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Student Number



**Barker**  
College

# Economics

2020

TRIAL HIGHER SCHOOL  
CERTIFICATE EXAMINATION

**ANSWER SHEET**

Staff Involved:

AM THURSDAY 20<sup>TH</sup> AUGUST

- AJW \* • JMT
- JDW • LRN

70 copies

Section I - Multiple Choice (20 marks)

Choose the best response and fill in the response oval completely

- 
- Start Here →
- |    |     |     |     |     |    |     |     |     |     |
|----|-----|-----|-----|-----|----|-----|-----|-----|-----|
| 1  | A ○ | B ○ | C ○ | D ○ | 11 | A ○ | B ○ | C ○ | D ○ |
| 2  | A ○ | B ○ | C ○ | D ○ | 12 | A ○ | B ○ | C ○ | D ○ |
| 3  | A ○ | B ○ | C ○ | D ○ | 13 | A ○ | B ○ | C ○ | D ○ |
| 4  | A ○ | B ○ | C ○ | D ○ | 14 | A ○ | B ○ | C ○ | D ○ |
| 5  | A ○ | B ○ | C ○ | D ○ | 15 | A ○ | B ○ | C ○ | D ○ |
| 6  | A ○ | B ○ | C ○ | D ○ | 16 | A ○ | B ○ | C ○ | D ○ |
| 7  | A ○ | B ○ | C ○ | D ○ | 17 | A ○ | B ○ | C ○ | D ○ |
| 8  | A ○ | B ○ | C ○ | D ○ | 18 | A ○ | B ○ | C ○ | D ○ |
| 9  | A ○ | B ○ | C ○ | D ○ | 19 | A ○ | B ○ | C ○ | D ○ |
| 10 | A ○ | B ○ | C ○ | D ○ | 20 | A ○ | B ○ | C ○ | D ○ |

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# Economics

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## General

Instructions:

- Reading time - 5 minutes
- Working time - 3 hours
- Write using black pen
- Draw diagrams using pencil
- NESA approved calculators may be used
- Refer to the stimulus when answering questions

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Total marks:

100

**Section I - 20 marks** (pages 3 - 10)

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

**Section II - 40 marks** (pages 11 - 24)

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

**Section III - 20 marks** (page 25 -26)

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

**Section IV - 20 marks** (page 27)

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



1. Which of the following international organisations would be most likely to resolve a trade dispute between member countries?
- A. IMF
  - B. World Bank
  - C. WTO
  - D. OECD

Use the table below to answer Question 2

<i>Year</i>	<i>CPI</i>
1	100
2	110
3	120

2. Which of the following statements is true?
- A. Inflation has doubled
  - B. Inflation has increased
  - C. Inflation has decreased
  - D. Inflation has increased at a constant rate
3. Which of the following economic objectives are difficult to achieve simultaneously?
- A. Economic growth and full employment
  - B. Price Stability and Economic growth
  - C. Equitable Distribution of income and economic growth
  - D. Environmental sustainability and full employment

Use the following table of data to answer Question 4.

<i>Equilibrium National Income</i>	<i>Full Employment National Income</i>	<i>Marginal Propensity to Save</i>
\$120bn	\$200bn	0.2

4. Calculate the necessary injection to reach the full employment national income.
- A. \$16bn
  - B. \$25bn
  - C. \$64bn
  - D. \$80bn
5. Which of the following would NOT be an indicator of economic development?
- A. Increased literacy rates
  - B. Improved access to healthcare
  - C. Decreased infant mortality rates
  - D. Increased degradation of environmental resources
6. How would the size of the labour force and the rate of unemployment be affected if people became discouraged from actively seeking work.
- A. Both the labour force and unemployment rate would increase.
  - B. Both the labour force and unemployment rate would decrease.
  - C. The labour force will decrease and unemployment rate increase.
  - D. The labour force will increase and the unemployment decreases.
7. Which part of the federal budget is most directly impacted by increased defence spending?
- A. Cyclical component
  - B. External component
  - C. Structural component
  - D. Discretionary component

Use the following table to answer Question 8.

