



CATHOLIC SECONDARY SCHOOLS
ASSOCIATION OF NSW

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Centre Number

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Student Number

2016
TRIAL HIGHER SCHOOL CERTIFICATE
EXAMINATION

Economics

Morning Session
Monday, August 15 2016

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Use Multiple Choice Answer Sheet provided
- Board-approved calculators may be used
- Write your Centre Number and Student Number on the top of this page and the Multiple Choice Answer Sheet

Total marks – 100

Section I

Pages 2-9

20 marks

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

Section II

Pages 10-17

40 marks

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

Section III

Pages 20-21

20 marks

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

Section IV

Page 22

20 marks

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

Disclaimer

Every effort has been made to prepare these 'Trial' Higher School Certificate Examinations in accordance with the NSW Board of Studies documents, Principles for Setting HSC Examinations in a Standards-Referenced Framework (www.boardofstudies.nsw.edu.au/_principles-for-setting-exams.html), and Principles for Developing Marking Guidelines Examinations in a Standards-Referenced Framework (www.boardofstudies.nsw.edu.au/manuals/principles_hsc.html). No guarantee or warranty is made or implied that the 'Trial' Examination papers mirror in every respect the actual HSC Examination question paper in any or all courses to be examined. These papers do not constitute 'advice' nor can they be construed as authoritative interpretations of Board of Studies intentions. The CSSA accepts no liability for any reliance use or purpose related to these 'Trial' question papers. Advice on HSC examination issues is only to be obtained from the NSW BOS.

1900-1

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 is most likely to be associated with an upturn in the international business cycle?
- (A) Decreased trade flows in the global economy
 - (B) Increased financial flows in the global economy
 - (C) Decreased migration of labour in the global economy
 - (D) Increased levels of domestic protection in the global economy
- 2 Which of the following is a negative implication associated with microeconomic policy?
- (A) Dynamic efficiency
 - (B) Comparative advantage
 - (C) Increasing income inequality
 - (D) Increases in aggregate supply
- 3 Which of the following macroeconomic policy measures would most likely improve Australia's external stability?

	Fiscal policy measure	Monetary policy measure
(A)	Increased education and training Programs	Decreased interest rates
(B)	Increased infrastructure spending	Increased interest rates
(C)	Decreased government spending	Increased interest rates
(D)	Decreased foreign aid	Decreased interest rates

4 What is the value of real GDP in Year 2 for this hypothetical economy in the table below?

Year	Nominal GDP (\$bn)	Consumer Price Index
1	\$1,700	100
2	\$1,950	110

- (A) \$250 billion
- (B) \$1,545 billion
- (C) \$1,840 billion
- (D) \$1,773 billion

5 Which of the following is the primary purpose of most foreign exchange market transactions?

- (A) Speculative transactions in order to make a financial gain from currency fluctuations
- (B) Payments for goods and services traded on the global market
- (C) Payments made by international travellers or tourists
- (D) Foreign direct investments in offshore enterprises

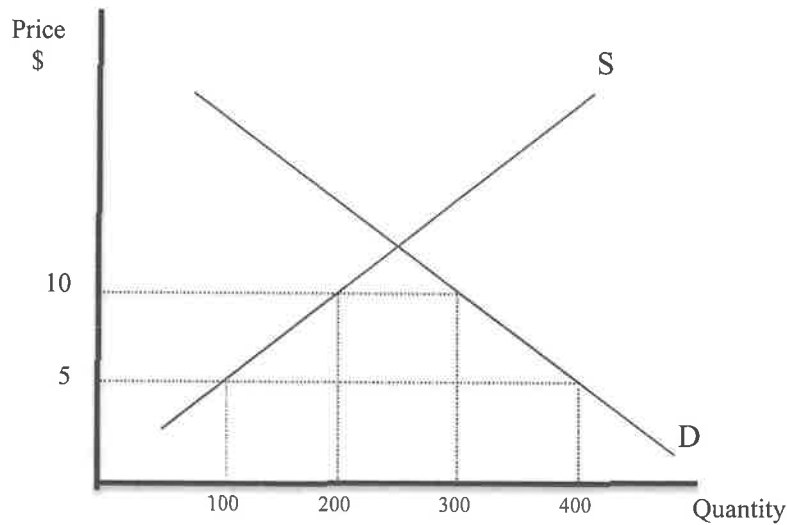
6 The following information in the table refers to a hypothetical economy.

Balance of payments items	\$bn
Net goods	12
Net services	-9
Net primary income	-8
Capital account	7
Financial account	11

What is the value of Net Secondary Income for this economy?

