



Fort Street High School

**Student Number**

**2012**  
HIGHER SCHOOL CERTIFICATE  
TRIAL EXAMINATION

# Economics

## General Instructions

- Reading Time: 5 minutes
- Working Time: 3 hours
- Write using black or blue pen
- Board-approved calculators may be used
- Write your Student Number at the top of each page (write your name if you do not have your Student Number)

**Total Marks – 100**

### Section I

**Total Marks (20)**

Attempt Questions 1 – 20  
Allow about 35 minutes for this section

### Section II

**Total Marks (40)**

Attempt Questions 21 – 24  
Allow about 1 hour 15 minutes for this section

### Section III

**Total Marks (20)**

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

### Section IV

**Total Marks (20)**

Attempt either Question 27 or Question 28  
Allow about 35 minutes for this section

This paper **MUST NOT** be removed from the examination room

## Section I

**20 Marks**

**Attempt Questions 1 – 20**

**Allow about 35 minutes for this section**

Use the multiple-choice answer sheet provided

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

If you think you have made a mistake, put a cross through the incorrect answer and fill in the new answer.

If you change your mind and have crossed out what you consider to be the correct answer, then indicate the correct answer by writing the word correct and drawing an arrow pointing to the correct answer.

1. Which of the following is NOT a measure of international competitiveness?
  - (A) Relative unit labour costs
  - (B) Relative import prices
  - (C) Relative taxation rates
  - (D) Relative inflation rates
  
2. Which of the following is most likely to result from higher levels of inflation in the Australian economy?
  - (A) The Australian dollar will depreciate in value
  - (B) The terms of trade will fall
  - (C) The distribution of income will become more equal
  - (D) The unemployment rate will fall
  
3. Which of the following characteristics distinguishes public goods from private goods?
  - (A) Access to public goods can be restricted whereas access to private goods cannot
  - (B) Public goods can have clear property rights attached whereas private goods cannot
  - (C) Property rights are enforceable for private goods but not for public goods
  - (D) Private goods are non-rival and public goods are exclusive

4. Which of the following is a possible consequence of financing a budget deficit?
- (A) Decreased foreign debt
  - (B) Higher domestic interest rates
  - (C) Improved external stability
  - (D) Lower income inequality
5. Which of the following should increase as a result of tariff reform in Australia?
- (A) Tariff revenue
  - (B) Competition from overseas
  - (C) Subsidies
  - (D) Level of domestic protection
6. How would the borrowing of \$150 million by an Australian company from an English bank be recorded on the Balance of Payments?
- (A) Debit in Primary Income (Net Income)
  - (B) Credit in Primary Income (Net Income)
  - (C) Credit in Financial Account
  - (D) Debit in Capital Account
7. Which of the following is true of the terms of trade?
- (A) It measures the volume of exports relative to the volume of imports
  - (B) It measures the value of exports relative to the value of imports
  - (C) It measures the price of exports relative to the price of imports
  - (D) It measures the composition of exports relative to the composition of imports
8. Which of the following would be the likely effects on the Australian economy of a rise in domestic interest rates and a simultaneous fall in interest rates in the rest of the world?
- (A) The \$A would appreciate, the trade balance would improve and the CAD would improve
  - (B) The \$A would depreciate, the trade balance would improve and the CAD would improve
  - (C) The \$A would appreciate, the trade balance would worsen and the CAD would deteriorate
  - (D) The \$A would depreciate, the trade balance would worsen and the CAD would deteriorate

9. The table below shows data for a set of hypothetical economies

Country	Human Development Index (/100)	GNI per capita	Gini Coefficient
A	0.61	\$10,650	0.46
B	0.46	\$960	0.61
C	0.82	\$27,550	0.32

Which of the following is most likely?

- (A) Country B is a developing economy
- (B) Country A is an advanced economy
- (C) Country C is an emerging economy
- (D) Country A and C are both advanced economies

