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2020 Trial HSC Paper

Disclaimer: This paper is written as a trial HSC paper. It is designed to provide practice consistent with the demands of the current HSC course and its examination. However, we do not guarantee it predicts question content for the actual HSC examination.

2020

HIGHER
SCHOOL
CERTIFICATE
TRIAL EXAMINATION

Economics

General Instructions

- Reading Time – 5 minutes
- Working Time – 3 hours
- Write using black pen
- Calculators approved by NESA may be used
- Write your student number at the bottom of this page and on page 11

Total marks: 100

Section I — 20 marks (pages 2–10)

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

Section II — 40 marks (pages 11–19)

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

Section III — **20 marks** (page 23–24)

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

Section IV — **20 marks** (page 25)

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

Student ID: ___________________________________

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 TWO economic policies concentrate on the use of taxation and government spending?

	Policies	*Policies*
A.	Monetary	Miro
B.	Fiscal	Micro
C.	Fiscal	Labour
D.	Monetary	Labour

2 What is the main priority of the United Nations?

A. Monetary union

B. Financial stability

C. Global poverty reduction

D. Preserve international peace and security

3 Which of the following best describes the international division of labour?

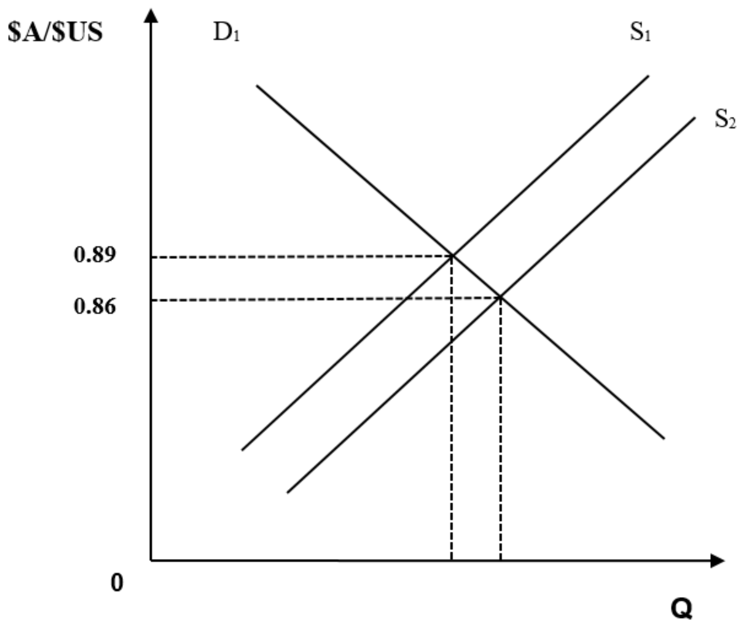
A. Transnational corporations use low wage labour in the production process

B. Transnational corporations use high wage labour in the production process

C. Developing economies do manual tasks and advanced economies do skilled ones

D. Tasks in the production process are allocated to different workers around the world

4 The diagram shows a change in supply for Australian dollars ($A) from S_1 *to* S_2.



Which of the following is the most likely cause of the shift in supply for Australian dollars from S_1 *to* S_2?

A. A decrease in Australians buying imports

B. An increase in Australians studying abroad

C. An increase in foreigners travelling to Australia

D. A decrease in Australia's international competitiveness

5 What is the effect of the Federal Government using a budget surplus to retire past debt?

A. Increased political instability

B. A decrease in the Australian money supply

C. Reduce the size of future interest repayments

D. An increase in the size of the current account deficit

The table below shows data for a hypothetical economy. Use it to answer Question 6.

