

STUDENT NUMBER:

TEACHER:



BAULKHAM HILLS HIGH SCHOOL

HIGHER SCHOOL CERTIFICATE
TRIAL HSC EXAMINATION

2020

Economics

General

Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- NESA approved calculators may be used
- Write your student number and teacher's name on the multiple choice answer sheet

Total marks:

100

Section I - 20 marks (pages 2-8)

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

Section II - 40 marks (pages 9-20)

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

Section III - 20 marks (pages 21-22)

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

Section IV - 20 marks (page 23)

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

Question	Mark
Multiple Choice Q1-20	/ 20
Short Answer Q21	/ 10
Short Answer Q22	/ 10
Short Answer Q23	/ 10
Short Answer Q24	/ 10
Extended Response Q25 OR Q26	/ 20
Extended Response Q27 OR Q28	/ 20
TOTAL	/ 100

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

1. What is meant by underemployment?
 - A. People made unemployed because of structural change
 - B. People moving between jobs
 - C. People employed who want to work more hours
 - D. People who lack skills and training to get a job

2. All other things being equal, which of the following would be true if there was a significant decrease in official interest rates in Australia?

	<i>Value of Australian dollar in terms of \$US</i>	<i>Impact on Australian exports</i>
A.	Appreciates	Increased demand
B.	Depreciates	Increased demand
C.	Appreciates	Decreased demand
D.	Depreciates	Decreased demand

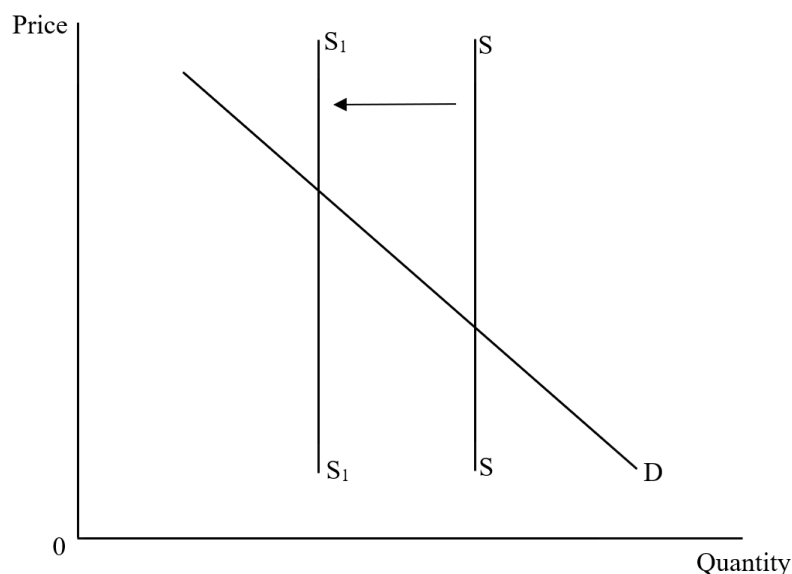
3. The following table shows data on the labour market of a nation

<i>Year</i>	<i>Real GDP (\$ millions)</i>	<i>Employed persons</i>	<i>Unemployed persons</i>	<i>Population aged 15+ years</i>
1	1,700,000	12,300,000	750,000	20,000,000
2	1,800,000	12,500,000	710,000	25,000,000

What is the labour force participation rate in Year 2?

- A. 5.7%
- B. 7.2%
- C. 52.8%
- D. 65.2%

4. The following diagram shows the effect of a change in the import quota on demand and supply for pharmaceutical products.