<i>Current Account</i>	<i>Value</i>	<i>Capital and Financial Account</i>	<i>Value</i>
Goods Credit	\$9bn	Direct Investment	\$12bn
Goods Debit	\$8bn	Portfolio Investment	\$7bn
Primary Income Credit	\$3bn	Derivatives	\$2bn
Primary Income Debit	\$24bn	Other Assets	\$4bn
Net Secondary Income	-\$11bn	Reserve Assets	X
Balance on Current Account		Balance on Capital and Financial Account	

8. Which of the following is the correct value for Reserve Assets?
- A. \$6bn
  - B. -\$1bn
  - C. -\$6bn
  - D. \$31bn
9. Which of the following correctly identifies the changing composition of Australian trade flows since 2015?
- A. Increased value of service exports.
  - B. Agricultural exports have decreased.
  - C. Mining exports are the third largest export market.
  - D. Manufactured goods comprise the greatest percentage of exports.
10. Assume the government intervenes in the energy market through providing a subsidy to encourage use of renewable energy.

Which of the following combinations would represent the market effect?

	<i>Equilibrium price</i>	<i>Equilibrium Quantity</i>
A.	Decrease	Decrease
B.	Decrease	Increase
C.	Increase	Increase
D.	Increase	Decrease

Use the following table to answer Question 11.

<i>Year</i>	<i>Labour Force</i>	<i>People Actively Seeking Work</i>	<i>Working Age Population</i>
1	5,000,000	250,000	9,000,000
2	6,000,000	300,000	9,500,000

11. Given the data above, which of the following combinations is correct?

	<i>Unemployment Rate</i>	<i>Labour Force</i>	<i>Participation Rate</i>
A.	Increased	Increased	Decreased
B.	Constant	Decreased	Decreased
C.	Constant	Increased	Increased
D.	Decreased	Decreased	Increased

12. There has been an increase in the global supply of oil.

Which of the following would be most likely to occur in the global economy?

- A. Decreasing underlying inflation
- B. Decreasing economic integration
- C. A contraction in the international business cycle
- D. A decrease in the productive capacity of developed economies

13. Which of the following represents the correct arguments regarding the use of multilateral trade agreements?

	<i>Positive</i>	<i>Negative</i>
A.	Increased economic integration	Decreased inflationary pressure
B.	Improved allocation of resources	Reduced demand for foreign imports
C.	Increased inflationary pressure	Development of absolute advantage
D.	Increased International division of labour	Narrowing of national export base

14. An Australian company obtains a loan of \$10m from a German bank.

How would the loan and repayments be recorded on the Balance of Payments?

	<i>Current Account</i>	<i>Capital and Financial Account</i>
A.	Goods Credit	Financial Account Debit
B.	Goods Debit	Capital Account Debit
C.	Net Income Credit	Capital Account Credit
D.	Net Income Debit	Financial Account Credit

Use the following information to answer Question 15

<i>Product</i>	<i>Country X</i>	<i>Country Y</i>
Cars	300	400
Boats	180	1000

15. Which of the following is true regarding the production of Boats?

	<i>Absolute Advantage</i>	<i>Comparative Advantage</i>
A.	Country X	Country Y
B.	Country Y	Country X
C.	Country Y	Country Y
D.	Country X	Country X

16. What is an appropriate policy response to the simultaneous rise of both cyclical unemployment and cost push inflation?

- A. Lower interest rates and higher levels of company tax.
- B. Lower levels of tax and deregulation of labour markets.
- C. Higher interest rates and increased spending on education.
- D. Higher government spending and increases in the company tax rate.

17. Which of the following is considered an argument in favour of a government using international financing to finance a budget deficit all things being equal?
- A. Increased foreign debt
  - B. Misallocation of resources
  - C. Decreased inflationary pressure
  - D. Does not impact domestic interest rates

