

STUDENT NUMBER:

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TEACHER:

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BAULKHAM HILLS HIGH SCHOOL
 HIGHER SCHOOL CERTIFICATE
 TRIAL EXAMINATION

2017

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Board- approved calculators may be used
- You may detach the multiple choice answer sheet on page 24. Write your student number and teacher's name on this page.

Total marks -100

Section I: Pages 3-8

20 marks

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

Section II: Pages 10-17

30 marks

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

Section III: Page 21-22

20 marks

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

Section IV: Page 23

20 marks

- 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
Ext Response Q25 or Q26	/ 20
Ext Response Q27 or Q28	/20
TOTAL	/100

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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 Which of the following best defines the underlying rate of inflation?
- (A) The quarterly change in the Consumer Price Index
 - (B) A measure of the changes in the level of food prices in the economy
 - (C) A measure of inflation adjusted for increases in the level of wages
 - (D) A measure of inflation that is adjusted for volatile items or “one off” price changes
- 2 All other things being equal, which of the following is the most likely result of a reduction in weekend penalty rates for retail and hospitality employees?
- (A) An increase in the inflation rate
 - (B) An increase in income inequality
 - (C) An increase in unemployment
 - (D) A decrease in retail sales

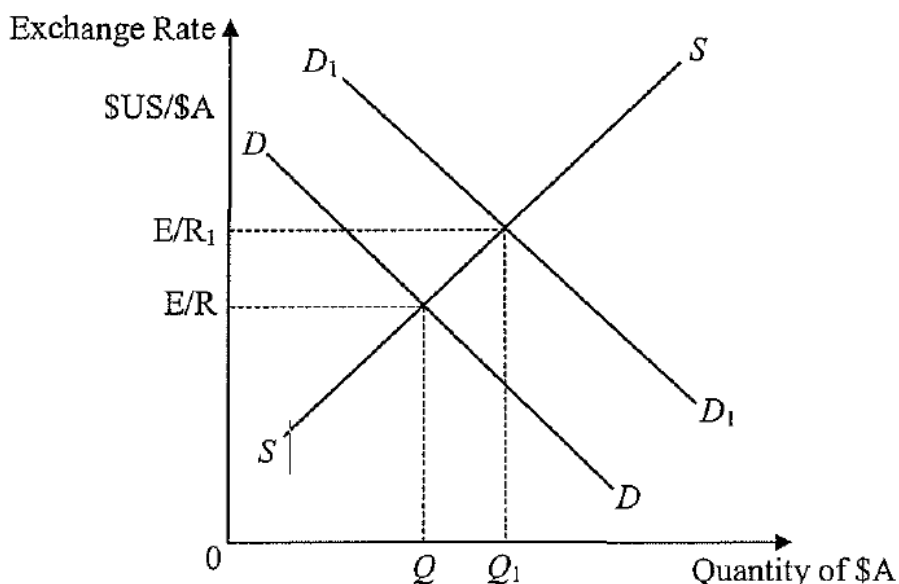
- 3 The table shows national income data for a hypothetical economy.

Year	National income (\$ billions)	Consumption (\$ billions)
1	640	480
2	720	540
3	800	600

In Year 4, an increase in foreign investment increases National Income by \$100 billion. All other things being equal, what was the increase in foreign investment?

- (A) \$20 billion
 - (B) \$25 billion
 - (C) \$50 billion
 - (D) \$75 billion
- 4 Which of the following are examples of regional trade agreements?
- (A) The WTO and IMF
 - (B) ANZCERTA and AUSFTA
 - (C) NAFTA and AANZFTA
 - (D) The EU and World Bank

5 The diagram shows the exchange rate for the Australian dollar (\$A) relative to the US dollar (\$US).



What impact will the change in demand for Australian dollars from DD to D_1D_1 have on the value of the Australian dollar and international competitiveness?