Balance on Capital and Financial Account	\$50 000 billion
Net Primary Income	**?**
Balance on goods and services	–\$15 000 billion
Net Secondary Income	–\$2500 billion

6 What is the Net Primary Income for this economy?

A. –\$50 000 billion

B. –\$32 500 billion

C. \$10 000 billion

D. \$62 500 billion

7 Which of the following situations would best represent allocative efficiency?

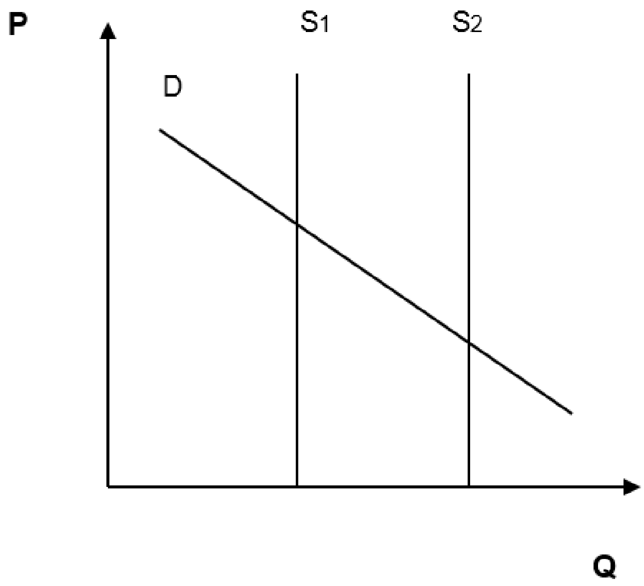
A. A point on the production possibility frontier

B. A point inside the production possibility frontier

C. A point outside the production possibility frontier

D. A movement along the production possibility frontier

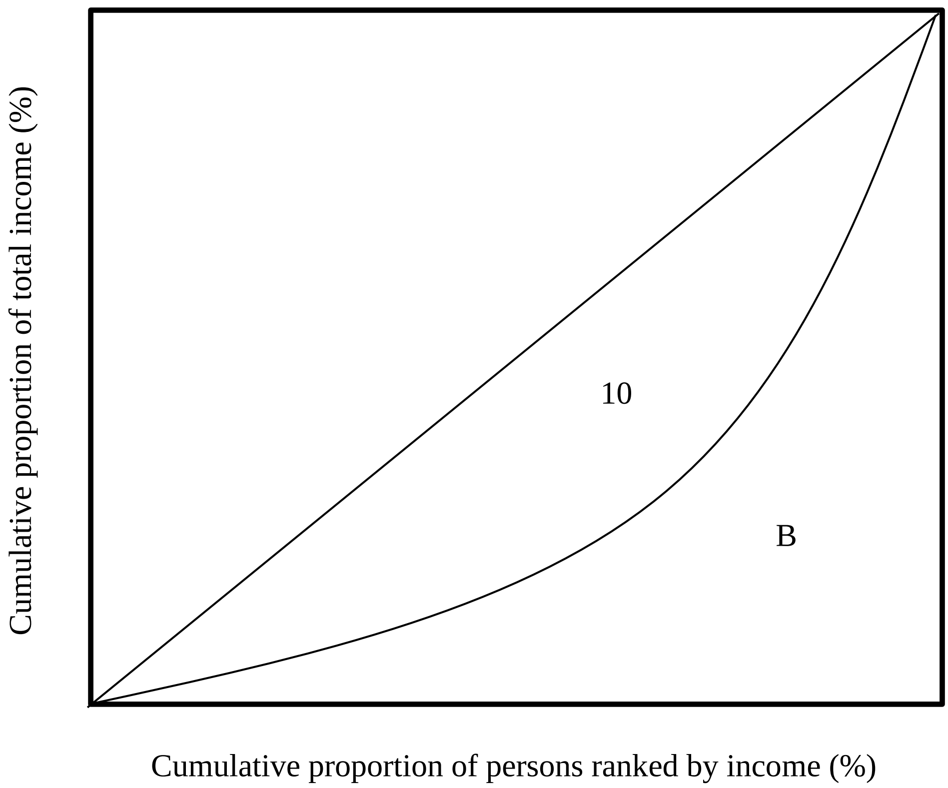
8 The diagram shows the effect of a quota on the domestic demand for an imported product.



If the quota is moved from S_1 to S_2, what is the change in the level of protection of the domestic economy and the price of the product?

	Level of protection	*Domestic price*
A.	Decreases	Falls
B.	Increases	Rises
C.	Decreases	Rises
D.	Increases	Falls

9 The diagram shows the distribution of income in a hypothetical country.



What is the value of area B if the Gini Coefficient is 0.25?

