

STUDENT NUMBER

--	--	--	--	--	--	--	--	--	--

Teacher's name.....

**BAULKHAM HILLS HIGH SCHOOL
TRIAL HIGHER SCHOOL
CERTIFICATE
2015
Economics**

**Reading Time 5min
Working time 3hrs**

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using blue or black pen
- Board-approved calculators may be used
- This paper has 18 pages
- Write your student number and Teacher's name in the spaces provided

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 and 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

SECTION I

Total marks (20)

Attempt Questions 1 –20

Allow about 35 minutes for this section

Answer the questions on the **answer sheet provided**

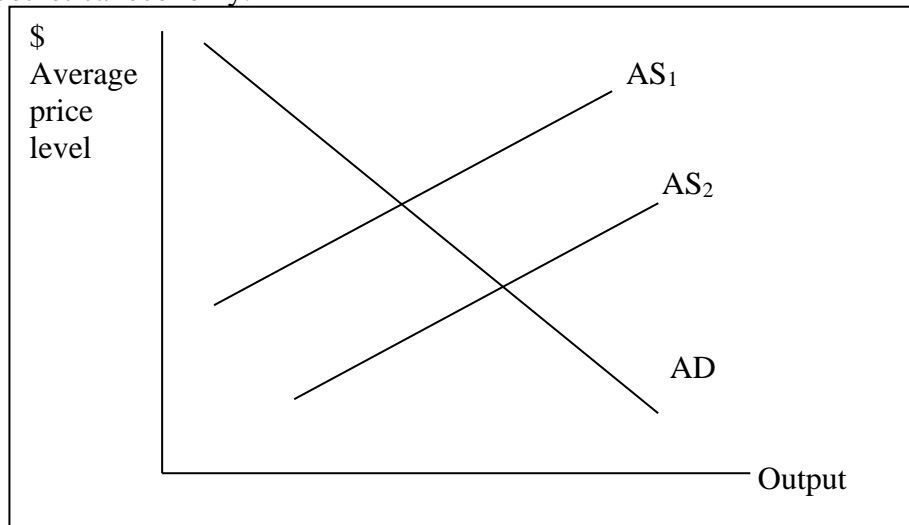
1. If the unemployment rate is below NAIRU what is like to happen in the economy?
 - (A) Inflationary expectations fall, so that the inflation rate tends to slow
 - (B) Inflationary expectations rise, so that the inflation rate tends to accelerate
 - (C) The inflation rate tends to stay the same, unless there is an exogenous shock to the economy
 - (D) The inflation rate is zero as there is only cyclical unemployment

2. Which of the following objectives of economic management could potentially conflict?
 - (A) Economic growth and price stability
 - (B) Price stability and equitable distribution of income
 - (C) Economic growth and full employment
 - (D) External stability and price stability

3. Which of the following is an indicator of increased international division of global labour markets?
 - (A) Increased flow of unskilled workers from developed countries
 - (B) Increased flow of medium skilled workers to developed countries
 - (C) Increased level of production by transnational companies
 - (D) Increased level of workers income sent back home

4. A new coal-powered fire station is built. To reduce the negative externalities the price mechanism should take into account which of the following?
 - (A) Private costs
 - (B) Private costs and benefits
 - (C) Social costs and benefits
 - (D) Social costs

5. The following graph shows aggregate supply and aggregate demand curves for a hypothetical economy.



All things being equal, which of the following is likely to cause the shift in the aggregate supply curve to the right from AS_1 to AS_2 ?

- (A) An increase in labour productivity
 - (B) An increase in inflationary expectations
 - (C) A decrease in an economy's national income
 - (D) A decrease in government expenditure on labour market training programs
6. The Australian economy is experiencing deflationary pressures. Which of the following options is the most appropriate macroeconomic policy mix for the economy?

	Budget outcome	Domestic market operations
(A)	Increase deficit	Sale of government securities by RBA
(B)	Decrease deficit	Sale of government securities by RBA
(C)	Increase deficit	Purchase of government securities by RBA
(D)	Decrease deficit	Purchase of government securities by RBA

7. Which of the following impacts is likely to occur in Australia due to an expansion in the international business cycle?
- (A) Increased demand for exports
 - (B) Increased cyclical unemployment
 - (C) Decreased foreign direct investment
 - (D) Decreased net primary income

8. An increase in investment of \$10 000 increase national income by \$40 000. What is the marginal propensity to consume in this case?
- (A) 0.8
 - (B) 0.2
 - (C) 0.75
 - (D) 0.25

9. The following table shows the Gini co-efficients for United Craftland.

Year	Gini-coefficient
1	0.65
2	0.60

Which of the following is a most likely cause of the change in the Gini-coefficient between Year 1 and Year 2?

