

STUDENT NUMBER:

TEACHER:



BAULKHAM HILLS HIGH SCHOOL

HIGHER SCHOOL CERTIFICATE
TRIAL HSC EXAMINATION

2018

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

- Which of the following is most likely to lead to an increase in a manufacturing firm's productivity?
 - An increase in import duties
 - Increased investment in capital
 - A decrease in the company tax rate
 - An increase in the cash rate
- A major trading partner makes the decision to decrease quotas on a range of goods they import from Australia.
What is the likely impact on the Australian economy?

	<i>Export Revenue</i>	<i>Domestic employment</i>
A.	Increase	Increase
B.	Increase	Decrease
C.	Decrease	Increase
D.	Decrease	Decrease

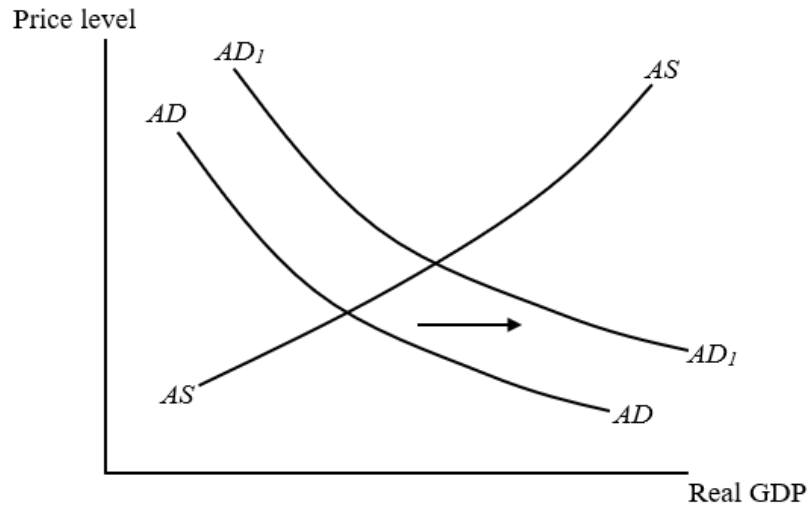
- The table shows selected data for an economy.

	<i>Trade Weight Index</i>	<i>\$US for each \$A</i>
<i>Year 1</i>	67	1.33
<i>Year 2</i>	64	1.28

Which of the following is true about the changes in the Trade Weighted Index and the Australian dollar between Year 1 and Year 2?

	<i>Trade Weighted Index</i>	<i>Australian dollar</i>
A.	Appreciated	Appreciated
B.	Appreciated	Depreciated
C.	Depreciated	Depreciated
D.	Depreciated	Appreciated

4. The following diagram shows aggregate demand (AD) and aggregate supply (AS) 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 AD_1 ?

- A. An increase in government spending on infrastructure
 - B. A decrease in the budget deficit
 - C. An increase in interest rates
 - D. An increase in the company tax rate
5. What is likely to be a positive externality of the construction of a solar farm?
- A. Increased unemployment
 - B. An increase in CO_2 emission
 - C. An increase in air quality
 - D. An increase in the price of electricity

6. The table below shows selected data for a hypothetical economy.

	<i>Income (\$ billion)</i>	<i>Consumption (\$ billion)</i>
<i>Year 1</i>	3,000	2,600
<i>Year 2</i>	3,500	3,000
<i>Year 3</i>	4,000	3,400

If national income rises to \$5000 billion in Year 4, what will be the level of savings?

- A. \$600 billion
 - B. \$800 billion
 - C. \$3,800 billion
 - D. \$4,200 billion
7. Which of the following is most likely to occur if the Reserve Bank of Australia changes the stance of monetary policy by selling Commonwealth Government Securities?
- A. An appreciation of the Australian dollar and an increase in capital inflow
 - B. An appreciation of the Australian dollar and a decrease in capital inflow
 - C. A depreciation of the Australian dollar and an increase in capital inflow
 - D. A depreciation of the Australian dollar and a decrease in capital inflow
8. The table shows employment data for a hypothetical economy.