10. The table below is based on the following data for a closed economy

Year	Income	Consumption	Investment
1	200	200	50
2	300	275	50
3	400	350	50

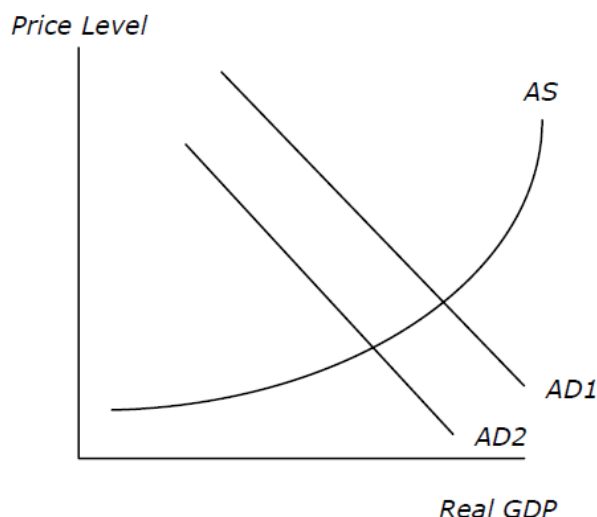
What is the value of the marginal propensity to consume and the multiplier?

- (A) The MPC is 0.25 and the multiplier is 4
- (B) The MPC is 0.2 and the multiplier is 5
- (C) The MPC is 0.8 and the multiplier is 5
- (D) The MPC is 0.75 and the multiplier is 4

11. Which of the following would be LEAST likely to cause the RBA to raise interest rates?

- (A) A contractionary Commonwealth Budget
- (B) Rising employment growth and falling unemployment
- (C) Strong wages growth
- (D) Rapid appreciation of house price

12. Which of the following accurately describes a recent trend in Australia's financial flows?
- (A) Portfolio investment inflows exceed direct investment inflows
  - (B) Direct investment outflows exceed direct investment inflows
  - (C) Direct investment inflows exceed portfolio investment inflows
  - (D) Portfolio investment outflows exceed portfolio investment inflows
13. Which of the following is true if Australia has a capital and financial surplus on the balance of payments?
- (A) Australia's lending to overseas exceeds Australia's borrowing from overseas
  - (B) Australia has a current account deficit
  - (C) Australia's foreign debt is being reduced
  - (D) The Reserve Bank is buying foreign currency in the foreign exchange market
14. The graph shows the aggregate demand and aggregate supply for an economy

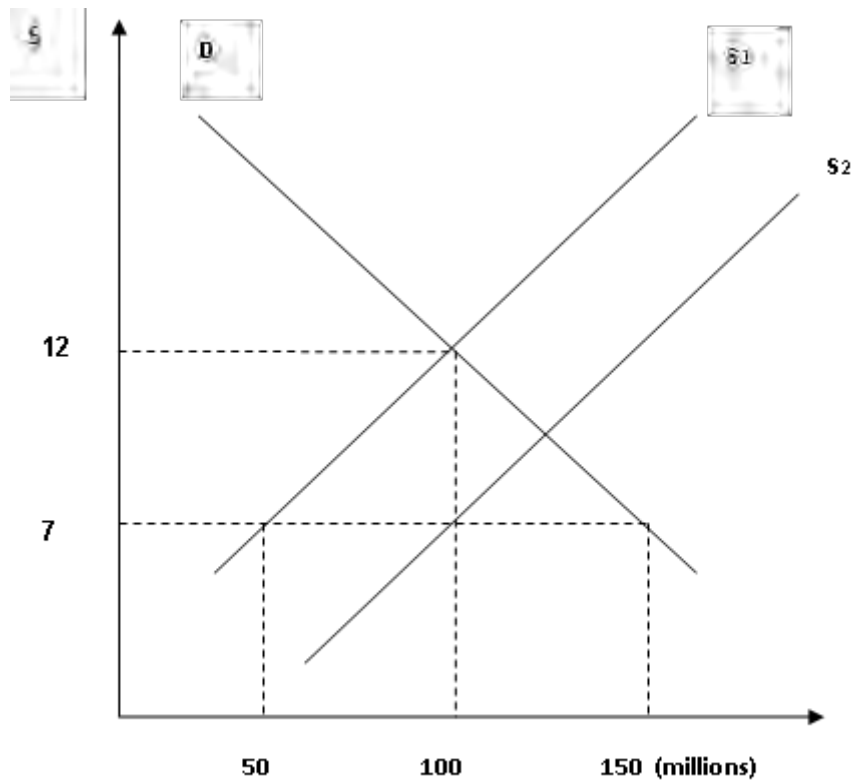


Which of the following is the most likely cause of the changes in the economy?