- (A) An appreciation of the Australian dollar and a reduction in international competitiveness
 - (B) A depreciation of the Australian dollar and an improvement in international competitiveness
 - (C) An appreciation of the Australian dollar and an improvement in international competitiveness
 - (D) A depreciation of the Australian dollar and a reduction in international competitiveness
- 6 Which of the following economic policies would most likely stimulate economic growth in the Australian economy?
- (A) A reduction in company tax and selling Commonwealth Government Securities by the Reserve Bank of Australia
 - (B) An increase in the highest marginal tax rate and buying Commonwealth Government Securities by the Reserve Bank of Australia
 - (C) A reduction in government subsidies to local producers and selling Commonwealth Government Securities by the Reserve Bank of Australia
 - (D) An increase in government expenditure on infrastructure and buying Commonwealth Government Securities by the Reserve Bank of Australia
- 7 The government of a major trading partner of Australia decides to increase the level of protection for its domestically produced goods from imported goods. Which of the following are the most likely impacts of this decision on the level of unemployment and the level of economic growth in Australia?

	Impact on the level of unemployment	Impact on the level of economic growth
(A)	Increase	Increase
(B)	Increase	Decrease
(C)	Decrease	Increase
(D)	Decrease	Decrease

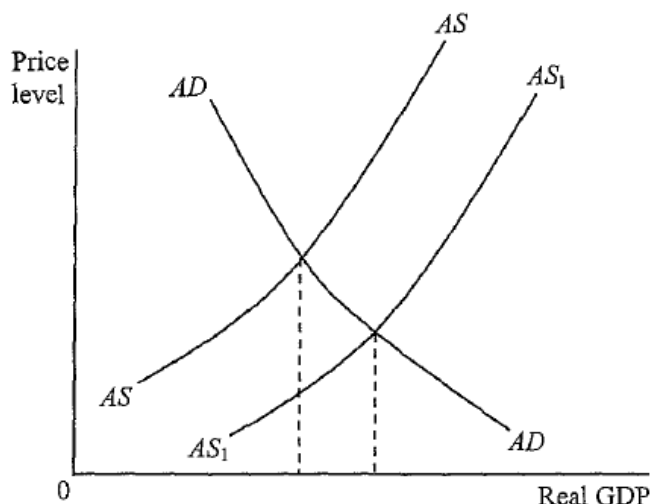
8 The table shows components of the Balance of Payments for an economy.

<i>Components of the Balance of Payments Account</i>	<i>Year 1 (\$ millions)</i>	<i>Year 2 (\$ millions)</i>
Goods credits	77,000	75,000
Goods deficit	-71,000	-67,000
Net services	-580	1,000
Net primary income	-9,500	-12,000
Net secondary income	-280	-570
Direct investment	63,000	32,000

According to the data, what happened to the balance on current account in Year 1 and Year 2?

- (A) The current account balance changed from a deficit in Year 1 to a surplus in Year 2.
 - (B) The current account balance changed from a deficit in Year 1 to a larger deficit in Year 2.
 - (C) The current account balance changed from a deficit in Year 1 to a smaller deficit in Year 2.
 - (D) The current account balance changed from a surplus in Year 1 to a smaller surplus in Year 2.
- 9 Australia's Reserve Bank uses foreign exchange reserves to purchase foreign currency in overseas markets. How will this transaction be recorded in Australia's balance of payments?
- (A) A debit in the financial account
 - (B) A debit in the net primary income account
 - (C) A credit in the net secondary income account
 - (D) A credit in the capital account

10 The following diagram shows aggregate demand and aggregate supply curves in a hypothetical economy.



Which of the following government economic policies could cause the aggregate supply curve to shift from AS to AS1?

- (A) An increase in government spending on infrastructure
- (B) An increase in the government's budget deficit
- (C) An expansionary stance of monetary policy
- (D) An increase in tariff protection of industry

11 Consider the following CPI, GDP and unemployment rate data for a hypothetical economy over a two-year period.

Year	CPI (%)	GDP (%)	Unemployment rate (%)
1	2.9	3.5	4.5
2	2.1	2.0	5.1

With reference to the data in the table above, at the end of Year 2, which policy mix response might be recommended?