<i>Year</i>	<i>Population of working age</i>	<i>Full-time employed persons</i>	<i>Part-time employed persons</i>	<i>Unemployed persons</i>
1	20,000,000	8,300,000	4,000,000	700,000
2	20,200,000	8,600,000	4,100,000	710,000

What happens to the size of the labour force and the participation rate from Year 1 to Year 2?

	<i>Labour Force</i>	<i>Participation rate</i>
A.	Decreases	Decreases
B.	Decreases	Increases
C.	Increases	Decreases
D.	Increases	Increases

9. The table shows data for a hypothetical economy.

<i>Year</i>	<i>Trade Weighted Index</i>	<i>Import Price Index</i>	<i>Export Price Index</i>
1	75	100	100
2	70	105	110

What is the effect of the changes from Year 1 to Year 2 on international competitiveness and the terms of trade for this economy?

	<i>International competitiveness</i>	<i>Terms of trade</i>
A.	Decreased	Decreased
B.	Decreased	Increased
C.	Increased	Increased
D.	Increased	Decreased

10. The table shows data for a hypothetical economy.

<i>Year</i>	<i>Real GDP (\$ billions)</i>	<i>Global growth per annum</i>
1	1,204	2.8%
2	1,248	3.2%

Which statement about the economy is true?

- A. The rate of growth of real GDP is less than global growth in Year 1
- B. The rate of growth of real GDP is more than global growth in Year 2
- C. The rate of growth of real GDP is the same as global growth in Year 2
- D. The rate of growth of real GDP is less than global growth in Year 2

11. Which of the following is most likely to result in a decrease in the budget deficit?

- A. An increase in the tax free threshold
- B. An increase in the aged pension
- C. A decrease in the top marginal income tax rate
- D. A decrease in foreign aid

12. The table shows the balance of payments for a hypothetical economy with a floating exchange rate.

<i>Balance of payments component</i>	Billions of \$
Exports of goods	20
Imports of goods	12
Net services	4
Net primary income	?
Net secondary income	-2
Capital account	8
Financial Account	22

What is the net primary income balance for this economy?

- A. \$20 billion deficit
- B. \$20 billion surplus
- C. \$40 billion deficit
- D. \$40 billion surplus

13. Which of the following would most likely result in an increase in the non-accelerating inflation rate of unemployment (NAIRU)?

- A. Reduced government expenditure on job placement programs
- B. A smaller budget surplus than the previous year
- C. Expansionary monetary policy
- D. Increase government expenditure on labour market skills and training

14. The table shows data for leakages and injection of a hypothetical economy.

I	S	G	T	X	M
30	20	30	25	35	40

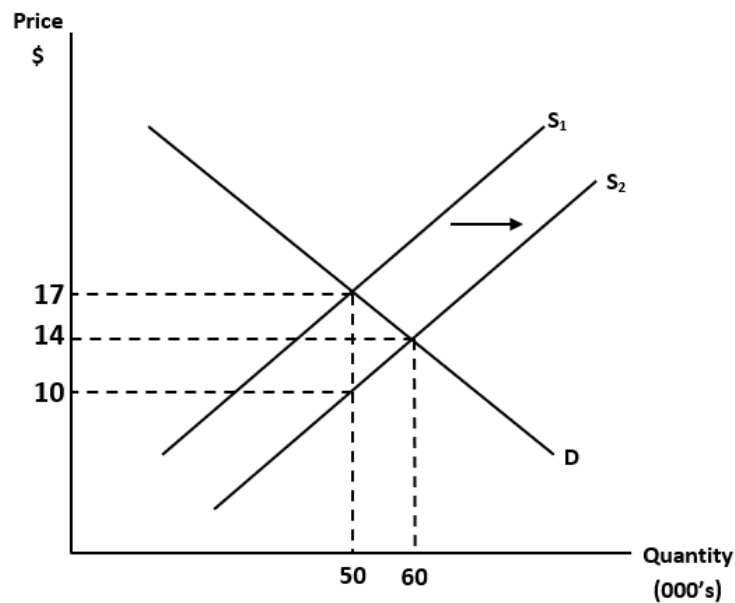
Which of the following is most likely to occur?

- A. The economy will expand because savings are greater than tax receipts
- B. The economy will expand as injections are greater than leakages
- C. The economy will contract as exports are lower than imports
- D. The economy will contract as leakages are greater than injections

15. Which of the following is the most likely effect of moving from a centralised to decentralised wage determination system?