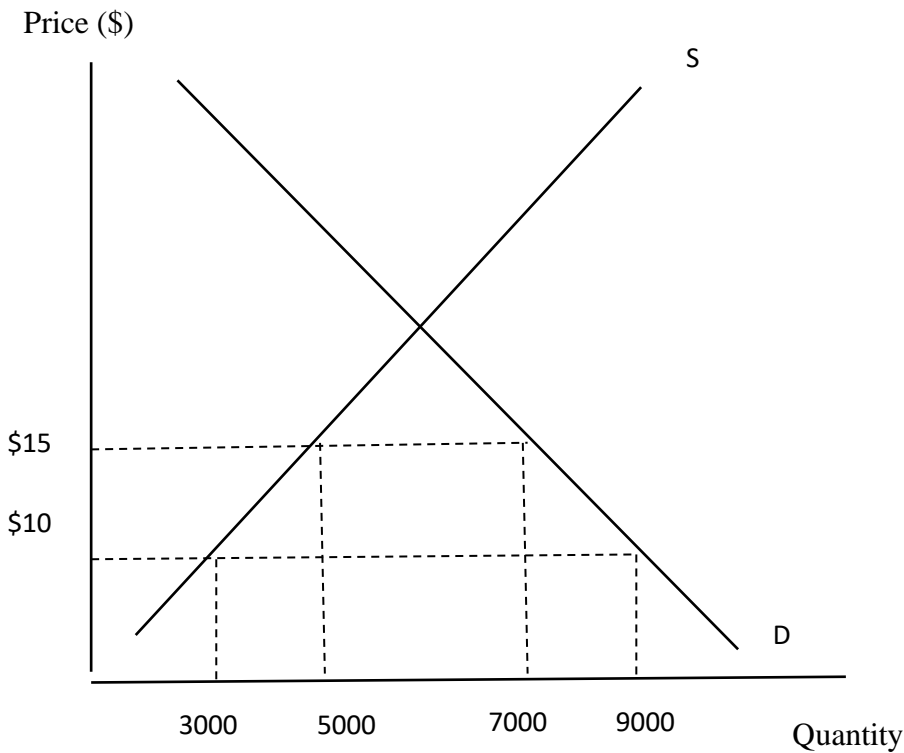
18. The table shows hypothetical data for the Australian economy.

Foreign assets owned by Australians (\$ billions)	400
Australian assets owned by foreigners (\$ billions)	100
Loans owed by Australians to foreigners (\$ billions)	450
Loans owed by foreigners to Australians (\$ billions)	200

What is the value of Australia's Net Foreign Liabilities?

- A. \$250 billion
- B. \$300 billion
- C. \$550 billion
- D. \$850 billion

Use the following diagram to answer Question 19.



19. The world price of the good is \$10. The government has added a \$5 tariff to the good. Which of the following is true after the addition of the tariff?
- A. The revenue of government increases by \$10,000, the revenue of foreign producers decreases by \$40,000 and the revenue of local producers increases by \$45,000.
  - B. The revenue of government decreases by \$10,000, the revenue of foreign producers increases by \$20,000 and the revenue of local producers increases by \$75,000.
  - C. The revenue of government increases by \$10,000, the revenue of foreign producers decreases by \$40,000 and the revenue local producers increases by \$75,000.
  - D. The revenue of government decreases by \$10,000, the revenue of foreign producers decreases by \$20,000 and the revenue of local producers increases by \$45,000.

Use the table below to answer Question 20

<i>Year</i>	<i>Yen per AUD\$1</i>	<i>AUD per \$1Euro</i>	<i>USD per AUD \$1</i>
1	100	1.25	0.75
2	120	1.05	0.65

20. How has the exchange rate of the Australian dollar changed in Year 2 when compared with Year 1?
- A. It has depreciated against the euro, appreciated against the USD and depreciated against the Yen.
  - B. It has appreciated against the euro, depreciated against the USD and appreciated against the Yen.
  - C. It has appreciated against the euro, depreciated against the USD and depreciated against the Yen.
  - D. It has depreciated against the euro, appreciated against the USD and appreciated against the Yen.

**End of Section I**

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# Economics

## Section II Answer Booklet

40 marks

Attempt Questions 21 - 24

Allow about 1 hour and 15 minutes for this section

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### Instructions

- Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.
- Extra writing space is provided at the back of this booklet. If you are using this space, clearly indicate which question you are answering.





