



NORTH SYDNEY GIRLS HIGH SCHOOL

HSC TRIAL EXAMINATION

2009

ECONOMICS

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black or blue pen
- Board approved calculators may be used

Total marks - 100

Section I

20 marks

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

Section II

40 marks

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

Section III

20 marks

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

Section IV

20 marks

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

SECTION I

Total marks (20)

Attempt Questions 1 –20

Allow about 35 minutes for this section

Answer the questions on the sheet provided

1. Which of the following would most likely improve Australia's international competitiveness?
 - A. An appreciation of the Australian dollar
 - B. A larger budget deficit
 - C. Reduced transport costs in Australia
 - D. Increased interest rates

2. What type of investment occurs when a firm merges with a foreign firm?
 - A. Portfolio investment
 - B. Foreign exchange dealings
 - C. Speculative investment
 - D. Direct investment

3. Which of the following is a possible cause of cost inflation?
 - A. Labour skill shortages
 - B. An increase in interest rates
 - C. Changes to the Industrial Relations Commission
 - D. A rise in the level of consumption spending

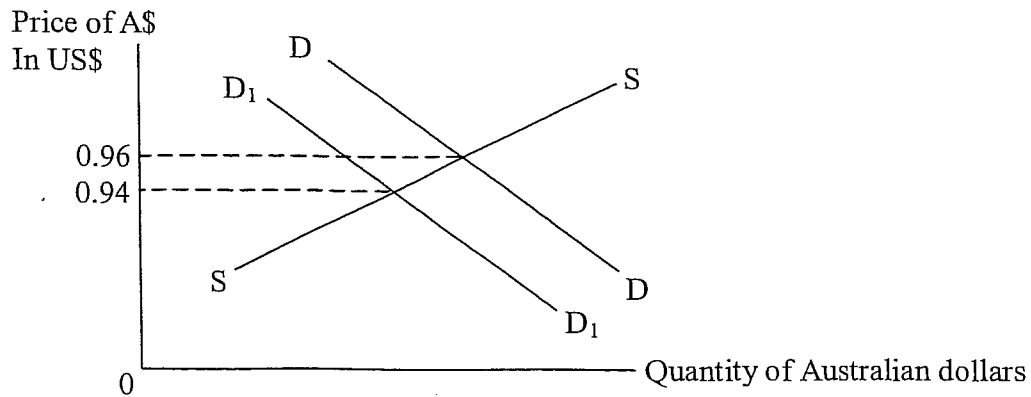
Question 4 refers to the information below:

The following labour force data is for a hypothetical economy.

Working Age of the Population	Full Time Employed	Part Time Employed	Unemployed
15,000,000	6,629,000	2,426,000	619,000

4. What is the participation rate for this economy?
 - (A) 60.3%
 - (B) 4.1%
 - (C) 64.5%
 - (D) 6.4%

5. The diagram below shows the demand and supply of Australian dollars in terms of United States dollars in the foreign exchange market.



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

- (A) An increase in Australian interest rates
 (B) An increase in US interest rates
 (C) An increase in commodity prices
 (D) An increase in commodity exports
6. A multinational car manufacturer decides to install new and more effect anti-pollution technology in its vehicles following the commencement of a national emissions trading scheme.

Which of the following outcomes would be a result of this action?

- (A) An increase in private costs and an increase in negative externalities
 (B) An increase in social costs and an increase in negative externalities
 (C) An increase in private costs and a reduction in negative externalities
 (D) An increase in social costs and a reduction in negative externalities
7. The following table shows selected balance of payments information for a country.

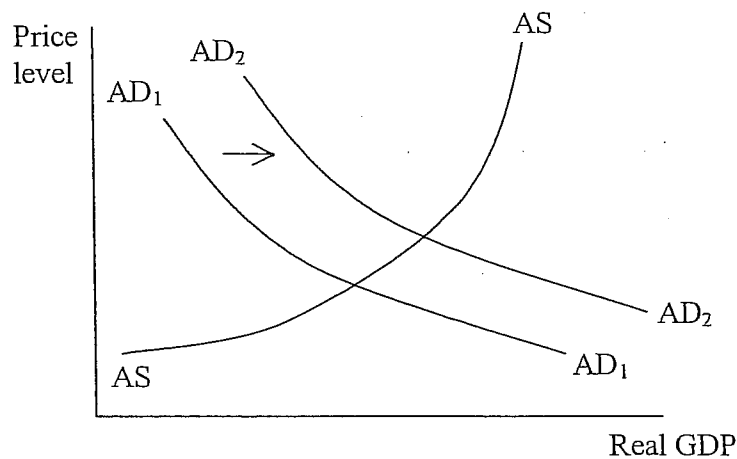
Selected Items in the Balance of Payments	\$ millions
Goods credits	2,800
Goods debits	3,000
Financial account	910
Net services	400
Net income and transfers	-1220

What is the balance on current account?