- (A) Expansionary budgetary policy and expansionary monetary policy
- (B) Contractionary budgetary policy and contractionary monetary policy
- (C) Expansionary budgetary policy and contractionary monetary policy
- (D) Contractionary budgetary policy and expansionary monetary policy

12 The Reserve Bank of Australia decides to use contractionary monetary policy to reduce pressure on Australian house prices. Which of the following changes to bank holdings of cash in Exchange Settlement Accounts and the cash rate is most likely to achieve this?

	Bank Holdings of Cash in Exchange Settlement Accounts	Cash Rate
(A)	Increase	Increase
(B)	Decrease	Increase
(C)	Decrease	Decrease
(D)	Increase	Decrease

13 A local car manufacturer has made the decision to cease manufacturing by the end of 2017. The decision is due to cheaper import competition and the appreciation of the local currency. Up to 7,000 workers are expected to lose their jobs. Which of the following best describes the likely economic impact of this decision?

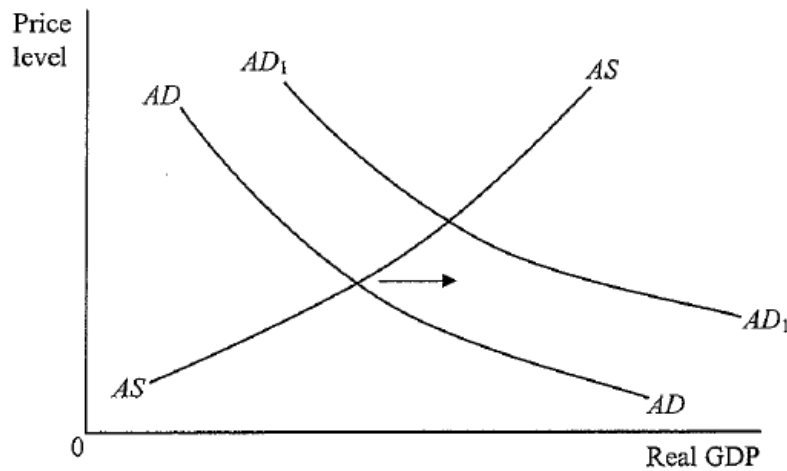
- (A) An increase in income inequality and an increase in government welfare spending
- (B) An increase in income inequality and a decrease in government welfare spending
- (C) A decrease in income inequality and an increase in government welfare spending
- (D) A decrease in income inequality and a decrease in government welfare spending

14 Which of the following strategies would be most likely to assist the government in reducing the level of hidden unemployment in the labour market?

- (A) A reduction in the level of the job search allowance to younger workers
- (B) An increase in marginal tax rates to high income earners
- (C) A childcare rebate paid to mothers returning to work
- (D) A reduction in the school leaving age to allow students easier access to full time work

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

All other things being equal, which of the following is most likely to shift the aggregate demand curve from AD to AD₁?



- (A) A decrease in business investment
- (B) A decrease in government spending on infrastructure
- (C) An increase in a government budget surplus
- (D) A decrease in the cash rate

16 A government wants to protect its industries from import competition. Which combination of trade policies would be most appropriate to achieve this?

	Tariffs on imported goods	Quotas on imported goods
(A)	increase	increase
(B)	increase	decrease
(C)	decrease	decrease
(D)	decrease	increase

17 The transmission of monetary policy occurs via a number of channels. Which is the channel that affects decisions by those in the economy with existing variable rate home loans?

- (A) Asset values or asset prices channel.
- (B) Exchange rate channel.
- (C) Cash flow channel.
- (D) Cost of credit channel.

18 What would recession in Australia in conjunction with a depreciation of the Australian dollar likely to lead to?

- (A) An increase in the volume of Australia's imports and a decrease in the volume of exports.
- (B) A decrease in the volume of Australia's imports and an increase in the volume of exports.
- (C) A decrease in the volume of Australia's imports and a decrease in the volume of exports.
- (D) An increase in the volume of Australia's imports and an increase in the volume of exports.