- (A) The level of productivity in the economy has fallen
  - (B) The cost of wages has increased
  - (C) Income taxes have decreased
  - (D) Government expenditure has decreased
15. Which of the following countries is an emerging economy?
- (A) Malaysia
  - (B) Japan
  - (C) Canada
  - (D) Liberia

- 16.** Why is real GDP per capita, in US dollars, a limited measure for comparing economic welfare between countries?
- (A) It is not adjusted for the effects of inflation
  - (B) It is not adjusted for differences in the size of populations
  - (C) It is not adjusted for the differences in costs of living
  - (D) It is not adjusted for the differences in exchange rates
- 17.** Which of the following organisations is NOT a trade bloc?
- (A) North American Free Trade Agreement (NAFTA)
  - (B) European Union (EU)
  - (C) Association of South East Asian Nations (ASEAN)
  - (D) Asia-Pacific Economic Cooperation (APEC)
- 18.** What type of inflation is associated with changes in the value of the Australian dollar?
- (A) Imported inflation
  - (B) Cyclical inflation
  - (C) Demand inflation
  - (D) Cost inflation
- 19.** Which of the following is a feature of a centralised labour market?
- (A) Extensive wage dispersion
  - (B) Wage negotiations undertaken at the workplace level directly between employees and employers
  - (C) Wages linked to increases in productivity
  - (D) Minimum wage levels automatically adjusted to changes in the cost of living

20. The diagram below shows a subsidy on a good in an import-competing market. The world price for the good is \$5. The price for the good in the domestic economy was \$12 before free trade.



What is the total cost of the subsidy to the domestic government?

- (A) \$500m
- (B) \$700m
- (C) \$350m
- (D) \$250m

Student Number

**Section II**

**40 marks**

**Attempt Questions 21 – 24**

**Allow about 1 hour and 15 minutes for this section**

Answer the questions in the spaces provided.

---

**Question 21** (10 marks) **Marks**

(a) Define comparative advantage 2

.....

.....

.....

(b) Describe TWO features of international investment flows 2

.....

.....

.....

.....

(c) Outline ONE economic role of the United Nations in the global economy 2

.....

.....

.....

.....

.....

**Question 21 continues on page 9**

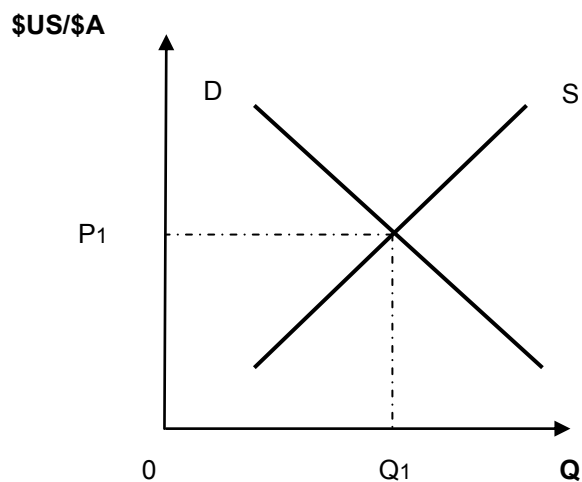




**Question 22** (10 marks)

(a) The graph shows the market for \$A in terms of \$US

1



On the diagram, draw the new equilibrium, including any changes to the demand and/or supply curves, which results if there is an increase in dividend and interest payments by Australians to overseas investors. Label the new equilibrium exchange rate and quantity,  $P_2$  and  $Q_2$ .

**Question 22 continues on page 11**





**Question 23 (10 marks)**

(a) Define corporatisation 2

.....  
.....  
.....  
.....

(b) Distinguish allocative efficiency from technical efficiency 2

.....  
.....  
.....  
.....  
.....  
.....

(c) Outline the benefits of deregulation for an economy 2

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

**Question 23 continues on page 14**



**Question 24** (10 marks)

The table below shows data for a hypothetical economy

Year	Unemployment Rate (%)	Economic Growth Rate (%)	Consumer Price Index	Average Tariff Levels (%)
1	5.5	3.4	100	19
2	5.9	3.5	107	10
3	6.3	3.5	114	3

- (a) Calculate the inflation rate in Year 3 (to one decimal point) 2

.....

.....

.....

.....

- (b) Explain TWO probable causes of the increase in unemployment in Years 2 & 3 2

.....

.....

.....

.....

.....

.....

- (c) Outline TWO economic consequences of unemployment for governments 2

.....

.....

.....

.....

**Question 24 continues on page 16**





## 2012 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

# Economics

### Section III

20 marks

Attempt EITHER Question 25 OR Question 26

Allow about 35 minutes for this section

Answer the question on the writing paper provided. Extra writing paper is available.