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Student Number

**Question 22** (10 marks)

- (a) Define Full Employment. **1**

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- (b) Distinguish between frictional unemployment and cyclical unemployment. **2**

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- (c) Explain why the unemployment rate is not an accurate indicator of full employment. **3**

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**Question 22 continues on page 16**

**Question 22** (continued)

- (d) Examine ONE social cost and ONE economic cost of increasing unemployment. **4**

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**End of Question 22**

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Student Number

**Question 23** (10 marks)

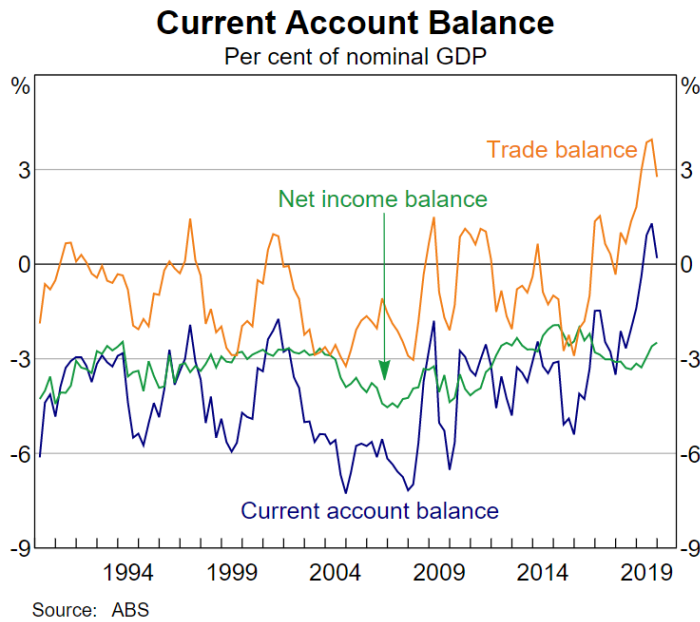
(a) Define the capital account.

**1**

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Use the following stimulus to answer Question 23 (b).



(b) Provide ONE reason for the trend in the Trade balance.

**2**

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**Question 23 continues on page 18**

**Question 23** (continued)

- (c) Explain the impact of structural change in the Australian economy on the Current Account. **3**

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**Question 23 continues on page 19**

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Student Number

**Question 23** (continued)

- (d) Analyse how an increase in the level of domestic savings can impact the Balance of Payments.

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**End of Question 23**

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Student Number

**Question 24** (10 marks)

- (a) Distinguish between dynamic efficiency and allocative efficiency. **2**

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- (b) Why is low productivity addressed through microeconomic reform? **3**

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**Question 24 continues on page 22**







### Section III (20 marks)

20 Marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Answer the question in the Section III Writing Booklet. Extra writing booklets are available.

Your answer 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)

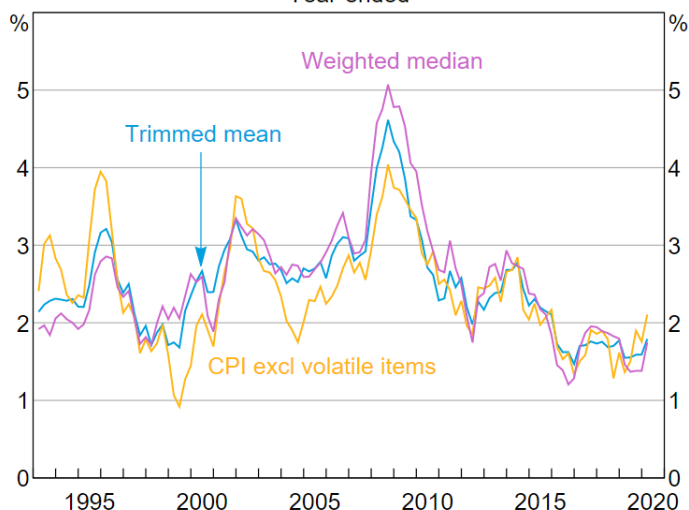
Assess the use of monetary policy to achieve economic growth and price stability in the Australian economy.

"..much of the support is likely to be on the fiscal side, the Reserve Bank will maintain the current policies to keep borrowing costs low and credit available, however we feel we have reached the lowest bound of cash rate effectiveness"

- Deputy RBA Governor, Guy Debelle.