19 Which one of the following government policies will NOT lead to a long-term expansion of aggregate supply?

- (A) Lowering the company taxation rate
- (B) Increasing skilled migration by 9000 persons per year
- (C) Extending the solar energy rebate scheme for households
- (D) Increasing unemployment benefits by an amount equal to the rate of inflation

20 Australia's unemployment rate decreased from 6.4% in January 2015 to 5.8% in February 2016.

The impact of this change on government tax receipts, government outlays and the size of the budget deficit is likely to be?

	<i>Tax receipts</i>	<i>Outlays</i>	<i>Budget deficit</i>
(A)	increase	increase	reduced
(B)	increase	decrease	reduced
(C)	increase	decrease	increased
(D)	decrease	increase	increased

End of Section I

**2017 TRIAL HSC EXAM
ECONOMICS**



STUDENT NUMBER:

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TEACHER:

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Section II

40 Marks

Attempt Questions 21-24

Allow 1 hour and 15 minutes for this section

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 and 19. If you use this space, clearly indicate which question you are answering.

Write your Student Number and Teacher's name at the top of this page.

Please turn over

Section II
ECONOMICS

40 marks

Attempt Questions 21–24

Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

Question 21 (10 marks)

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

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(b) Outline ONE indicator used to measure quality of life.

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Question 21 continues on page 11

Question 22 (10 marks)

(a) Distinguish between *terms of trade* and *international competitiveness*

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(b) Explain TWO causes of an unfavourable movement in Australia's terms of trade.

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Question 22 continues on page 14

Question 23 (10 marks)

(a) Define structural change

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(b) Outline how ONE microeconomic reform has led to an increase in efficiency in a factor market

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Question 23 continues on page 16

Question 24 (10 marks)

(a) Outline two ways in which disputes between employers and employees might be resolved. **2**

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(b) Explain how a higher minimum wage in Australia may affect labour market outcomes. **4**

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Question 24 continues on page 18

Question 24 (continued)

(c) Discuss the effects of decentralising wage determination on inflation and unemployment in Australia.

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End of Question 24

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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 the writing booklet provided. Extra booklets are available.

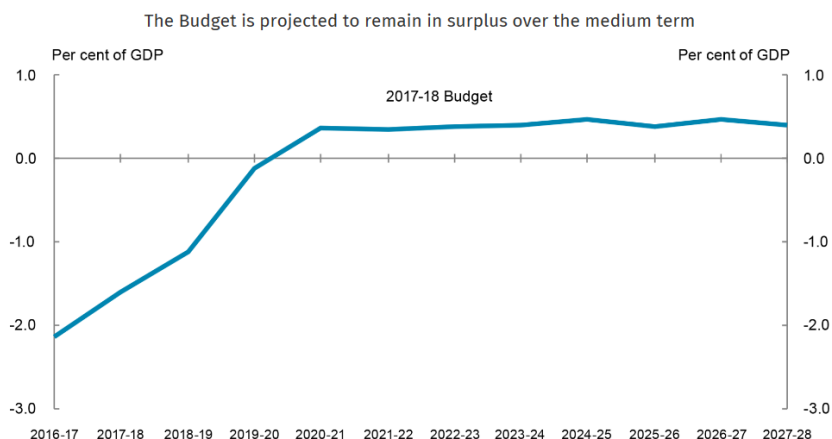
Clearly state the question attempted and complete Student Number and Teacher's name.

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)

Discuss the impact of budget deficits on the Australian economy. In your response, refer to the economic information provided.



A strong fiscal outlook provides the foundation for a growing, thriving economy. Putting our nation on a sustainable financial path creates a positive environment for growth, opportunity, and prosperity. This is in sharp contrast to high debt levels in other countries where governments are required to spend more of their budgets on interest costs.

