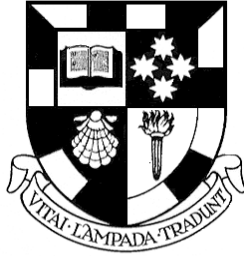


Student Number



Shore

2011-12
HSC ASSESSMENT TASK 4
TRIAL HSC EXAM

Economics

General Instructions

- Working time – 3 hours
(5 minutes reading time)
- Board-approved (non programmable) calculators may be used
- Write using blue or black ink
- Write your Examination Number where required

Section I

Total Marks (20)

- Attempt Questions 1 - 20
- Allow about 25 minutes for this section

Section II

Total Marks (40)

- Attempt all Questions 21 - 24
- Write your answers in the spaces provided
- Allow about 45 minutes for this section

Section III

Total Marks (20)

- Attempt Question 25
- Allow about 50 minutes for this section

Section IV

Total Marks (20)

- Attempt Question 26
- Allow about 50 minutes for this section

Section I

Total marks (20)

Use the multiple-choice answer sheet.

Select the alternative A, B, C or D that best answers the question. Fill in the response oval completely.

Sample $2 + 4 =$ (A) 2 (B) 6 (C) 8 (D) 9
A B C D

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

A B C D

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

A B C D
correct
↑

1. Which of the following measures the changes in export prices to import prices in an economy?

- (A) The trade weighted index
- (B) The terms of trade
- (C) Net exports
- (D) Merchandise trade

2. Which of the following will cause a fall in an economy's natural rate of unemployment?

- (A) An increase in immigration
- (B) Government funded training programs for long term unemployed persons
- (C) An increase in economic growth
- (D) An increase in inflation

3. The table shows employment data for an economy.

| Year | Population of working age (mill) | Unemployed Persons (mill) | Employed Persons (mill) |
|--------|----------------------------------|---------------------------|-------------------------|
| Year 1 | 50 | 10 | 30 |
| Year 2 | 60 | 10 | 30 |

Which of the following has occurred in this economy between Year 1 and Year 2?

- (A) The unemployment rate has decreased
- (B) The labour force has increased
- (C) The labour force participation rate has decreased
- (D) The unemployment rate has increased

4. Which of the following is a cyclical factor that results in an improvement in the current account?

- (A) A decrease in import spending following an increase in unemployment
- (B) A fall in the domestic savings rate
- (C) A reliance on foreign investment for business expansion
- (D) A fall in global commodity prices

5. Why would the Reserve Bank of Australia offer second-hand government securities for sale?

- (A) To increase consumer spending
- (B) To reduce demand-pull inflation
- (C) To increase the value of the Australian Dollar
- (D) To reduce the foreign debt

6. Migrants' transfers have been removed from the Capital Account on Australia's Balance of Payments. The effect of migration is now captured in changes in Australia's International Investment Position (IIP).

Ceteris paribus, what will occur if more people move to rather than from Australia?

- (A) a decrease in Australia's Net international investment liability position
- (B) an increase in Australia's Net international investment liability position
- (C) a decrease in Australia's Net international investment asset position
- (D) an increase in Australia's Net international investment asset position

7. The following table shows data from an economy:

| <i>Balance of Payments</i> | <i>\$ billion</i> |
|----------------------------|-------------------|
| Exports | 500 |
| Imports | 600 |
| Net Services | -120 |
| Net Primary Income | -200 |
| Net Secondary Income | 50 |
| Reserve Assets | -100 |

Which of the following statements is correct?

