



**Knox  
Grammar  
School**

**2023**

Higher  
School  
Certificate  
**Trial Examination**

# Economics

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**General  
Instructions**

Reading time – 5 minutes  
Working time – 180 minutes  
Write using black pen  
NESA approved calculators may be used

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**Total marks:  
100**

**Section 1 – 20 marks**

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

**Section II – 40 marks**

Attempt questions 21-24  
Allow about 75 minutes for this section

**Section III – 20 marks**

Attempt question 25 OR 26  
Allow about 35 minutes for this section

**Section IV – 20 marks**

Attempt question 27 OR 28  
Allow about 35 minutes for this section

## Section I

**20 marks**

**Attempt Questions 1–20**

**Allow about 35 minutes for this section**

Use the multiple-choice answer sheet for Questions 1–20.

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- 1 Which of the following is a consequence of increased globalisation?
  - (A) Increased absolute poverty in developing countries
  - (B) Decreased greenhouse gases from international transport
  - (C) Increased capacity for global financial crises
  - (D) Decreased financial flows between countries
  
- 2 ASEAN is best described as:
  - (A) a bilateral trade agreement involving Australia
  - (B) a multilateral trade agreement involving Australia
  - (C) a bilateral trade agreement not involving Australia
  - (D) a multilateral trade agreement not involving Australia
  
- 3 Which of the following would cause an inward shift of Australia's Lorenz Curve?
  - (A) An increase in the rate of GST
  - (B) A decrease in the highest income tax rate
  - (C) Removing the concessional tax treatment of capital gains
  - (D) A decrease in the tax-free threshold
  
- 4 Australia provides Tonga with \$10 million to build a new school. How would this be recorded in Australia's Balance of Payments?
  - (A) A credit in the Capital Account
  - (B) A debit in the Capital Account
  - (C) A credit in the Net Secondary Income Account
  - (D) A debit in the Net Secondary Income Account

- 5 In response to trade sanctions imposed by China, Australia successfully finds new markets in Central America for its barley exports. Which type of efficiency does this best demonstrate?
- (A) Dynamic
  - (B) Allocative
  - (C) Productive
  - (D) Technical
- 6 Which of the following policy changes would have the shortest time lag for implementation?
- (A) Expansionary fiscal policy
  - (B) Contractionary monetary policy
  - (C) Labour market decentralisation
  - (D) Introduction of a market-based mechanism
- 7 Which of the following actions by the government would have the greatest multiplier effect on economic activity over the longer term?
- (A) Increasing pensions by \$2 billion
  - (B) Issuing new bonds to repay old bonds
  - (C) Building a \$2 billion harbour crossing
  - (D) Reducing sovereign debt to a foreign bank
- 8 Farmers in an economy can buy and trade permits for carbon emissions if they are unable to achieve annual carbon emission reduction targets set by the government.

Which two methods of environmental management are being used in this economy?

- (A) Targets and market-based policies
- (B) Targets and regulations
- (C) International agreements and market-based policies
- (D) International agreements and regulations

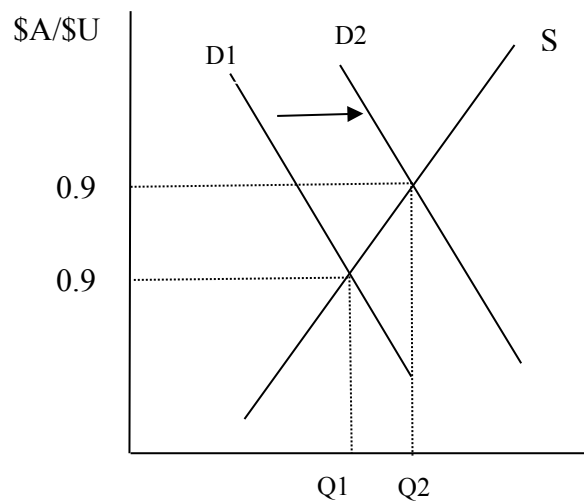
9 A hypothetical economy presents the following balance of payments data.

