



SYDNEY TECHNICAL HIGH SCHOOL

HSC ECONOMICS 2013

ASSESSMENT TWO

RESEARCH AND STIMULUS TASK

NAME _____

TEACHER _____

INSTRUCTIONS

DO THIS FIRST: WRITE YOUR NAME ABOVE AND WRITE YOUR CANDIDATE NUMBER ON EVERY PAGE		
TIME: 5 MINUTES READING, 60 MINUTES WRITING		
		MARKS AWARDED
PART A: STIMULUS BASED SHORT ANSWER QUESTIONS	10 MARKS	
PART B: STIMULUS BASED SHORT ANSWER QUESTIONS	10 MARKS	
PART C: RESEARCH RESPONSE	10 MARKS	
	TOTAL	

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PART A: THE BALANCE OF PAYMENTS

The table below shows selected data for a hypothetical economy with a floating exchange rate

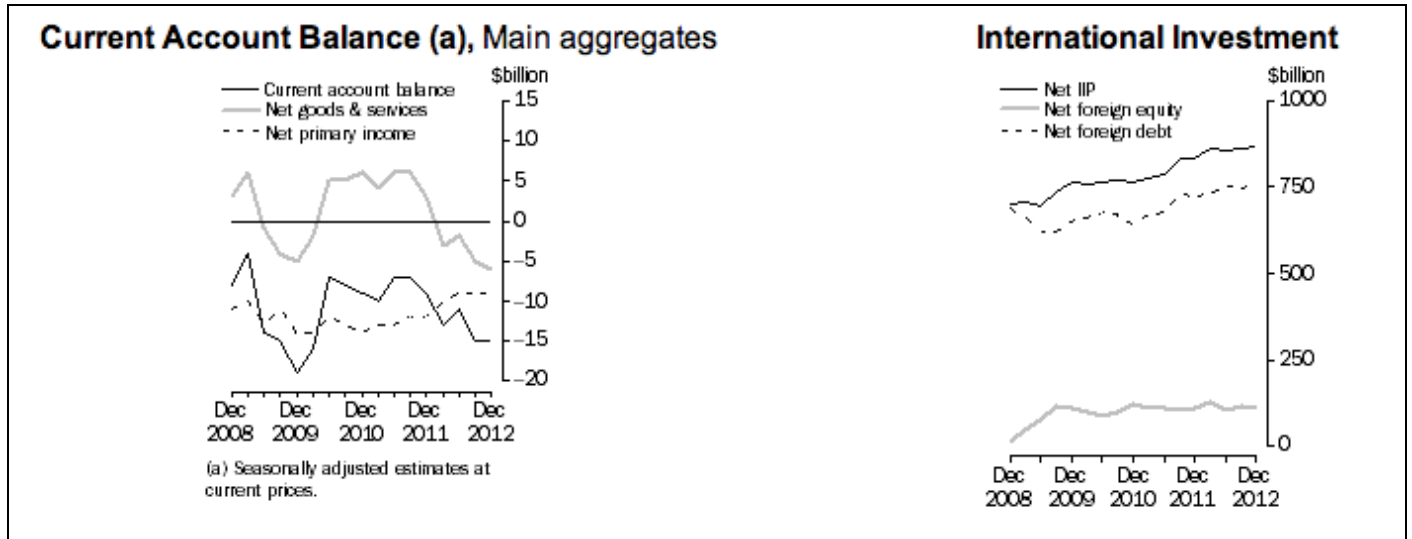
Balance of payments items	\$ billion
Exports	800
Imports	840
Net services	-370
Net primary income	-415
Net secondary income	185
Capital account	130
Reserve assets	-120

1. Calculate the value of the current account for this economy? (1 mark)

2. Calculate the value of the financial account for this economy (1 mark)

3. Describe the impact of an increase in the terms of trade on the balance of payments (2 marks)

Figure 1: Current Account and International Investment



Source: ABS

4. With reference to Figure 3, describe the relationship between foreign investment and net primary income (2 marks)

PART B: FREE TRADE & PROTECTION

The following diagram shows the effect of a subsidy on the Australian market for passenger motor vehicles.