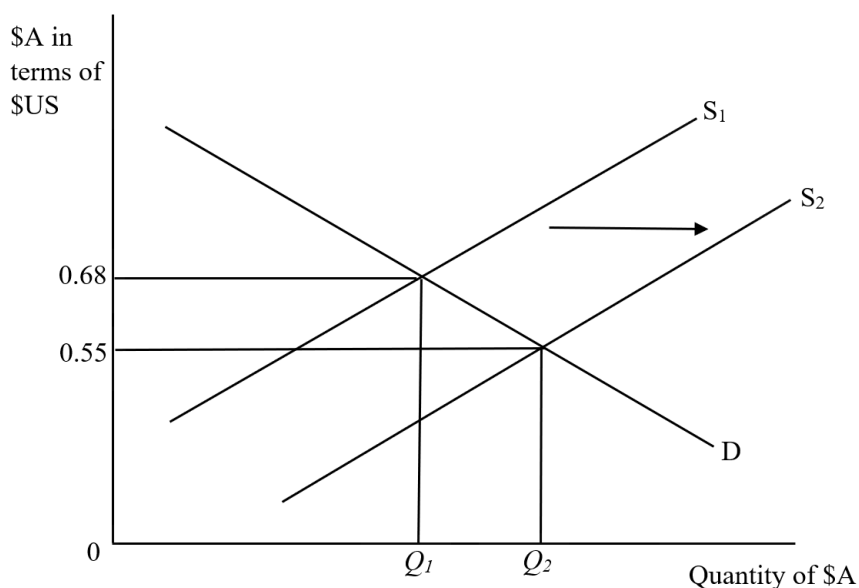


Which of the following statements is most likely to explain the impact of the change in the import quota on the domestic economy?

- A. Domestic producers' market share will increase and government revenue will increase
 - B. Domestic producers' market share will decrease and government revenue will decrease
 - C. Domestic producers' market share will increase and the price of domestic products may rise
 - D. Domestic producers' market share will decrease and the price of domestic products may fall
5. Which of the following is the best example of a microeconomic reform in a factor market?
- A. National competition policy
 - B. Trade and industry policy
 - C. Taxation reform
 - D. Labour market reform
6. Which of the following combinations characterise a developing economy?

	<i>Economic growth</i>	<i>Structure of the economy</i>
A.	Moderate growth	Heavily reliant on agriculture
B.	Moderate growth	Heavily reliant on service industry
C.	Fast growth	Heavily reliant on manufacturing industry
D.	Fast growth	Heavily reliant on foreign aid

7. The following diagram shows the demand for and supply of Australian dollars.



Which of the following are the most likely effects of the change in the supply of Australian dollars from S_1 to S_2 ?

	<i>Impact on the servicing cost of foreign debt denominated in foreign currency</i>	<i>Impact on the level of domestic inflation</i>
A.	Increase	Decrease
B.	Increase	Increase
C.	Decrease	Increase
D.	Decrease	Decrease

8. Which of the following is most unlikely to arise due to lower wages growth?

- A. Higher retail spending
- B. Low levels of inflation
- C. Lower international competitiveness
- D. Higher levels of unemployment

9. Which of the following most correctly describes an overall trend in Australia's financial flows over the past decade?

- A. Australia is usually a net provider of foreign equity
- B. Australia is usually a net lender of foreign debt
- C. Australia's net foreign equity is greater than its net foreign debt
- D. Australia's foreign debt is mostly made up of government debt

10. The table shows data for a hypothetical economy.

<i>Year</i>	<i>Export Price Index</i>	<i>Import Price Index</i>
1	110	100
2	105	105

Which of the following statements best describes the movement and impact of the terms of trade between Year 1 and Year 2?

	<i>Terms of trade</i>	<i>Impact on economy</i>
A.	Improved	Increase the volume of imports with the same volume of exports
B.	Deteriorated	Import less with the same volume of exports
C.	Unchanged	Maintain the same volume of imports with the same volume of exports
D.	Deteriorated	Increase the volume of imports with the same volume of exports

11. Which of the following organisations could assist a country experiencing balance of payments and exchange rate crisis due to a world recession?

- A. The World Trade Organisation
- B. The European Union
- C. The International Monetary Fund
- D. The World Bank

12. The table shows components of the Balance of Payments for a hypothetical economy with a floating exchange rate.

<i>Balance of Payments component</i>	Billions of \$
Balance of goods	18
Balance of services	3
Net primary income	-11
Net secondary income	-1
Balance on capital account	-1
Balance on financial account	-12

What is the value of net errors and omissions on the Balance of Payments?