<i>Balance of Payments components</i>	<i>\$ billion</i>
Financial Account	-25
Net Primary Income	-15
Capital Account	-5
Net Secondary Income	-10
Net Goods	55
Net Services	?

What is the value of Net Services in this economy?

- (A) -\$10bn
- (B) \$0bn
- (C) \$5bn
- (D) \$15bn

10 The following diagram shows the movement in the value of the Australian dollar against the US dollar in the foreign exchange market.



Which of the following could be a cause of the movement in the value of the Australian dollar against the US dollar?

- (A) Reduced US investment into Australia
- (B) Reduced US demand for Australia's mineral exports
- (C) Higher Australian interest rates relative to US interest rates
- (D) Increased imports into Australia from the US

11 What would be the impact of the sale of second-hand Commonwealth Government Securities by the Reserve Bank of Australia?

- (A) A decrease in liquidity in the cash market and a decrease in official interest rates
- (B) A decrease in liquidity in the cash market and an increase in official interest rates
- (C) An increase in liquidity in the cash market and a decrease in official interest rates
- (D) An increase in liquidity in the cash market and an increase in official interest rates

12 Which of the following combinations would most likely decrease inflation?

	<b>Action by RBA</b>	<b>Cash Rate</b>
(A)	Sell AUD	Increase
(B)	Sell AUD	Decrease
(C)	Buy AUD	Decrease
(D)	Buy AUD	Increase

13 The following information relates to a hypothetical economy.

<b>Year</b>	<b>Nominal GDP \$ bn</b>	<b>CPI</b>
2021	825	100
2022	900	107
2023	?	113

If Real GDP in 2023 was \$864 billion, what was the value of nominal GDP and the rate of inflation in the same year.

- (A) \$976 billion and 6.0%
- (B) \$950 billion and 5.6%
- (C) \$976 billion and 5.6%
- (D) \$950 billion and 6.0%

14 The table shows population and employment data for an economy.

<i>Year</i>	<i>Unemployed (million)</i>	<i>Employed (million)</i>	<i>Working age population (million)</i>
1	3	21	30
2	3	27	40

Which of the following statements is correct for *Year 2* compared to *Year 1*?

	<b>Participation Rate</b>	<b>Unemployment Rate</b>
(A)	Lower	Higher
(B)	Higher	Lower
(C)	Higher	Higher
(D)	Lower	Lower

15 Use the information below to answer Question 15.

<i>Economy</i>	<i>Gini coefficient</i>	<i>HDI</i>
A	0.4	0.65
B	0.2	0.85

Which statement is most likely correct?

- (A) Economy A has a more progressive taxation system but lower life expectancy
- (B) Economy A has higher spending on transfer payments but lower per capita income
- (C) Economy B has a lower rate of regressive taxes and higher literacy rates
- (D) Economy B has higher minimum wages but a lower quality of life

**Refer to the following information for questions 16 & 17**

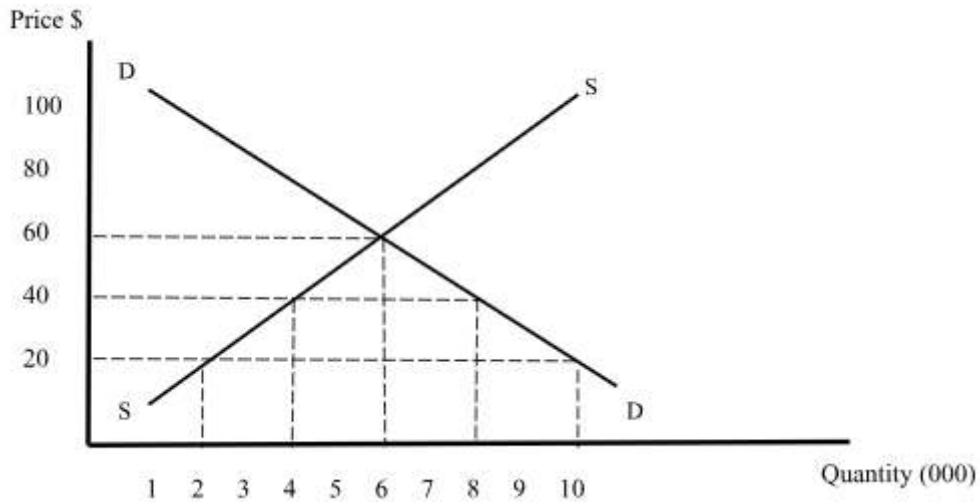
The table shows a country's net foreign liabilities in Year 1 and Year 2.