- (A) Decrease in the tax free threshold
 - (B) Decrease in the rate of GST tax
 - (C) Decrease in the luxury car tax
 - (D) Decrease in the marginal tax rate for high income earners
10. Which of the following is an example of infrastructure investment to promote economic development?
- (A) Investment by multinational corporations in manufacturing facilities
 - (B) Investment by multinational corporations in skills training for their workers
 - (C) Investment by government in port construction
 - (D) Investment by government to provide more hospitals and schools
11. Which of the following describes the impact of an increase in the quota of imported bananas for the domestic economy?
- (A) An increase in government revenue and decreased assistance for banana farmers
 - (B) An increase in inflationary pressures and improved international competitiveness of Australian banana farmers
 - (C) An increase in government expenditure and an improvement in the nation's trade balance
 - (D) An increase in imported bananas and a rise in structural unemployment

12. The following shows selected data for the Australian economy

Net balance of component	\$bn
Capital account	-1.1
Direct investment	46.1
Net Primary Income	29.3
Portfolio investment	30.2
Financial derivatives	-8.5
Reserve Assets	-0.8
Net Secondary Income	-1.3
Other investment	-18.7

What is the balance on the Financial Account?

- (A) \$76.3
- (B) \$45.9
- (C) \$47.2
- (D) \$48.3

13. The following data relates to Q13 and 14. It shows employment data for Robboland.

	Year 1	Year 2
Full time employed persons	1 200 000	1280 000
Part time employed persons	400 000	420 000
Unemployed persons	200 000	220 000
Working age population	3 000 000	3 090 000

Based on the data in the table what is the change in the labour force participation rate (to the nearest whole number) between Year1 and Year 2?

- (A) 2%
- (B) 4%
- (C) 6%
- (D) 8%

14. What is the likely reason for the change in the participation rate in Robboland?

- (A) A decrease in economic growth during a recession
- (B) A decrease in net migration
- (C) An increase in economic growth during a boom
- (D) An increase in net migration

15. Which of the following describes the role of the IMF?

- (A) A forum of promoting greater economic development and improved living standards
- (B) An international organisation that promotes financial stability amongst developed and developing countries
- (C) An international organisation seeking to achieve increased levels of free trade and improved wealth of developed nations
- (D) A government forum of developed nations to discuss contemporary economic conditions within the global economy

16. An Australian bank purchases another bank in the US. Which of the following reflects how this transaction will be recorded on the balance of payments?

(A)	Current Account	Net services
(B)	Financial Account	Portfolio investment
(C)	Financial Account	Direct investment
(D)	Current Account	Net primary income

17. Which of the following is most likely to cause an appreciation of the Australian dollar?

	Demand for \$A	Supply of \$A
(A)	Increase	Increase
(B)	Increase	Decrease
(C)	Decrease	Decrease
(D)	Decrease	Increase

18. What changes will occur to the automatic stabilisers during a sustained decrease in the level of economic activity?

	Welfare Payments	Taxation Revenue
(A)	Decrease	Increase
(B)	Decrease	Decrease
(C)	Increase	Increase
(D)	Increase	Decrease

19. The table shows selected data for Coryland.

Item	\$millions
Savings	1 200
Taxation	750
Imports	700
Investment	600
Government expenditure	1 000
Exports	900

According to the data, what is the likely impact on the level of economic activity and the fiscal stance in Coryland?

	Economic activity	Fiscal Stance
(A)	Decrease	contractionary
(B)	Decrease	expansionary
(C)	Increase	contractionary
(D)	Increase	expansionary

20. The table shows inflation data for Juventeus.

Year	Consumer Price Index
1	100
2	115
3	130

Which of the following statements is correct about Juventeus?

- (A) In Year 2 the inflation rate is approximately 13%.
- (B) In Year 3 the inflation rate is higher than Year 2.
- (C) In Year 3 the inflation rate is lower than Year 2.
- (D) In Year 3 the inflation rate is unchanged.

End of Section I

Section II
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)

Marks

(a) Distinguish between renewable and non-renewable resources.

2

.....

.....

.....

.....

.....

.....

(b) Outline an example of ONE regulation used by the Australian government to limit negative externalities affecting the natural environment.

2

.....

.....

.....

.....

.....

(c) Explain ONE advantage of a market-based policy in addressing climate change.

2

.....

.....

.....

.....

.....

.....

.....

.....

(d) Discuss the effectiveness of Australia's management of climate change.

4

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 22 (10 marks)

Marks

(a) Distinguish between the headline rate and underlying rate of inflation.

2

.....

.....

.....

.....

.....