- (A) \$1510 million
 (B) -\$910 million
 (C) -\$1020 million
 (D) -\$200 million

- 8 Which of the following government economic policies would most likely improve the distribution of income in Australia?
- (A) A decrease in the marginal rate of taxation for high income earners and a decrease in welfare payments
 - (B) A decrease in the marginal rate of taxation for low income earners and an increase in welfare payments
 - (C) An increase in the marginal rate of taxation for low income earners and a decrease in welfare payments
 - (D) An increase in the marginal rate of taxation for all income earners and a decrease in welfare payments

- 9 The following diagram shows aggregate demand and aggregate supply curves for an economy.



Which of the following could cause a shift of the aggregate demand curve from AD₁ to AD₂?

- (A) A reduction in the general level of interest rates
 - (B) An increase in the size of a government budget surplus
 - (C) An improvement in allocative efficiency in markets
 - (D) An increase in the level of import spending
- 10 What could cause a favourable movement in a country's terms of trade?
- (A) Import prices rising faster than export prices
 - (B) Import prices rising and export prices falling
 - (C) Export prices rising and import prices rising
 - (D) Export prices rising and import prices falling
- 11 Which of the following would assist the government to reduce the level of public debt?
- (A) An increase in the size of the budget deficit
 - (B) An increase in the size of the budget surplus
 - (C) An increase in welfare expenditure
 - (D) Sell less public assets

The following table relates to Question 12

The following table shows selected information for a hypothetical economy.

Year	Nominal GDP (\$ billions)	Consumer Price Index (Base Year = 100)	Population (millions)
1	430	100	221
2	550	110	221.5

12 What is true about this economy for Year 2?

- (A) Real GDP increased to \$500 billion and the inflation rate was 11 per cent
- (B) The economic growth rate was 21.8%
- (C) Real GDP increased to \$500 billion and the inflation rate was 10 per cent
- (D) Real GDP increased to \$550 billion and the inflation rate was 10 per cent

13 The following table shows selected data for an economy.

Year	Change in Real Gross Domestic Product (%)	Government Budget Revenue (\$b)	Government Budget Expenditure (\$b)	Unemployment Rate (%)
1	3.5%	303	280	4.0%
2	2.5%	320	292	4.5%

From Year 1 to Year 2, which of the following statements is correct for this economy?

- (A) The budget surplus is increasing and real economic activity is expanding
- (B) The budget surplus is increasing and real economic activity is contracting
- (C) The budget deficit is increasing and real economic activity is expanding
- (D) The budget deficit is increasing and real economic activity is contracting

14. Which of the following is an example of discretionary fiscal policy?

- (A) Changes in taxation rates by the government in its budget
- (B) Changes in welfare payments due to poor economic growth
- (C) Changes in taxation revenue due to strong economic growth
- (D) A change in the budget outcome from a surplus to a deficit

15. Which two economic objectives are usually not in conflict?

- (A) Full employment and price stability
- (B) Economic growth and external stability
- (C) Full employment and economic growth
- (D) Economic growth and price stability

- 16 What is the likely effect of a reduction in European Union farm subsidies?
- (A) An increase in competition for Australian farmers
 - (B) Increased export markets for Australian farmers
 - (C) A reduction in productivity for European farmers
 - (D) Increased export markets for European farmers
- 17 What are the likely effects of the Reserve Bank of Australia purchasing government securities?
- A. Increased liquidity and a fall in the cash rate
 - B. Increased liquidity and an increase in the cash rate
 - C. Decreased liquidity and an increase in the cash rate
 - D. Decreased liquidity and a decrease in the cash rate

The following table shows selected data for an economy in equilibrium.

Injection/Leakage	\$ millions
Exports	90
Taxation	50
Imports	100
Savings	250
Investment	200
Government Expenditure	

- 18 What is the level of government expenditure for this economy?
- (A) \$400m
 - (B) \$110m
 - (C) \$50m
 - (D) \$290m
19. If US investors sold shares in Australian mining companies, how would this be recorded in the Australian balance of payments?
- (A) As a debit in the current account
 - (B) As a credit in the current account
 - (C) As a debit in the financial account
 - (D) As a debit in the capital account
20. From which of the following international organisations could a developing country borrow funds to overcome a shortage of foreign exchange?
- (A) The International Monetary Fund
 - (B) The World Trade Organisation
 - (C) The World Bank
 - (D) The European Union

Section 11

Total marks (40)

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)

INCOME \$	CONSUMPTION \$	SAVINGS \$
100	80	20
200	160	40
300	240	60
400	320	80

a) Define Marginal Propensity to Consume

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b) Using the table above calculate the multiplier (show working)

2

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c) Calculate the growth in GDP as a result of an injection of \$250