	<i>Year 1</i>	<i>Year 2</i>
<i>Net foreign liabilities</i>	\$10 million	- \$10 million

- 16** All else being equal, which of the following is most likely to have caused the change between Year 1 and Year 2?
- (A) A capital account deficit
  - (B) A capital account surplus
  - (C) A financial account deficit
  - (D) A financial account surplus
- 17** How would the change in net foreign liabilities between Year 1 and Year 2 be likely to affect the value of the Australian dollar and the size of the country's Net Primary Income Account deficit?

	<b>Value of AUD</b>	<b><i>Net primary income account deficit</i></b>
(A)	Appreciation	Increase
(B)	Appreciation	Decrease
(C)	Depreciation	Increase
(D)	Depreciation	Decrease

- 18 The following diagram shows the domestic market for TVs. The world price is \$20 per unit.



The government provides a subsidy of \$40 per unit. What is the change in revenue for local producers?

- (A) \$40,000
  - (B) \$80,000
  - (C) \$180,000
  - (D) \$320,000
- 19 Assume the marginal propensity to save is 0.8, net exports in Year 1 are \$10 billion and in Year 2 net exports are \$12 billion. What is the change to the level of GDP?
- (A) \$2.0 bn
  - (B) \$2.5 bn
  - (C) \$10.0 bn
  - (D) \$12.5 bn

20 The table shows data for a hypothetical economy.

<i>Headline inflation</i>	<i>Underlying inflation</i>	<i>Nominal GDP growth</i>	<i>Population growth</i>
2.8%	1.5%	2.4%	0.2%

Assume the difference between headline and underlying inflation was caused by a change in global oil production.

Which of the following states the likely change in global oil production and correctly describes the change in real GDP per capita from the previous year?

	<i>Change in global oil production</i>	<i>Change in GDP per capita</i>
(A)	Increased	Increased
(B)	Increased	Decreased
(C)	Decreased	Increased
(D)	Decreased	Decreased

**Section II**

**40 marks**  
**Attempt Questions 21–24**  
**Allow about 75 minutes for this section**

**Question 21 (10 marks)**

- (a) Outline the role of the Fair Work Commission. **2**

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- (b) Discuss arguments for and against individualised methods of determining employment contracts. **4**

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(c) Explain the impact of nominal wage growth being below the inflation rate.

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**End of Question 21**

**Question 22** (10 marks)

(a) Distinguish between economic growth and economic development. 2

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(b) Examine the domestic factors which contribute to the economic differences between nations. 4

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(c) Assess policies that promote economic development in an economy other than Australia. 4