- (A) There is a current account deficit of \$470billion
- (B) There is a surplus on the capital account of \$200billion
- (C) There is a surplus on merchandise trade of \$100billion
- (D) There is a capital and financial account surplus of \$370billion

8. Which of the following best describes the difference between Fiscal and Monetary Policy?

- (A) Fiscal policy is quicker to implement but has a longer time lag than monetary policy
- (B) Fiscal policy is slower to implement but has a shorter time lag than monetary policy
- (C) Fiscal policy is quicker to implement and has a shorter time lag than monetary policy
- (D) Fiscal policy is slower to implement and has a longer time lag than monetary policy

9. Which of the following government policies would most likely increase productivity?

- (A) An increase in subsidies to local manufacturing firms
- (B) The deregulation of the labour market
- (C) A reduction in marginal income tax rates
- (D) A reduction in means testing for welfare recipients

10. Which of the following would be a cause of cost-push inflation?

- (A) An increase in the minimum wage
- (B) An increase in the exchange rate
- (C) An increase in domestic investment
- (D) An increase in the level of consumer confidence

11. Which of the following is a long term outcome of microeconomic reform?

- (A) Increased structural unemployment and lower rates of productivity
- (B) Increased production costs and a decrease in GDP
- (C) Increased levels of international competitiveness and lower rates of inflation
- (D) Increased capital inflow and a decrease in foreign investment

12. Which of the following is most likely to increase the level of capital inflow into the domestic economy?

- (A) An increase in official interest rates
- (B) An increase in capital gains tax
- (C) A decrease in the share market indexes
- (D) An increase in the Australian Dollar

13. The table below shows selected data for a nation.

| Year | Nominal GDP (\$m) | CPI | Real GDP |
|--------|----------------------|-------|----------|
| Year 1 | 650 | 100 | 650 |
| Year 2 | 785 | 103.5 | ? |

From the information above, what is the real GDP for this economy in Year 2?

- (A) \$785m
- (B) \$758m
- (C) \$708.5
- (D) \$735m

14. The table below shows the Human Development Index (HDI) for Country A and B.

| Year | Country A | Country B |
|--------|-----------|-----------|
| Year 1 | 0.35 | 0.75 |
| Year 2 | 0.45 | 0.65 |
| Year 3 | 0.55 | 0.55 |

According to the data in the table, which statement correctly describes what these economies have experienced?

- (A) The general standard of living in Country A is deteriorating and the general standard of living is improving in Country B but deteriorating at a faster rate in Country A
- (B) The general standard of living in Country A is improving and the general standard of living is deteriorating in Country B but improving at a faster rate in Country A
- (C) The general standard of living in Country A is deteriorating and the general standard of living is improving in Country B but improving at a faster rate in Country B
- (D) The general standard of living in Country A is improving and the general standard of living is deteriorating in Country B but deteriorating at a faster rate in Country B

15. Which of the following statements is correct?

- (A) Net Foreign Debt = Net Foreign Liabilities + Net Foreign Equity
- (B) Net Foreign Liabilities = Net Foreign Debt + Net Foreign Equity
- (C) Net Foreign Equity = Net Foreign Debt + Net Foreign Liabilities
- (D) Net Foreign Liabilities = Net Foreign Debt - Net Foreign Equity

16. Which type of efficiency should reflect an improvement in methods of production?

- (A) Dynamic efficiency
- (B) Technical efficiency
- (C) Productive efficiency
- (D) Allocative efficiency

17. Which of the following economic objectives cannot usually be achieved simultaneously?

- (A) External stability and internal stability
- (B) Economic Growth and price stability
- (C) Increased equality in income distribution and external stability
- (D) Sustainable economic development and external stability

18. The following table refers to economic data for a hypothetical economy?

| | |
|---------|---------|
| S = 150 | M = 110 |
| I = 170 | T = 180 |
| G = 160 | X = 105 |

What would be the implication for this economy?

- (A) Leakages exceed injections and there is a trade surplus
- (B) Leakages exceed injections and the budget is in deficit
- (C) Leakages exceed injections and the budget is in surplus
- (D) Injections exceed leakages and there is a trade deficit

19. Which of the following combinations would indicate a country is reducing its trade protection?

- (A) An increase in a subsidy and a decrease in an import quota.
- (B) An increase in a subsidy and an increase in an import quota.
- (C) A decrease in a subsidy and a decrease in an import quota.
- (D) A decrease in a subsidy and an increase in an import quota.

20. Which type of workplace agreement is based on productivity bargaining in Australia?

- (A) National Employment Standard
- (B) National Minimum Wage
- (C) An industrial or occupational award
- (D) A collective enterprise agreement

Section II

Student Number.....