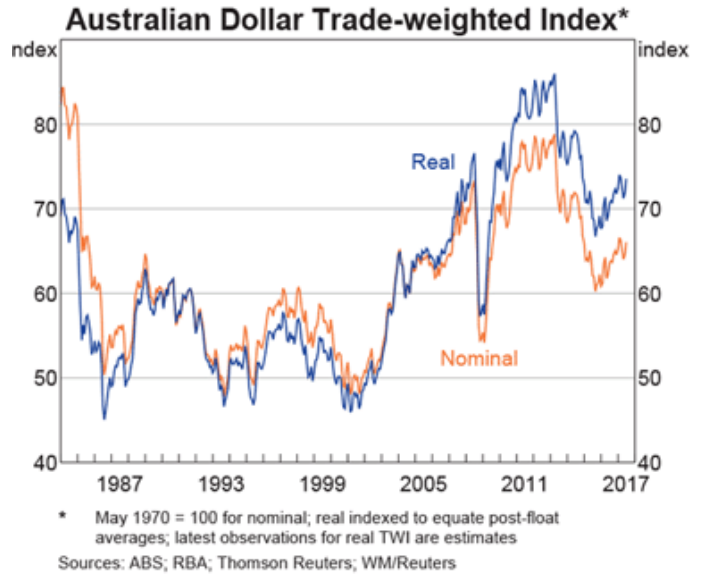
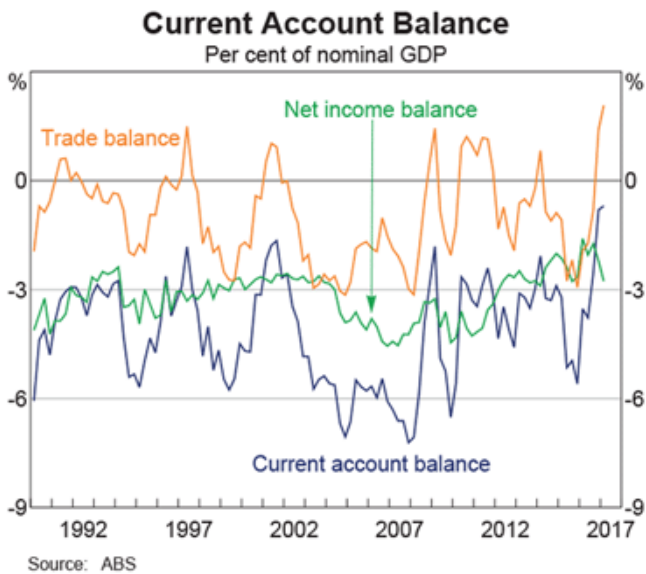
To ensure the Budget supports growth that secures more and better paying jobs, the Government is maintaining a credible path of diminishing deficits each year, leading to a projected return to balance in 2020-21.

In order to protect essential services, the Government is making sensible decisions to keep spending under control, while creating the conditions for a stronger economy that will result in increased revenues. The Government's continuing focus on budget repair demonstrates its commitment to maintaining our AAA credit rating. Budget Overview 2017-2018- <http://budget.gov.au/2017-18/content/glossies/means/html/>

OR

Question 26 (20 marks)

Discuss the impact of changes in the Balance of Payments on the value of the Australian dollar.

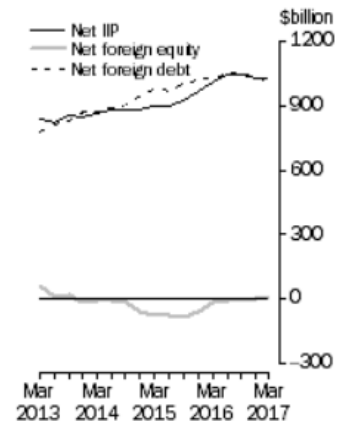


<http://www.rba.gov.au/chart-pack/exchange-rates.html> Released on 2 August 2017

Current Account Balance (a), Main aggregates



International Investment



Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question in the sections III and IV Writing Booklets. Extra writing booklets are available.

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)

Asses the effectiveness of macroeconomic policies in achieving the government's objectives of full employment and price stability.

OR

Question 28 (20 marks)

Assess the impacts of productivity growth on inflation and external stability in the Australian economy.

End of paper

STUDENT NUMBER:

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TEACHER:

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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 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