Name of country

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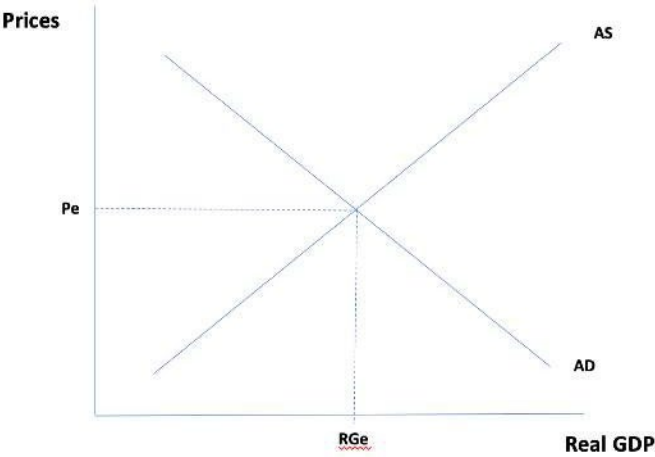
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**End of Question 22**

**Question 23** (10 marks)

- (a) On the diagram below, draw and fully label the effect on an economy of improvements in productivity levels. 2



- (b) A government wishes to introduce policies to reduce the level of income inequality in an economy. How could this conflict with the achievement of TWO other economic objectives? 4

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(c) Assess the impact of microeconomic reform on a specific industry in Australia. **4**

Name of Industry

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**End of Question 23**

**Question 24** (10 marks)

(a) Outline how family structure can impact distribution of income trends. **2**

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(b) Examine the economic problems created by unemployment. **3**

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### **Section III**

**20 marks**

**Attempt either Question 25 or Question 26**

**Allow about 35 minutes for this section**

Answer the question in a writing booklet. Extra writing booklets are available.

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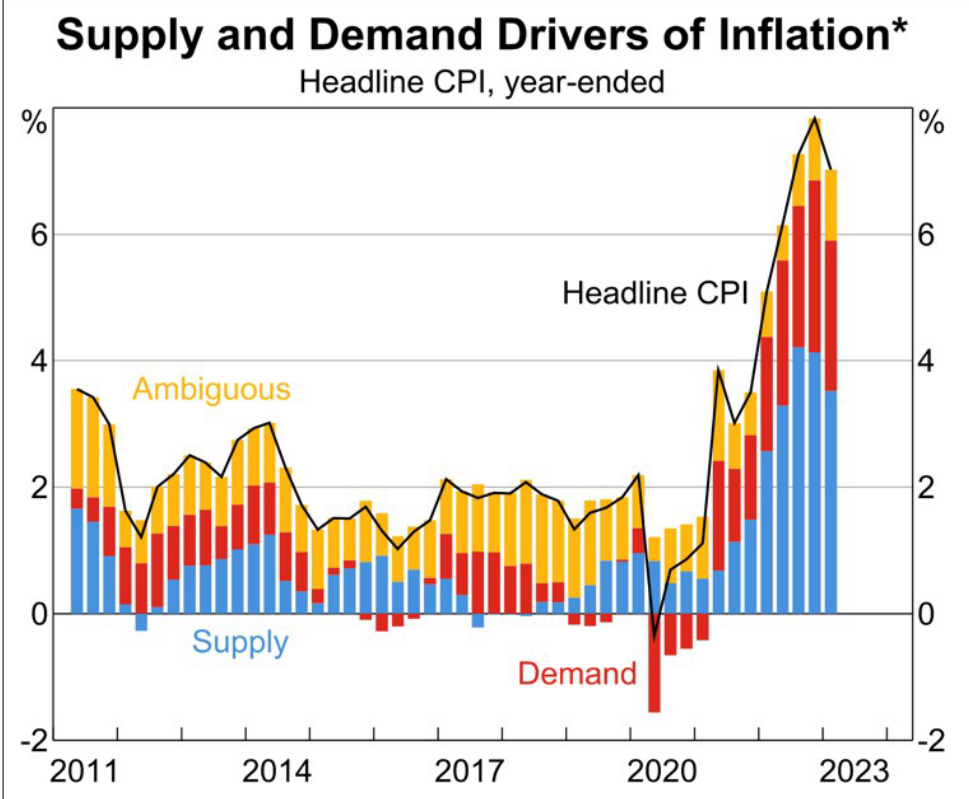
In your answer you will be assessed on how well you:  
demonstrate knowledge and understanding relevant to the question  
use the information provided  
apply relevant economic terms, concepts, relationships and theory  
present a sustained, logical and cohesive response

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**Please turn over**

**Question 25** (20 marks)

Assess the extent to which macroeconomic policy of the Australian government has impacted recent levels of inflation. In your answer, refer to the information provided.