Total marks (30)

Answer in the spaces provided.

Question 21 (10 marks)

Marks

- a) Using an example for each, distinguish between bilateral and multilateral trade agreements. **2**

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- b) Outline TWO economic factors that would encourage a government to liberalise trade. **2**

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- c) Describe how ONE global government economic forum can influence global economic policy. **2**

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d) Briefly discuss the effects of protectionist policies on the global economy.

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Question 22 (10 marks)

The following table shows selected data for a closed economy.

| Year | Consumption (C) (\$m) | Saving (S) (\$m) | Investment (I) (\$m) |
|-------------|----------------------------------|-----------------------------|---------------------------------|
| 1 | 280 | 20 | 50 |
| 2 | 360 | 40 | 50 |
| 3 | 440 | 60 | 50 |

Marks

- a) Calculate the value of the Marginal Propensity to Consume (MPC) **1**

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- b) Calculate the value of the simple multiplier (k). **1**

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- c) Calculate the new equilibrium level of income (Y) in Year 4 if investment increases by \$40m. **2**

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- d) Briefly explain how an increase in autonomous investment can have a multiplier effect on the level of income in an economy. **2**

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e) Examine ONE arguments for and ONE against increasing economic growth rates in Australia.

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Question 23 (10 marks)

Marks

The table below shows changes in an economy's floating currency over time.

| | US Dollar | Yen | TWI |
|---------------|------------------|------------|------------|
| Year 1 | 0.80 | 65 | 68 |
| Year 2 | 1.05 | 80 | 75 |
| Year 3 | 0.98 | 92 | 78 |

- a) Define the term *exchange rate*. **1**

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- b) With reference to the data in the table, explain why the Trade Weighted Index (TWI) is an important indicator of external stability. **2**

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- c) Explain ONE possible reason for the trend in the exchange rate against the Yen. **2**

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d) Explain ONE way central bank intervention can directly affect a floating currency. **2**

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e) Discuss ONE potential impact of a long-term appreciation of the Australian dollar on the economy. **3**

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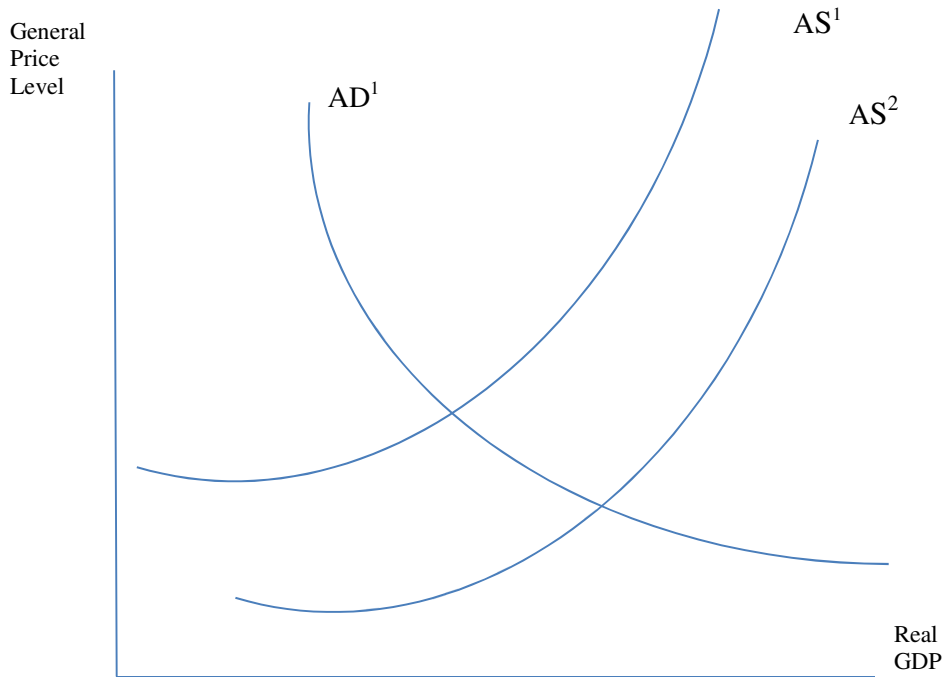
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Question 24 (10 marks)

The graph shows the aggregate supply and demand for an economy.