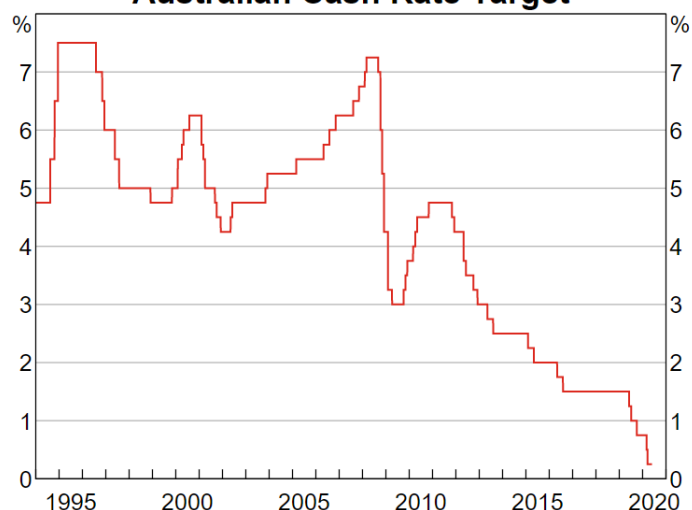
#### Measures of Underlying Inflation\*

Year-ended



\* Excludes interest charges prior to September 1998 and deposit & loan facilities prior to September 2011; adjusted for 1999–2000 tax changes  
Sources: ABS; RBA

#### Australian Cash Rate Target



Source: RBA

OR

**Question 26** (20 marks)

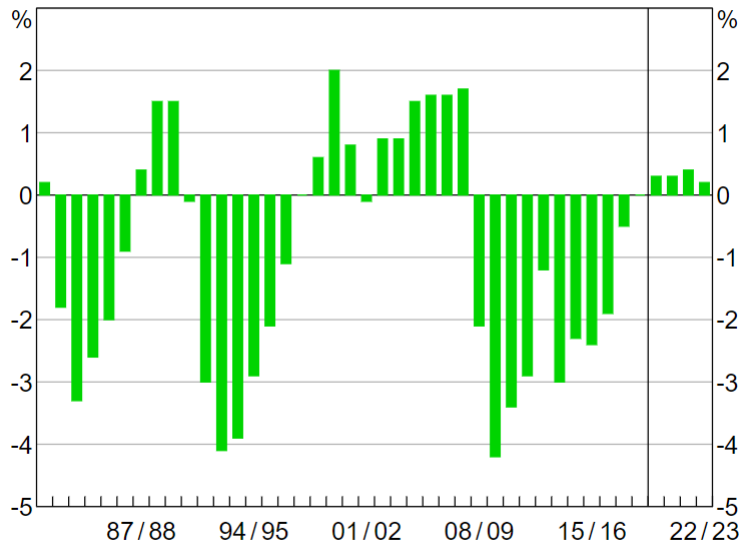
Assess the use of fiscal policy to achieve economic growth and equitable distribution of income.

We have a need to recalibrate fiscal policy. A course of returning to surplus must be set, despite the impending record deficit. The government remains committed to essential services but without record economic growth there will be hard times ahead.

- Federal Treasurer, Josh Frydenberg

Australian Distribution of Income 2015 - 2019		
Quintile	Share of Income - 2015	Share of Income 2019
1st	11%	8%
2nd	15%	12%
3rd	19%	18%
4th	25%	22%
5th	30%	40%

**Australian Government Budget Balance\***  
Per cent of nominal GDP



\* Underlying cash balance; 2019/20 Mid-year economic and fiscal outlook  
Source: Australian Treasury

**End of Section III**

## **Section IV (20 marks)**

**Attempt either Question 27 or Question 28**

**Allow about 35 minutes for this section**

Answer the question in the Section IV Writing Booklet provided. Extra writing booklets are available.

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Your answer 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)**

Analyse the impact of a depreciation in the Australian dollar on Australia's economic performance.

**OR**

### **Question 28 (20 Marks)**

Analyse the impact of free trade and protection policies on Australia's trade and financial flows.

**End of Paper**