(b) Explain TWO effects of an increase in inflation on the value of the Australian currency. **3**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Section III

Total marks (20)

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

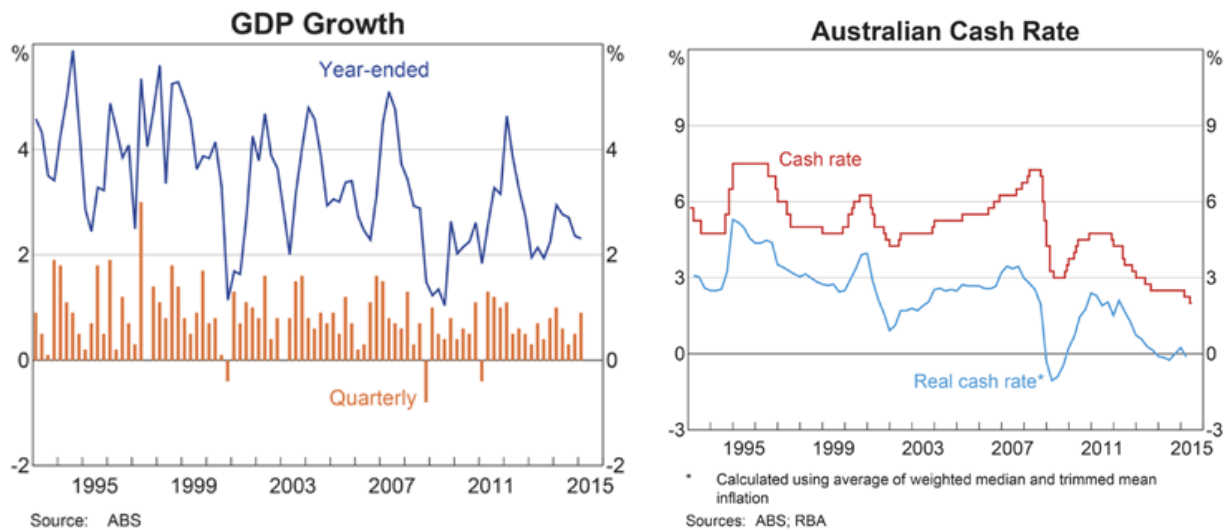
Answer the question on the writing paper provided.

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)

Analyse how monetary policy affects economic growth, inflation and unemployment.

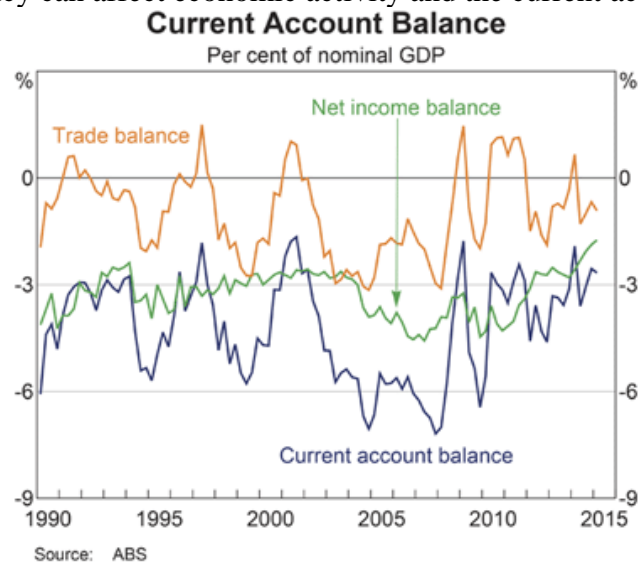


In responding to cyclical developments and inflation pressures, monetary policy has a significant influence on aggregate demand and inflation. The extent to which lower interest rates lead to extra demand will depend on how households and businesses alter their behaviour regarding borrowing and investing, as well as consuming and saving. These responses are often described as occurring via a number of different channels. *Christopher Kent Assistant Governor RBA 2015*

OR

Question 26 (20 marks)

Analyse how fiscal policy can affect economic activity and the current account.



“The Australian economy is adjusting to the end of the resource investment boom and is currently going through a period of below-trend economic growth, which has affected fiscal settings. This Budget deliberately redirects spending towards areas that will build a stronger economy, recognising the importance of growth to fiscal sustainability.....Building infrastructure to support economic growth, create jobs and link businesses to markets in Australia’s regions and cities.”

Budget speech 2015

End of Section III

Section IV

Total marks (20)

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question on the writing paper provided.

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 and theory
 - present a sustained, logical and cohesive response
-

Question 27 (20 marks)

Explain how international organisations and economic forums impact on the distribution of income and wealth in the global economy.

OR

Question 28 (20 marks)

Explain the impact of recent changes in the domestic and global economy on Australia's trade and financial flows.

End of paper

STUDENT NUMBER

--	--	--	--	--	--	--	--	--	--

Teacher's Name :

BAULKHAM HILLS HIGH SCHOOL

**2015
TRIAL HSC EXAMINATION**

ECONOMICS

**MULTIPLE CHOICE ANSWER SHEET
SECTION I**

Place a (x) in the box that corresponds to the best answer.

Question	A	B	C	D
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				