Marks



- a) What does the term *real* refer to, when used to describe GDP? **1**

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- b) Describe the components of aggregate demand in an economy. **2**

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- c) Describe ONE government policy that could cause the movement from AS^1 to AS^2 . **2**

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- d) Explain how structural changes in the Australian economy can result from microeconomic policies. 5

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End of Section II

Section III

Total marks (20)

Answer on separate lined paper provided – *be sure to put your exam number at the top of each page*

In your answer your answers 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)

Discuss the Government's use of macroeconomic policies in achieving economic growth, full employment and price stability in the Australian economy..

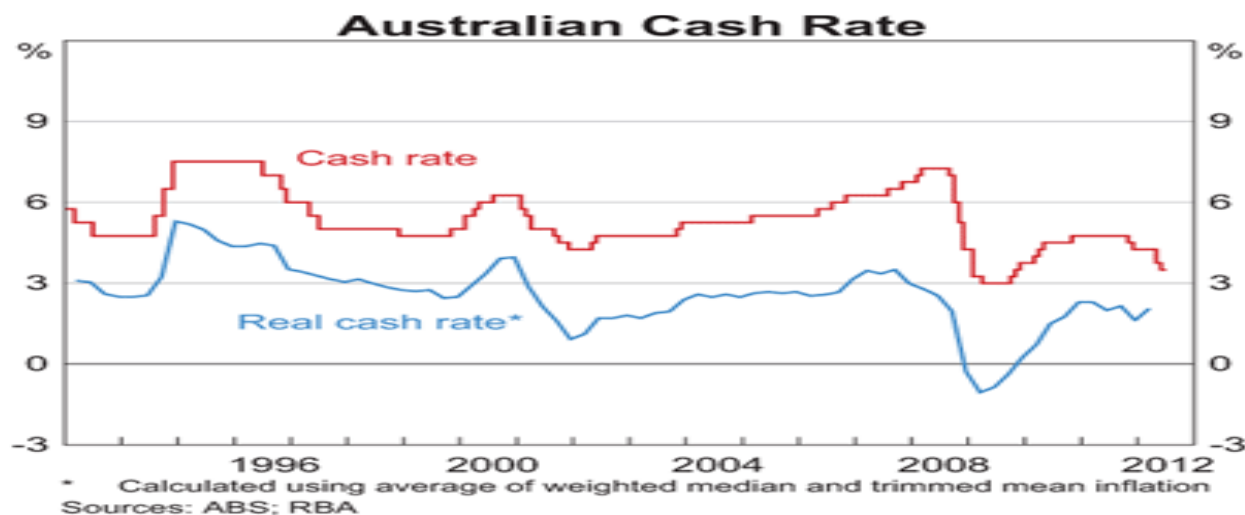
2012 Budget Economic Wrap

By Daniel Burdon | 8th May 2012 8:02 PM

TREASURER Wayne Swan hailed the arrival of the "the surplus years" during his Budget speech. As expected a return to surplus in 2012-13 (\$1.5 billion) was forecast, followed by surpluses of \$2 billion, \$5.3 billion and \$7.5 billion in the ensuing years. Forecasting a budget is one thing, but it could be 15 months before we know whether it will be achieved. The outlook for the current year's balance sheet was not as bright, with a \$44 billion deficit predicted. But Mr Swan was upbeat about the future.

The introduction of the mining tax will certainly aid in delivering a surplus. Forward estimates predict the mining tax will generate \$3 billion in net tax receipts this coming fiscal year; \$3.5 billion in 2013-14; \$3.2 billion in 2014-15, and; \$3.7 billion in 2015-16. When combined with the existing petroleum resource rent tax, receipts from the two taxes should increase by 87.3%. The carbon price is forecast to bring in \$7.69 billion in the 2012-13 financial year.