Australian Bureau of Statistics, 2023

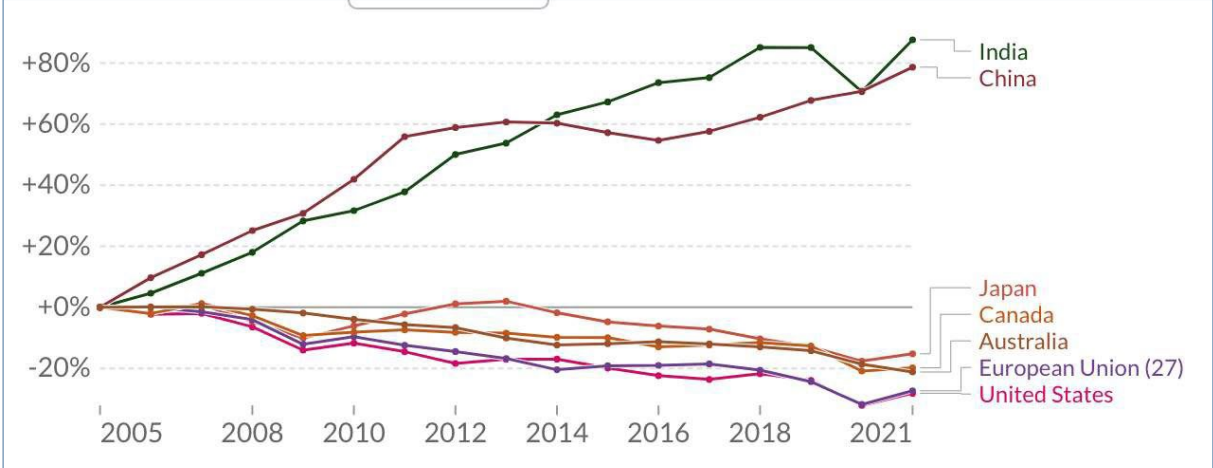
The impact of higher mortgage repayments is starting to weaken household consumption growth. Rental costs have increased in response to tight conditions in the rental market and wages growth reached its highest rate in a decade in the March quarter, driven by a tight labour market, high inflation and the implementation of some new public sector wage deals. Unit labour costs increased at their strongest pace in several decades as productivity growth continued to be weak.

Statement on Monetary Policy – August 2023

OR

**Question 26 (20 marks)**

Assess Australia’s policies to address the environmental issue of climate change. In your answer, refer to the information provided.



Per capita CO2 emissions



On 16 June 2022, Australia lodged an updated Nationally Determined Contribution (NDC) with the United Nations Framework Convention on Climate Change (UNFCCC) secretariat. The updated NDC commits Australia to a more ambitious emissions reduction target of 43 per cent below 2005 levels, and reaffirms Australia’s commitment to net zero emissions by 2050. Since 2012, the Australian government has committed over \$13bn for clean energy projects which have a total value of \$45bn.

**Australian Renewable Energy Agency, November 2022**

## **Section IV**

**20 marks**

**Attempt either Question 27 or Question 28**

**Allow about 35 minutes for this section**

Answer the question in a writing booklet. Extra writing booklets are available.

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In your answer you will be assessed on how well you:  
demonstrate knowledge and understanding relevant to the question  
apply relevant economic terms, concepts, relationships and theory  
present a sustained, logical and cohesive response

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

Analyse the causes of a depreciation in the value of the Australian dollar and its consequences on the Australian economy.

**OR**

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

Analyse the impacts on the Australian economy of global free trade and protectionist policies.

**End of paper**