- A. An increase in income inequality
- B. A decrease in labour productivity
- C. A less flexible labour market
- D. An increase in cost push inflation

16. The following diagram shows the impact of a subsidy paid to domestic producers of wallets.



Assuming the equilibrium quantity of wallets with the subsidy is 60,000 units, what is the subsidy per wallet?

- A. \$3
- B. \$4
- C. \$7
- D. \$10

17. Assume that $C = 100 + 0.75Y$ and $I = 200$.

What is the equilibrium level of national income?

- A. 300
- B. 375
- C. 1,200
- D. 1,375

18. What is an example of a microeconomic reform in an Australian product market?
- A. Inflation-targeting by the RBA
 - B. The reduction in tariff barriers
 - C. The use of enterprise bargaining in the labour market
 - D. The floating of the exchange rate
19. Which of the following international organisations is responsible for promoting exchange rate stability?
- A. The World Trade Organisation
 - B. The World Bank
 - C. The Organisation for Economic Cooperation and Development
 - D. The International Monetary Fund
20. How would the purchase of Australian financial derivatives by a transnational corporation be recorded in the balance of payments?
- A. As a credit in the financial account
 - B. As a credit in the capital account
 - C. As a credit in the net primary income account
 - D. As a credit in the net secondary income account

End of Section I



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ECONOMICS

Section II

40 Marks

Attempt Questions 21-24

Allow about 1 hour and 15 minutes for this section

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- 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.
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Please turn over

Question 21 (10 marks)

Marks

(a) Outline TWO factors that could decrease a nation's current account deficit.

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(b) Explain the relationship between the capital and financial account surplus and the net primary income deficit in the balance of payments.

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Question 21 continues on page 11

Question 22 (10 marks)

Marks

(a) Distinguish between economic growth and development.

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(b) Explain reasons for differences in economic development between nations in the global economy.

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Question 22 continues on page 13

- (c) Evaluate the role of transnational corporations in promoting the globalisation process in an economy other than Australia. 4

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End of Question 22

Question 23 (10 marks)

Marks

- (a) Distinguish between the *headline rate* of inflation and the *underlying rate* of inflation. **2**

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- (b) Briefly explain ONE positive and ONE negative effect of inflation in an economy. **3**

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Question 23 continues on page 15

Question 24 (10 marks)

Marks

(a) The table shows data on national income (Y) and consumption (C) for a hypothetical economy.

<i>Year</i>	<i>National income (Y)</i>	<i>Consumption (C)</i>
1	\$2,400m	\$1,920m
2	\$2,800m	\$2,240m

Calculate the value of the multiplier in this economy.

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(b) Outline TWO components of aggregate demand that can contribute to economic growth.

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Question 24 continues on page 17

- (c) Discuss the impacts of an upswing in the global economy on domestic economic growth and the Australian Government budget. **6**

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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 Student Number and Teacher's name.

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

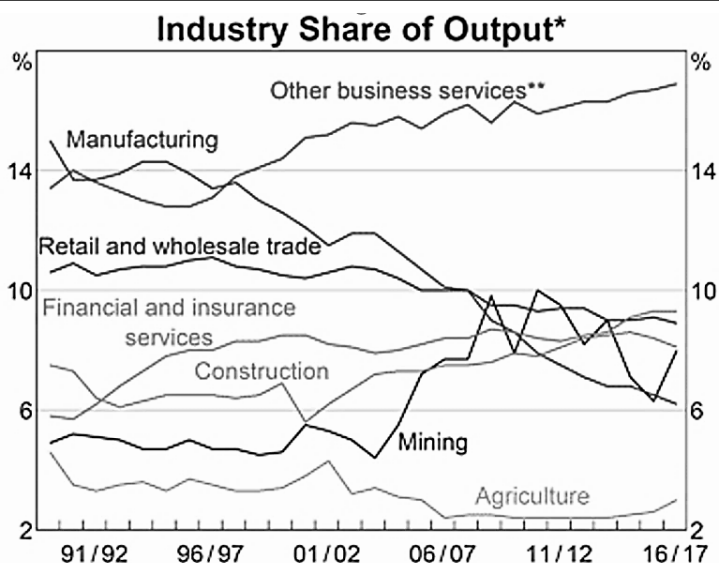
- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 25 (20 marks)

Explain the impacts of microeconomic reform policies on structural change and economic growth in the Australian economy. In your response, refer to the economic information provided.