- A. \$9 billion
- B. \$4 billion
- C. -\$4 billion
- D. -\$9 billion

13. A government imposes new regulations to ensure fair competition between firms.

Which of the following would likely increase due to this change?

- A. Profits
- B. Inflation
- C. Aggregate supply
- D. Aggregate demand

14. The table shows data for a hypothetical economy.

<i>Year</i>	<i>Working Age Population (m)</i>	<i>Labour Force (m)</i>	<i>Employed (m)</i>	<i>CPI</i>
1	130	130	105	105
2	130	130	125	105

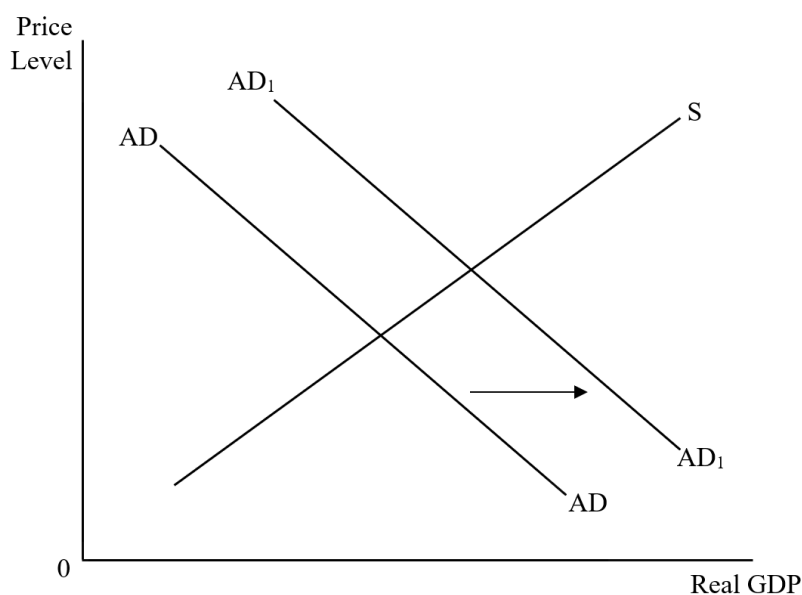
All else being equal, which of the following best describes the economy in Year 1?

- A. The unemployment rate was zero
- B. The economy was operating at the non-accelerating inflation rate of unemployment
- C. The economy was operating above the non-accelerating inflation rate of unemployment
- D. The unemployment rate was above zero but below the non-accelerating inflation rate of unemployment

15. Which of the following statements best describes the difference between monetary policy and fiscal policy?

- A. Fiscal Policy is quicker to implement and is more effective in controlling inflation than Monetary Policy
- B. Monetary Policy has less political constraints and is more effective in stimulating economic growth than Fiscal Policy
- C. Fiscal Policy is slower to implement and has a longer impact lag than Monetary Policy
- D. Monetary Policy is less effective than Fiscal Policy in stimulating economic growth

16. The following diagram shows a movement in the aggregate demand curve from AD to AD₁ in a hypothetical economy.



All other things being equal, which combination of government policies could have caused the shift in the aggregate demand curve from AD to AD₁?

- A. An expansionary stance of fiscal policy and a contractionary stance of monetary policy
- B. An expansionary stance of monetary policy and a contractionary stance of fiscal policy
- C. Contractionary stances of both fiscal and monetary policy
- D. Expansionary stances of both fiscal and monetary policy

17. The Reserve Bank of Australia raises the interest rate corridor in the cash market in order to change the stance of monetary policy.