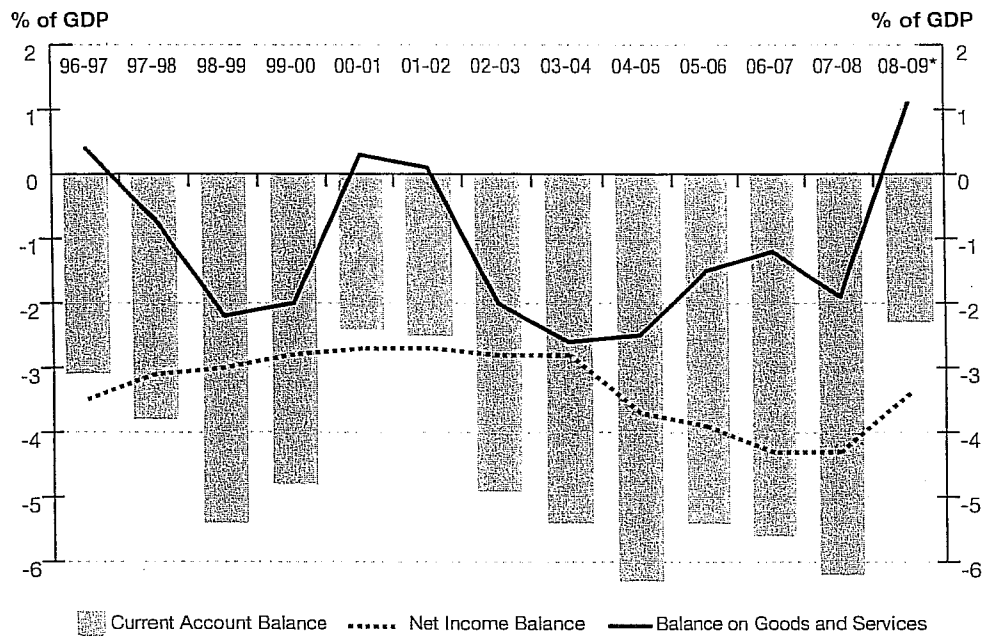
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Question 24 (10 marks)



Sources: ABS Cat. 5302.0, *Average over Sep, Dec and Mar quarters

Australia's Current Account Deficit

(a) Define the term current account deficit.

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(b) Identify two causes of Australia's current account deficit.

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Section 111

Total marks (20)

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section.

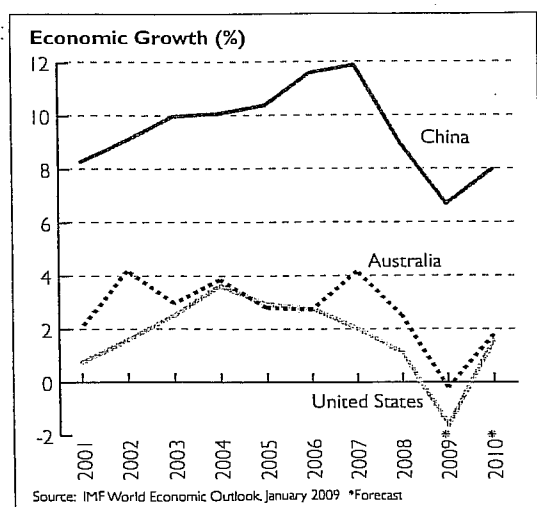
In your answer you will be assessed on how well you:

- use your knowledge and the economic information provided
- apply economic terms, concepts, relationships and theory
- present a sustained, logical and well-structured answer to the question.

Question 25 (20 marks)

Evaluate the effectiveness of government economic policy in achieving sustainable economic growth in the Australian economy.

“In response to the darkening global and Australian economic outlook, the Federal government has launched a \$42 billion stimulus package ahead of the Federal Budget in May. The Nation Building and Jobs Plan is designed to boost the Australian economy by focusing on infrastructure spending and cash payments to consumers”.



Selected Global Business Cycles 2001-2010

Economics Update Jan/Feb 2009

“Policy lags refer to the length of time that elapses between a change in the stance of an economic policy and its effects on real economic activity and economic activity”

T. Riley

Year 12 Economics 2009

Question 26 (20 marks)

Assess the role of microeconomic policies in achieving structural change and improved international competitiveness within the Australian economy.

“Reforms in manufacturing have centred on reducing the level of assistance. In 1987/88 the effective rate of protection was 19%. Currently it is around 5%.”

“Competition policy is concerned with promoting competitive pressures in the economy as a means of improving economic efficiency.”

Updated Economics
J. Bulmer
2009 Edition B

“Structural change has important implications for Australia’s balance of payments outcome as a more efficient allocation of domestic resources (such as labour and capital) and the use of the latest technology assist in the diversification of Australia’s export base, and a rise in the competitiveness of export industries.”

T. Riley
Year 12 Economics 2009

Section IV

Total marks (20)

Attempt either Question 27 or Question 28

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
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Question 27 (20 marks)

Assess the impact on the global economy of international organisations and contemporary trading bloc agreements.

OR

Question 28 (20 marks)

Analyse the impacts of globalisation on an economy other than Australia