The federal Productivity Commission and its predecessors have shaped major economic, social and environmental reforms since the 1970s including tariff reductions and the deregulation of the financial system. The federal Productivity Commission recently estimated that reducing regulatory compliance costs by about 20 per cent could boost NSW's gross state product by \$6 billion in the long run. It will be crucial to boost productivity as the current boom in infrastructure spending begins to wane and the effects of long-term challenges including the ageing population become more apparent.

Adapted from Matt Wade, SMH, April 2018



OR

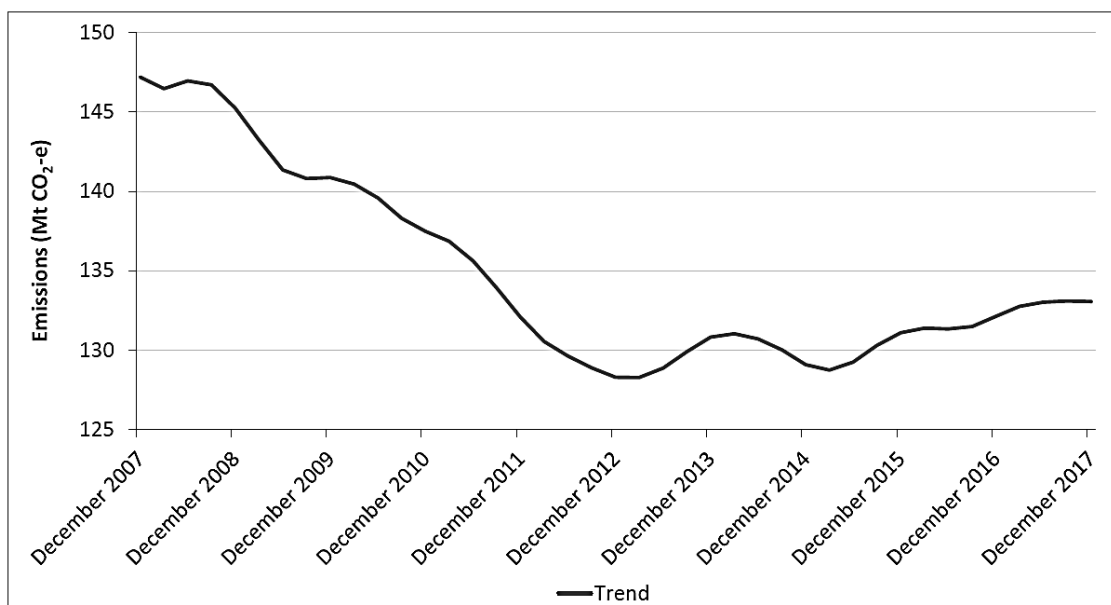
Question 26 (20 marks)

Assess Australian government policies to address environmental sustainability in Australia. In your response, refer to the economic information provided.

Australia's emissions of CO₂ per person in 2013 were nearly twice the average of countries in the OECD reflecting Australia's heavy reliance on fossil fuels as a primary energy source and the role of coal in the production of electricity...

Some pressures e.g. such as commercial fishing, and oil and gas exploration, that have had substantial impacts on the marine environment, are now decreasing because of economic pressures and management frameworks put in place to ensure future sustainability and environmental protection. Pressures associated with climate change and marine debris continue to increase. Climate extremes have led to widespread coral bleaching and habitat destruction along Australia's coasts.

Adapted from the State of the Environment Report 2016



National Greenhouse Gas Inventory, quarterly, 'trend' emissions, December quarter 2007 to 2017
Source: Quarterly Update of Australia's National Greenhouse Gas Inventory: December 2017

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 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 effects of free trade and protectionist policies on the global economy.

OR

Question 28 (20 marks)

Analyse the effects of changes in the value of the Australian dollar on the Australian economy.

End of paper



2018 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 →

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|-----|-------------------------|-------------------------|-------------------------|-------------------------|-----|-------------------------|-------------------------|-------------------------|-------------------------|
| 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"/> |
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| 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"/> |