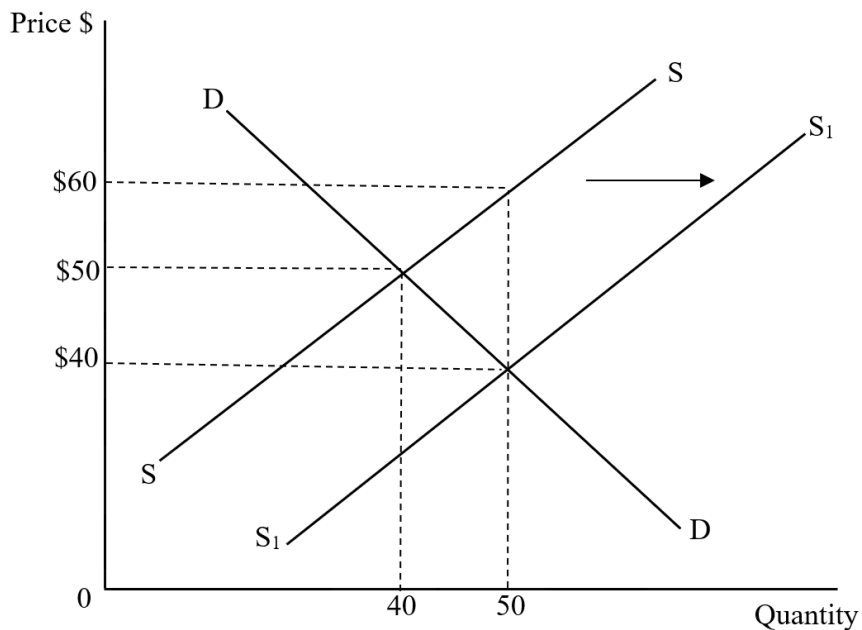
Which of the following combinations would be the most likely impacts of this decision?

	<i>Economic growth</i>	<i>Australian dollar</i>
A.	Decreases	Appreciates
B.	Decreases	Depreciates
C.	Increases	Depreciates
D.	Increases	Appreciates

18. How would payment from an Australian company to Papua New Guinea for the establishment of a new mining firm be recorded on Australia's Balance of Payments?

- A. A debit in the financial account
- B. A credit in the financial account
- C. A debit in the capital account
- D. A credit in the capital account

19. The following diagram shows the impact of a subsidy on a domestic industry.



What is the size of the total value of the subsidy payable by the government?

- A. \$20
- B. \$50
- C. \$1000
- D. \$2000

20. The table shows selected data for an economy which experiences an increase in the Consumer Price Index of 5% from Year 1 to Year 2.

	<i>Year 1</i>	<i>Year 2</i>
Real Gross Domestic Product	\$420b	
Nominal Gross Domestic Product		\$425b

What is the rate of growth in Real Gross Domestic Product from Year 1 to Year 2?

- A. 3.63%
- B. 1.19%
- C. -1.19%
- D. -3.63%

End of Section I



HIGHER SCHOOL CERTIFICATE
TRIAL HSC EXAMINATION
2020

ECONOMICS

Section II

40 Marks

Attempt Questions 21-24

Allow about 1 hour and 15 minutes for this section

-
- Instructions**
- Answer the question in the spaces provided. These spaces provide guidance for the expected length of your response.
 - Extra writing space is provided on pages 18-20. If you use this space, clearly indicate which question you are answering.
-

Please turn over

Question 21 (10 marks)

Marks

(a) Why does the government implement microeconomic policies?

2

.....
.....
.....
.....
.....
.....

(b) Outline ONE advantage and ONE disadvantage of a decentralised wage system.

2

.....
.....
.....
.....
.....
.....

Question 21 continues on page 11

Question 22 (10 marks)

Marks

(a) Distinguish between *private costs* and *social costs*.

2

.....
.....
.....
.....
.....
.....

(b) Explain why ecologically sustainable development has been difficult to achieve in the domestic and global economy?

4

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Question 22 continues on page 13

(c) Assess the Australian government's management of climate change.

4

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

End of Question 22

Question 23 (10 marks)

Marks

(a) Outline the role of the World Bank.

1

.....
.....
.....

(b) Explain TWO reasons for the difference in economic development between nations.

