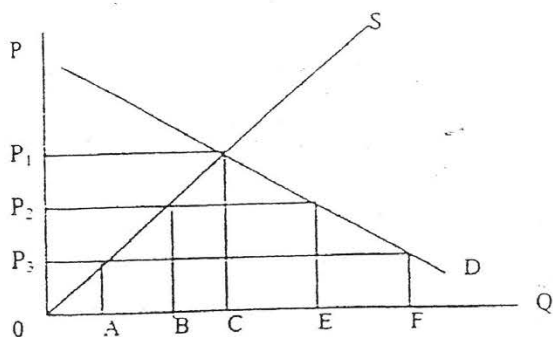
- (A) The economy's growth rate.
- (B) The quality of life of the people within the economy.
- (C) The proportion of gold in the economy's foreign exchange reserves.
- (D) The proportion of GDP spent on defence items.

11. When dividend payments are made to foreign shareholders by an Australian firm, how is it 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.

12. Which of the following is the trade agreement between the USA, Mexico and Canada?

- (A) NAFTA
- (B) ASEAN
- (C) APEC
- (D) CERTA



13. The following question refers to the diagram above.

If the Government imposed a tariff on shirts which raised the price of imported shirts to OP_2

- (A) Imports of shirts would fall from AF to BE
- (B) Imports of shirts would fall from BE to BC
- (C) Domestic production of shirts would rise from OA to OC
- (D) Domestic production of shirts would rise from OB to OE

14. Which of the following describes a role of the International Monetary Fund (IMF)?

- (A) To provide loans and foreign aid to developing countries.
- (B) To work towards the elimination of all tariff and non tariff barriers.
- (C) To provide funding for long term development projects.
- (D) To create a system of stable exchange rates.

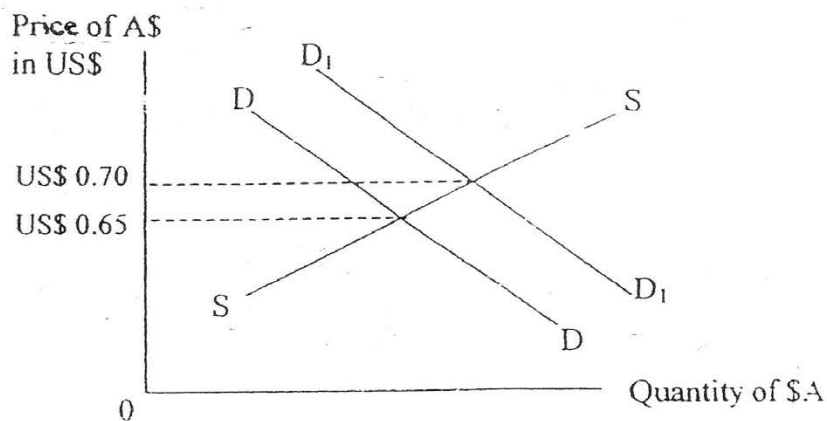
15. What is the most likely effect of an appreciation of the Australian dollar?

- (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.

16. 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.

17. The following diagram shows the demand and supply of Australian dollars in the foreign exchange market.



Which of the following could have caused the rise in value of the Australian dollar?

- (A) An increase in Australia's economic growth.
- (B) A rise in US interest rates.
- (C) A rise in Australian interest rates
- (D) A rise in Australia's foreign debt.

18. What is an acceptable economic argument for a government to impose a tariff on imports?

- (A) To raise revenue.
- (B) To retaliate against tariffs imposed by other countries.
- (C) To stop imports from countries with low labour costs.
- (D) To assist a new industry to become internationally competitive.

19. If all of Australia's foreign debt was measured in US dollars, which of the following factors will cause an increase in the total value of foreign debt? _____

- (A) An appreciation of the US dollar against the Australian dollar
- (B) An appreciation of the Australian dollar against the US dollar
- (C) A depreciation of the US dollar against the US dollar
- (D) An increase in the demand for the Australian dollar by global speculators

20. If the Australian Government invested \$500m in a Japanese financial institution, how would it be recorded in the Balance of Payments?

- (A) As a debit in the Current Account
- (B) As an inflow in the Capital and Financial Account
- (C) As a credit in the Current Account
- (D) As an outflow in the Capital and Financial Account

Question 21.

The table shows data collected about two countries Country A and Country B. Use the table to answer the following questions.