---

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
- 

#### Question 25 (20 marks)

Evaluate the appropriateness of Australia's trade policy. In your response you should refer to the economic information provided below.

"There is only one way we will get any meaningful reform, and that is through results at the World Trade Organization. If you do a deal in the World Trade Organization then you effectively get 144 FTAs all at once."

- *Peter Corish, 2002*

Source: Peter Corish, 2002, President of the National Farmers Federation, quoted in 'Gillard Government Trade Policy Statement: Trading our way to more jobs and prosperity', April 2011

The rapidly-expanding Asian middle class represents tens of millions of new consumers wanting the high-quality goods and services Australia can produce...

If Australia can gain access to just 1 per cent of the growing Asian middle class over the next 20 years, it will be the equivalent of tapping into a new market the size of Australia.

- *Craig Emerson, 2012*

Source: Dr Craig Emerson, Trade Minister, 'Investment, Innovation and Competitiveness', Keynote Address to CEDA Conference, Sydney, 6 July 2012

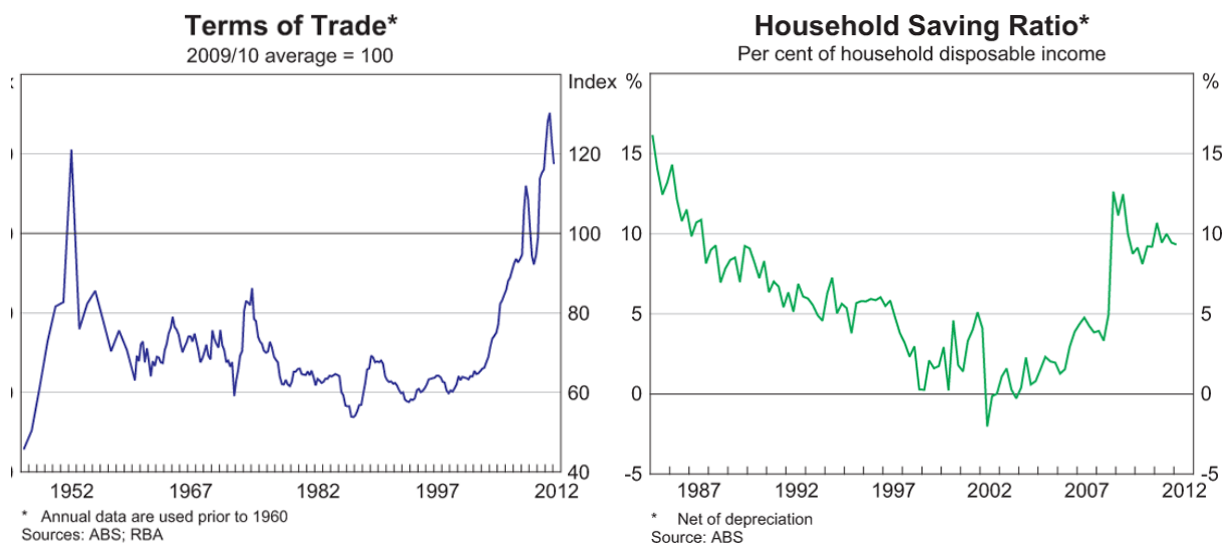
OR

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

**Question 26 (20 marks)**

Discuss the influences on economic growth in the Australian economy. In your response you should refer to the economic information provided below.



“... the Australian economy is currently going through some major structural adjustments. It is adjusting to a once-in-a-century boom in mining investment and the terms of trade, and to a very high exchange rate. It is also adjusting to a return to traditional patterns in household spending and borrowing after more than a decade in which both consumption and debt grew much faster than household income.”

- Philip Lowe, 2012

Source: Philip Lowe, Deputy Governor of the RBA, 'Developments in the Mining and Non-mining Economies', Address to the ADC Future Summit, Melbourne, 14 May 2012

## **Section IV**

**20 marks**

**Attempt EITHER Question 27 OR Question 28**

**Allow about 35 minutes for this section**

Answer the question on the writing paper provided. Start the question on a new page.

---

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

- demonstrate knowledge and understanding relevant to the question
  - apply relevant economic information, terms, concepts, relationships and theory
  - present a sustained, logical and cohesive response
- 

### **Question 27 (20 marks)**

Discuss the impact of the Australian government's economic policies on the distribution of income and wealth

**OR**

### **Question 28 (20 marks)**

Discuss the impact of globalisation on trade and investment in Australia and ONE other economy

**End of paper**