A. 10

B. 25

C. 30

D. 40

10 What TWO ways could the Australian government and the RBA promote economic growth and reduce income inequality?

A.	Increase the supply of money	Increase government spending
B.	Increase the supply of money	Increase training and education
C.	Increase government spending	Increase regressive taxation
D.	Increase taxation	Use automatic stabilisers

11 Which of the following is not a component of aggregate demand?

A. Exports

B. Foreign investment

C. Private consumption

D. Domestic investment

The following table shows data for the population of two hypothetical economies. Use it to answer Question 12.

Measures of Development	*Country A*	*Country B*
GDP per capita	US $13 800	US $4 000
Human Development Index (HDI)	0.65	0.35
Average growth rate over past decade	8%	1.5%

12 Which of the combinations best describes the economy type of Country A and Country B?

	Country A	*Country B*
A.	Emerging	Developing
B.	Advanced	Emerging
C.	Advanced	Developing
D.	Emerging	Emerging

13 What is the best example of a negative externality which exists due to the use of coal steam engines in rural Australia?

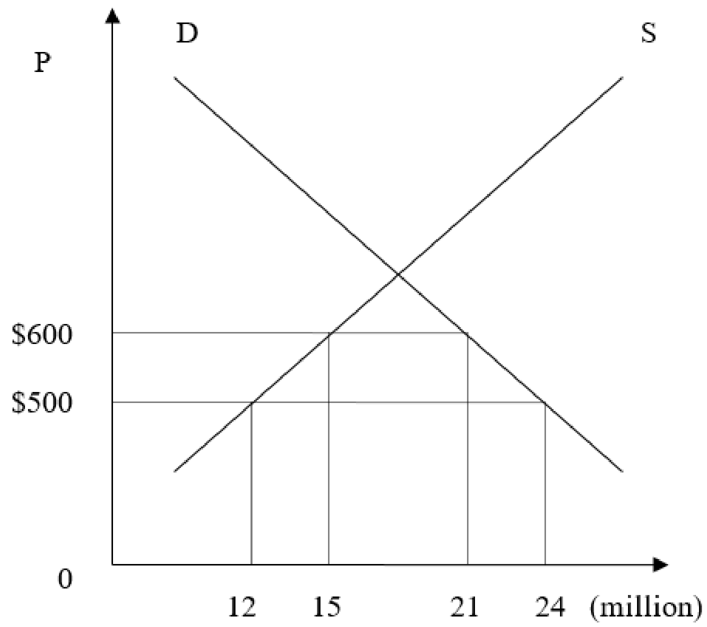
A. Greater opportunity costs

B. An increase in the cost of production

C. An increase in climate change indicators

D. An increase in unemployment rates of coal steam engine drivers

The diagram shows the impact of a tariff placed on an iPad. Use it to complete Question 14.



14 Calculate the revenue received by the government when World Price was $500 and a $100 tariff was imposed?

A. $360 million

B. $540 million

C. $600 million

D. $6 billion

15 If Australia reduces tariffs on the local passenger motor vehicle industry (PMV), how would this impact the Australian economy?

A. Protect infant industries and depreciate the AUD

B. Increase structural unemployment and reduce dumping

C. Decrease structural unemployment and promote dumping

D. Increase structural unemployment and depreciate the AUD

16 Which of the following could move a country's Lorenz Curve to the left?

A. Lower income tax rates and increased proportional tax

B. Increased transfer payments and decreased regressive tax

C. Increased progressive tax and decreased transfer payments

D. Decreased regressive tax and increased deregulation of the labour market

17 Which of the following combinations would reduce the labour force participation rate?

A.	Increased training	Increased retention rates
B.	Increased retention rates	Decreased qualification age for pension
C.	Increased government spending	Increasing flexible working conditions for parents
D.	Decreased retention rates	Decreased qualification age for pension

18 How would an Australian student studying overseas have their transactions recorded on Australia's Balance of Payments?

A. Debit in Financial Account

B. Credit in Financial Account

C. Debit in Balance on Goods and Services

D. Credit in Balance on Goods and Services

Use the information below to answer Question 19.