Unemployment is forecast to remain low for the next two fiscal years at 5.5%, while GDP growth is tipped to hit 3.25% and 3% respectively. Inflation is expected to reach 3.25% in 2012-13, marginally outside the Reserve Bank's target zone, but is forecast to return to 2.5% the following year.



Section IV

Total marks (20)

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet

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 26 (20 marks)

Analyse the impact of globalisation on the economic growth of emerging and advanced economies.

End of Paper



Shore

2012

**TRIAL HIGHER SCHOOL
CERTIFICATE**

Economics

**Marking
Criteria**

Multiple choice answer sheet

Select the alternative A, B, C, or D that best answers the question.
Fill in the response oval completely.

1 A B C D

2 A B C D

3 A B C D

4 A B C D

5 A B C D

6 A B C D

7 A B C D

8 A B C D

9 A B C D

10 A B C D

11 A B C D

12 A B C D

13 A B C D

14 A B C D

15 A B C D

16 A B C D

17 A B C D

18 A B C D

19 A B C D

20 A B C D

2012 Economics Trial HSC Exam

Marking Guidelines

Q 21

| Question | Marking Criteria | Marks |
|--|--|--|
| a) Using an example for each, distinguish between bilateral and multilateral trade agreements. | Bilateral agreements are between two countries only and multilateral agreements are between a number of countries. Bilateral agreements include CERTA, Chile-Aust FTA, Aust-US FTA etc. Multilateral agreements include NAFTA, EU. | 2 for clear distinction between each with examples |
| b) Outline TWO economic factors that would encourage a government to liberalise trade. | More liberal trade can result in greater efficiency, improved international competitiveness, access to a greater range of goods and services, achievement of economies of scale due to specialisation, greater innovation. | 2 for outline of two relevant economic factors 1 for weak outline |
| c) Describe how ONE global government economic forum can influence global economic policy. | Organizations could include G8 or G20. Description of role should focus on economic issues and changes in government policy. | 2 marks Only G8 or 20 acceptable with description of their influence on global economic policy |
| d) Briefly discuss the effects of protectionist policies on the global economy. | Protection results in less trade and inefficient resource allocation, and thus lower incomes and a lower standard of living for the world's population in general. Underdevelopment remains significant as poorer economies are denied access to markets in which the poorer countries have a comparative advantage. | 4 marks for clear relationship shown between protectionist policy and the <i>global</i> economy, not protected individual economies. |

Q22

| Question | Marking Criteria | Marks |
|--|--|--|
| a) Calculate the value of the Marginal Propensity to Consume (MPC) | When income increases by \$100 S increases by 20, so $MPC = .8Y$ | 1 for correct answer |
| b) Calculate the value of the simple multiplier (k). | $K = 1/MPS$, therefore $k = 5$. | 1 for correct answer |
| c) Calculate the new equilibrium level of income (Y) in Year 4 if investment increases by \$40bn. | The savings function for this economy is $S = -40 + .2Y$. I increases by 40 to 90, by solving $90 = -40 + .2Y$, we find new equilibrium level of income is \$650m. | 2 marks for correct calculation |
| d) Briefly explain how an increase in autonomous investment can have a multiplier effect on the level of income in an economy. | The leakage to saving will determine the size of the final increase in income after an increase in autonomous investment. Autonomous investment which produces an initial increase in income, which (due to the MPC) will be spent on consumption which is therefore income to others, which produces further consumption until (due to the leakage to saving at each round of income) there is no further increase in income. Thus the final increase in income will be greater than the initial increase in autonomous investment. | 2 marks for clear explanation following a logical sequence based on increase in income, consumption etc |
| e) Examine ONE argument for and ONE against increasing economic growth rates in Australia. | Arguments for increasing economic growth include the increase in income it will produce, the reduction in poverty through greater employment, a rise in living standards, increased access to a wider range of goods and services, greater innovation, increased longevity etc. Arguments against include depletion and destruction of natural resources and lack of environmental sustainability, possible increase in income inequality etc. | 4 marks for clear examination of arguments for and against economic growth. 3 marks for more general discussion 2 for weak disc. |