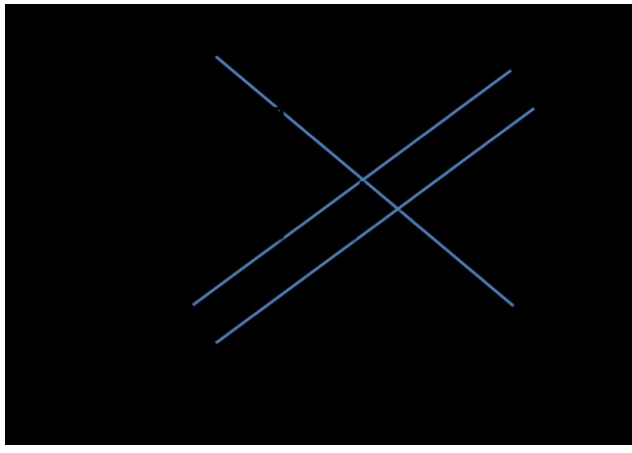


Figure 2: The market for passenger motor vehicles

1. Calculate cost of the subsidy to the government budget? (1 mark)

2. Outline TWO reasons why Australian governments continue to provide subsidies to automotive manufacturers (2 marks)

3. Describe ONE economic benefit and ONE economic cost of a reduction global protectionist policies on the Australian economy (3 marks)

4. Using examples, discuss the impact of regional trade agreements on developing economies (4 marks)

PART C: RESEARCH ON THE IMPACT OF CHANGES IN THE GLOBAL ECONOMY ON AUSTRALIA'S TRADE & FINANCIAL FLOWS AND STRUCTURE OF INDUSTRY

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

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

With reference to Figures 3 & 4 and your own research knowledge answer the extended response question below (use the separate exam booklet provided for your answer).

Figure 3:

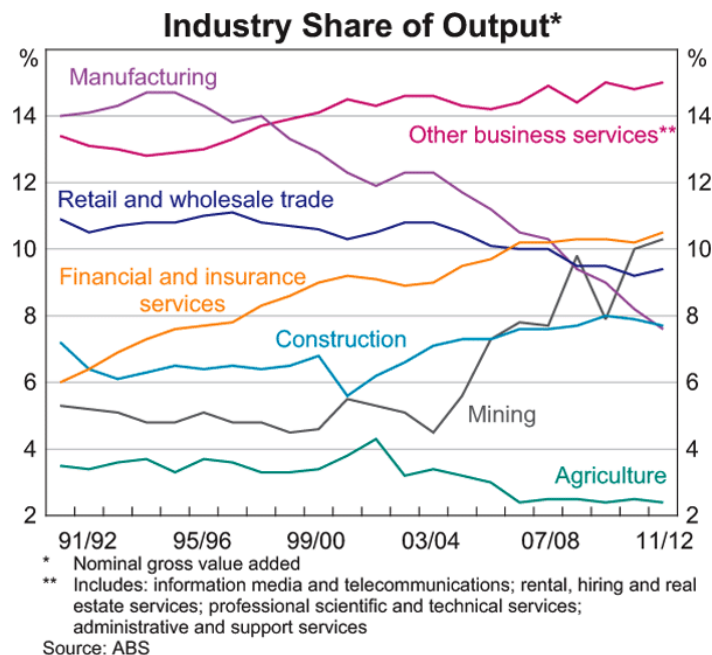


Figure 4: Selected data on Australia's trade:

Country/region	Annual exports (%)					Annual imports (%)				
	1964-65	1984-85	2004-05	2010-11	2011-12	1964-65	1984-85	2004-05	2010-11	2011-12
Japan	16.6	26.9	19.7	19.1	19.4	n/a	22.7	11.5	7.8	8.5
China/Hong Kong	7.6	6.4	12.4	27.7	30.2	n/a	3.6	14.1	19.7	18.6
South Korea	0.2	3.9	7.7	9.2	8.3	n/a	1.6	3.3	3.3	3.8
ASEAN	4.3	7.5	11.8	10.1	10.0	n/a	5.7	16.8	18.4	18.2
New Zealand	6.3	5.2	7.2	3.1	2.9	n/a	3.8	3.6	3.4	3.1
European Union	35.0	13.0	11.0	7.3	7.5	n/a	21.6	23.5	18.0	17.7
USA	12.4	11.6	7.5	3.7	3.7	n/a	22.1	14.2	10.8	11.5
Rest of world	17.6	25.5	22.7	19.9	18.0	n/a	18.9	13.0	18.5	18.7

Source: ABS Cat. 5368.0

Figure 4.2 – Australia's merchandise trade shares by country/region

Extended response question: Examine the reasons for changes in the composition and direction of Australia's trade, and explain the impact of these changes on structural change in Australia.