Data	Country A	Country B
Population	127,463,611 (July 2006 est.)	245,452,739 (July 2006 est.)
GDP - real growth rate	2.8% (2006 est.)	5.4% (2006 est.)
Birth rate	9.37 births/1,000 population	20.34 births/1,000 population
Infant mortality rate	3.24 deaths/1,000 live births	34.39 deaths/1,000 live births
GDP - per capita (PPP):	\$33,100 (2006 est.)	\$3,800 (2006 est.)
HDI	0.943 (Rank 11)	0.697 (Rank 110)

1. Identify the country which is the high income economy _____ (1)

2. Identify a quality of life indicator _____ (1)

3. Define the Human Development Index (2)

5. Define the GDP - per capita (PPP): (2)

4. Distinguish between economic growth and economic development (4)

Question 22

(a) Define the term protection

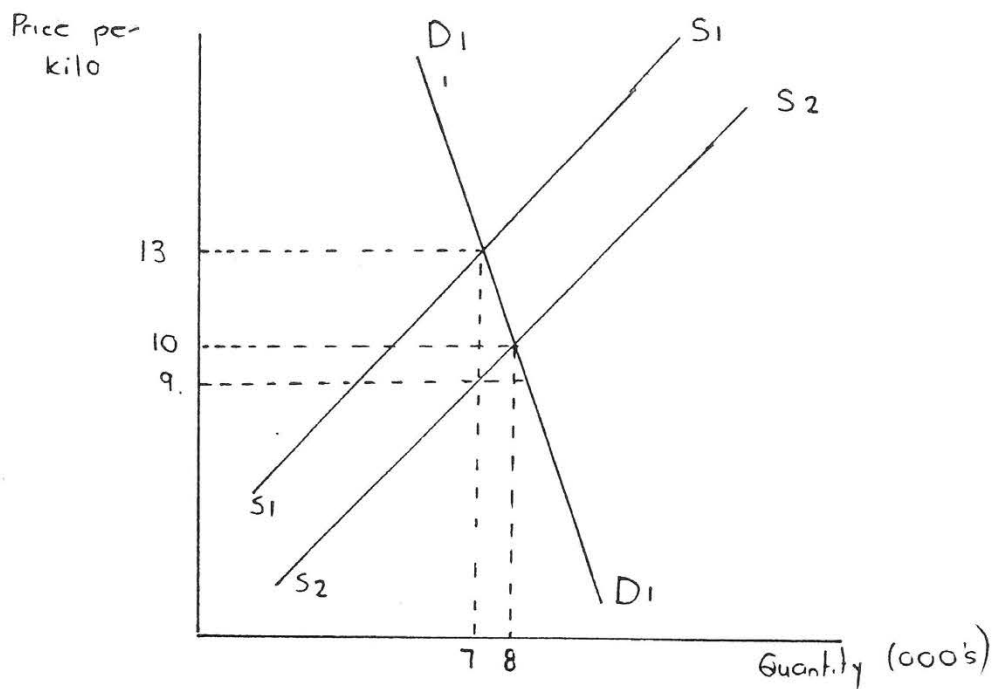
(2)

(b) Outline TWO arguments governments use to protect domestic industries.

(4)

(c) – (e) Refer to the diagram below

The diagram below shows the provision of a subsidy on sugar. After the provision of a subsidy of sugar producers the supply curve shifts from S1S1 to S2S2



Question 23

The table below refers to country's X's Terms of Trade

	Year 1	Year 2	Year 3	Year 4
Export Price Index	96	105	106	107
Import price Index	98	102	104	108

a) Define the terms of trade (2)

b) Calculate the terms of trade for country X for year 2 (1)

c) Describe the trend for the Terms of Trade for country X over the period shown. (2)

d) Outline ONE positive effect of an improving Terms of Trade for the Australian economy. (2)

e) Discuss factors that could improve Australia's terms of trade (3)

Question 24.

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

Period	Foreign Liabilities	Foreign Assets	Net Foreign Liabilities
2003/04	926,285	483,264	443,021
2004/5	985,455	501,107	484,348
June 2006	1,055,885	520,470	535,415

(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)

(d) "In December 2004 Australia's net external debt was 48.8% GDP" (2)
Explain the significance of this statement.

Outline TWO possible reasons for the rise of Australia's foreign debt

(2)

(i)

(ii)

SECTION III

Total marks (20)

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

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

Explain how exchange rates are determined and the impact of their movements on the Australian economy.

Question 26

Examine the impact of globalisation on economic growth and the quality of life in the global economy.