4

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Question 23 continues on page 15

Question 24 (10 marks)

Marks

The table shows selected data for a hypothetical economy.

Marginal propensity to consume (MPC)	0.6
Decrease in Investment (billions)	\$20b
Initial level of national income (billions)	\$300b

- (a) With reference to the table, calculate the multiplier for this economy. **1**

.....
.....

- (b) With reference to the table, calculate the new equilibrium level of national income. **1**

.....
.....
.....

- (c) Explain how the multiplier effect can assist governments when using discretionary fiscal policy to increase economic growth. **3**

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Question 24 continues on page 17

(d) Explain the impacts of a reduced level of economic growth on the Australian Government Budget and Australia's net foreign debt.

5

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

End of Question 24

Economics Section III

20 Marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

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

Clearly state the question attempted and complete your Student Number and teacher's name.

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

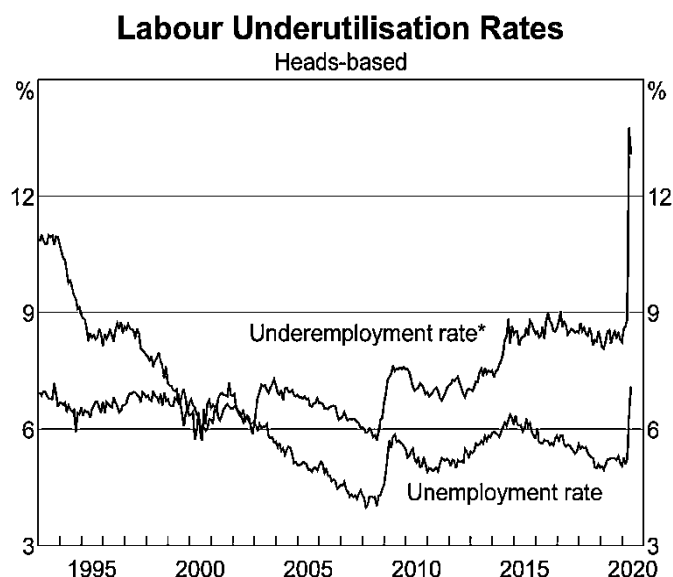
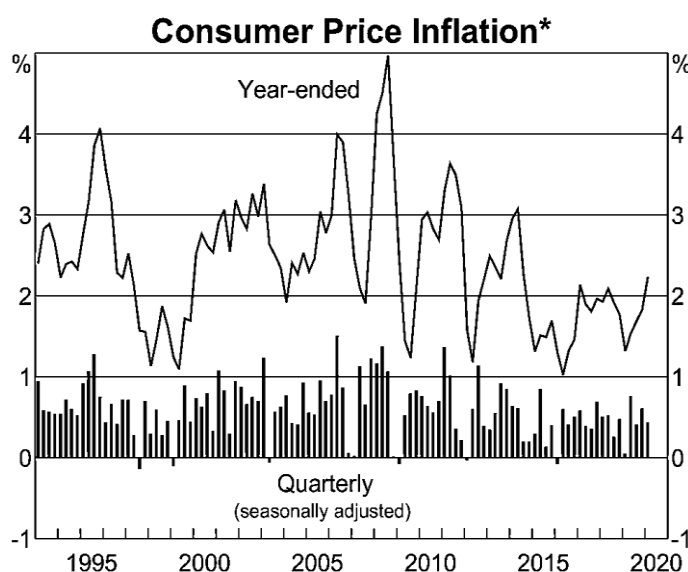
- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 25 (20 marks)

Analyse the use of monetary policy in achieving Australia's economic objectives of price stability and full employment in Australia. In your response, refer to the economic information provided.

The substantial, coordinated and unprecedented easing of fiscal and monetary policy in Australia is helping the economy through this difficult period. It is likely that fiscal and monetary support will be required for some time.... The Board is committed to do what it can to support jobs, incomes and businesses and to make sure that Australia is well placed for the recovery. Its actions are keeping funding costs low and supporting the supply of credit to households and businesses.