Q 23

| Question | Marking Criteria | Marks |
|---|--|--|
| a) Define exchange rate | An exchange rate is the price (value) of one currency expressed in terms of another. Usually determined by a floating system based on supply and demand. | 1 |
| b) With reference to the table explain why the TWI is an important measure of Ext Stability | The TWI is a measure of a nation's currency against a basket of currencies that it trades with. The table indicates movement against two currencies that reflect firstly volatility due to both appreciation and depreciation over the 3 years (ie) against the US. However the TWI indicates a general appreciation (reflecting the movement against the Yen). Ext Stability can be considered against an overall movement of a weighted basket. | 2 Reference to the table required for full marks |
| c) Explain ONE reason for the trend in the e/r against the Yen | Students doing the HSC should know that Yen is the currency of japan NOT China (Yuan). Furthermore, students should be able to interpret the table correctly – it shows a hypothetical currency against the USD and Yen and it's TWI. The yen is NOT appreciating and the Yen is NOT appreciating against the USD. Possible reasons include: Interest Rate Differential, greater exports, Speculation, Capital Flight (Ki) – all DEMAND for currency issues as the hypothetical currency is appreciating against the Yen. | 2 Trend must be correctly identified for full marks |
| d) Explain ONE way a central bank can directly affect a floating exchange rate | A central bank can directly buy and sell foreign reserves to affect the price of the domestic currency in FOREX markets. To appreciate the currency it will sell foreign reserves and buy the domestic currency and to depreciate the currency it will supply the domestic currency and buy foreign currency thereby adding to foreign reserve holdings. | 2 Linking buy/selling of reserves to an appreciation/depreciation required for full marks |
| e) Discuss ONE potential impact of a long term appreciation of the AUD. | LT impacts include loss of international competitiveness, structural change, lower growth, higher SOL for citizens, deteriorating BOGS Links need to be offered such as how international competitiveness is lost through higher export prices and lower import prices and then link to pressure to compete in export markets and against imports in domestic markets and then link to growth or employment or CAD issues. Cause and effect must be made clear. Substantiation would also improve explanation. | 3 The LT impact must be discussed with cause and effect linkages shown in a sophisticated way for full marks. |

| Question | Marking Criteria | Marks |
|---|---|--|
| a) Define 'real' GDP | Nominal GDP adjusted for inflation | 1 |
| b) Describe the components of Aggregate Demand | <p>Stating the Aggregate demand equation was NOT the question (ie) $C + I + G + (X-M)$.</p> <p>The components needed to be describe:</p> <p>C = household consumption (ie) Household sector buying G&S I = business investment (ie) Firm sector buying capital goods G = Government Expenditure (ie) Govt spending as per budget (X-M) - Trade balance (ie) External sector with Exports – Imports</p> | <p>2 marks</p> <p>All components had to be described for full marks. No marks given for simply stating the Agg Demand equation</p> |
| c) Describe ONE Govt Policy that could shift the Agg Supply Curve | <p>No marks given for demand related policy (eg) Monetary or Fiscal without a Microeconomic dimension. Subsidies are debatable as they tend to be industry specific and the Agg Supply curve reflects the economy as a whole.</p> <p>MER – Labour Mkt Deregulation, NCP, Infrastructure spending, Workforce Training, education programs etc</p> | <p>2 marks</p> <p>Correctly identified policy must be accompanied with a definition for full marks</p> |
| d) Explain how structural changes can result from MER | <p>Definition of MER needed – affects the supply side of the economy and is designed to improve efficiency and productivity. Structural changes refer to changing patterns of production – sectoral contributions to national output.</p> <p>Students needed to link MER & SC via MER policies that are initiated by government – not market based but government induced. SC</p> <p>MER examples – included floating of the AUD, financial deregulation, industry assistance and trade protection policies, NCP, Tax Reform and Workplace Relations Reforms can all be linked to changing patterns of production but the links must be made clear (cause and effect) in the explanation.</p> <p>SC examples – services and mining up whilst manufacturing and agriculture down</p> | <p>5 marks</p> <p>Examples of SC (linked to MER) needed for full marks.</p> |