Year	*Budget Outcome ($b)*	*Cash Rate %*
1	19 000	6.5
2	- 12 000	2.0
3	-9 000	2.0
4	-3 000	1.5

19 What was the overall stance of fiscal and monetary policy between Years 3 and 4?

	Fiscal Policy	*Monetary Policy*
A.	Contractionary	Contractionary
B.	Expansionary	Contractionary
C.	Expansionary	Expansionary
D.	Contractionary	Expansionary

20 Which of the following are key features of Australia's current wage determination system?

A. Modern awards and individual bargaining

B. Wage indexation and Better Off Overall Test

C. Capacity to pay principle and wage indexation

D. Better Off Overall Test and capacity to pay principle

End of Section I

Student ID: ______________________

2020 **HIGHER SCHOOL CERTIFICATE TRIAL EXAMINATION**

Economics

Section II
Answer Booklet

40 marks
Attempt Questions 21–24
Allow about 1 hour 15 minutes for this section

Instructions

- Write your Student ID at the top of this page
- Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.
- Extra writing space is provided at the back of this booklet. If you use this space, clearly indicate which question you are answering.

Please turn over

Question 21 (10 marks)

(a) Distinguish between the structural and cyclical components of fiscal policy. **2**

(b) Outline the role of fiscal policy in evenly distributing income in an economy. **2**

(c) Describe TWO possible effects of a transition to budget surplus on resource allocation within the Australian economy. **2**

Question 21 continues on page 13

Question 21 (continued)

(d) Explain how TWO methods of financing a budget deficit could impact interest rates. **4**

Question 22 (10 marks)

(a) Define the term *external stability*. **2**

(b) Outline the impact of low interest rates on Australia's external stability. **2**

(c) Examine the main contributors of Australia's external stability in 2020. **6**

Question 22 continues on page 15

Question 22 (continued)

Question 23 (10 marks)

(a) Define the term *economic development*. **2**

(b) Explain ONE domestic influence contributing to the differences in development between nations due to the process of globalisation. **2**

(c) Explain how trade flows and financial flows have promoted growth in an economy other than Australia. **6**

Question 23 continues on page 17

Question 23 (continued)

Question 24 (10 marks)

(a) Define the term *trade weighted index*. **2**

(b) Outline TWO factors affecting the supply of Australian dollars. **2**

(c) Explain why a floating exchange rate is necessary for the Balance of Payments to function effectively. **2**

Question 24 continues on page 19

Question 24 (continued)

(d) Discuss TWO positive and TWO negative effects of depreciation of the Australian dollar on the Australian economy. **4**

End of Section II

Section II – Extra writing space
If you use this space clearly indicate which question you are answering.

Question number ______________________________

Section II – Extra writing space
If you use this space clearly indicate which question you are answering.

Question number ____

Section II – Extra writing space
If you use this space clearly indicate which question you are answering.

Question number ____

2020 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

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 booklets are available.

Your answer 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 causes of economic growth and their effects on the Australian economy. In your response, you should refer to the economic information provided.

Australia has entered its 28th year of consecutive annual economic growth, setting a new record among developed economies for uninterrupted expansion. Australian Trade and Investment Commission, 2019

Australian Annual Economic Growth

OR

Question 26 (20 marks)

Explain the causes of inflation and their effects on the Australian economy. In your response, you should refer to the economic information provided.

Underlying inflation has been below 2 per cent for around three years. This reflects spare capacity in the economy and associated low wages growth. The slowing in the housing market, a decline in wholesale electricity prices and various government policy decisions have also put downward pressure on inflation over the past year.

Statement of Monetary Policy 2019

Australia's Inflation Rate

Please turn over

Section IV

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

Answer the Question in a SEPARATE writing booklet.

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)

Assess the effectiveness of microeconomic policies on promoting at least TWO economic objectives in the Australian economy.

OR

Question 28 (20 marks)

Assess the effectiveness of monetary policy on promoting at least TWO economic objectives in the Australian economy.

End of paper

STUDENT ID ____________________________

2020 Economics HSC Trial Examination
Section I –Answer Sheet

20 marks
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 circle completely.

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