Statement by Philip Lowe, Governor, Reserve Bank of Australia: Monetary Policy Decision Date: 7th July 2020



OR

Question 26 (20 marks)

Discuss the effects of changes in the global economy on Australia’s economic objectives. In your response, refer to the economic information provided.

Global growth is projected at –4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast.

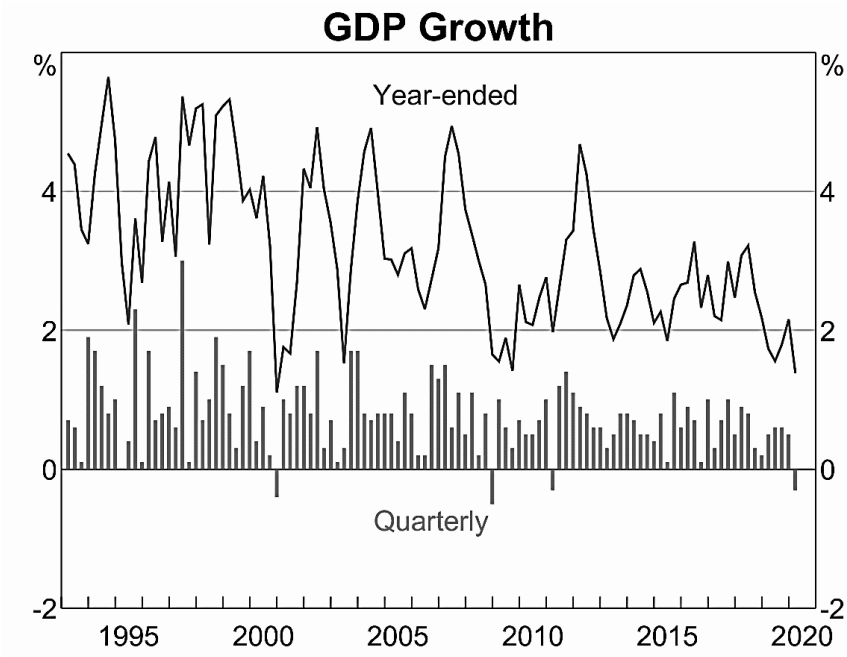
IMF World Economic Outlook Update, June 2020

World merchandise trade is set to plummet by between 13 and 32% in 2020 due to the COVID-19 pandemic. WTO economists believe the decline will likely exceed the trade slump brought on by the global financial crisis of 2008-09. Trade is likely to fall more steeply in sectors characterized by complex value chain linkages, particularly in electronics and automotive products. Services trade will also be highly impacted due to the imposition of transport and travel restrictions and the closure of many retail and hospitality establishments.

WTO Annual Trade Outlook, April 2020

The global outlook remains reasonable but uncertain. In January, the United States and China signed a partial trade agreement thereby de-escalating their dispute over trade and technology. This has reduced, but not eliminated, a key downside risk to global growth

RBA Statement on Monetary Policy – Feb 2020



Section IV

20 Marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

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

Clearly state the question attempted and complete your Student Number and teacher's name.

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

Question 27 (20 marks)

Analyse the causes and effects of a depreciation of the Australian dollar on Australia's Balance of Payments and economic growth.

OR

Question 28 (20 marks)

For an economy other than Australia, evaluate the strategies use to promote economic growth and development.

End of paper



2020

Economics

SECTION I

Total marks (20)

Attempt Questions 1 –20

Allow about 35 minutes for this section

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 the correct answer by writing the word *correct* and drawing an arrow as follows.

A B C D
correct
↓

Start here →

- | | |
|---|---|
| 1. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 11. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 2. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 12. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 3. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 13. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 4. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 14. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 5. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 15. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 6. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 16. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 7. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 17. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 8. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 18. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 9. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 19. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |
| 10. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> | 20. A <input type="radio"/> B <input type="radio"/> C <input type="radio"/> D <input type="radio"/> |