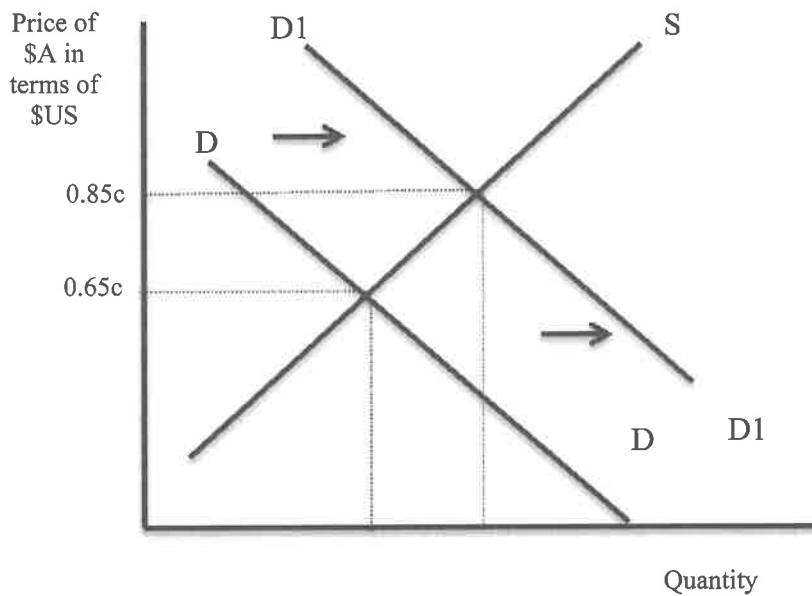
- (A) -\$18 bn
- (B) -\$13 bn
- (C) \$29 bn
- (D) -\$29 bn

- 7 Examine the following diagram which shows the impact of a tariff in a hypothetical economy. The world price is \$5.00.



- What is the change in the quantity of imports after the imposition of the tariff?
- (A) 100 units
 - (B) 200 units
 - (C) 300 units
 - (D) 400 units
- 8 Which of the following best describes how Purchasing Power Parity is used?
- (A) As a measure of value of world trade
 - (B) As a measure of value of global financial transactions
 - (C) As a means of comparing the value of GDP between countries
 - (D) As a means of comparing the value of wealth between countries

- 9 Ceteris Paribus (i.e. other things being equal), an improvement in the terms of trade for a hypothetical economy would result in:
- (A) a decrease in export revenue.
 - (B) a decrease in foreign liabilities.
 - (C) a decrease in a surplus on the current account.
 - (D) a decrease in a deficit on the balance of Goods and Services.
- 10 The following diagram shows the supply and demand of Australian dollars (\$A) in terms of US dollars (\$US) in the foreign exchange market.



Which of the following factors may have caused the demand curve to shift from DD to D1D1?

- (A) Increased investment by foreigners in Australia
- (B) Decreased volumes of imports by Australians
- (C) Increased Australian foreign aid to overseas countries
- (D) Decreased Australian foreign liabilities to overseas nations

11 Which of the following were features of a centralised wage determination system in Australia?

(A)	Flexibility in wage negotiations	Promotion of uniform wage increases
(B)	Use of Australian Workplace Agreements (AWAs)	Use of 10 National Employment Standards
(C)	Enterprise bargaining	Wage disputes settled by Australian Industrial Relations Commission (AIRC)
(D)	Strong union involvement in wage negotiation	Wage indexation

12 Which of the following economic policies would assist the Australian economy in reaching the Non-Accelerating Inflation Rate of Unemployment?

- (A) Increased investment in human capital
- (B) Increase in the size of a budget deficit
- (C) Decreased funding for TAFE
- (D) Increased provision of work visas for foreigners.

13 Which of the following explains why a country may have relatively high levels of economic growth but a relatively low level of economic development?

- (A) The country has a relatively unequal distribution of income
- (B) The country has a poorly developed agricultural sector
- (C) Individuals may be paying a very high level of income tax
- (D) The country does not have a strong export sector

14 The table below refers to selected data for a hypothetical economy.

Year	Income (Y)	Consumption (C)	Savings (S)	Investment (I)
1	600	480	220	300
2	700	540	260	300
3	800	600	300	300

Which of the following represents the correct Multiplier (k) and the Marginal Propensity to Consume (MPC) for this economy?

	Multiplier (k)	MPC
(A)	2.5	0.4
(B)	5	0.6
(C)	5	0.4
(D)	2.5	0.6

15 Which of the following government actions are most likely to be implemented during a recession?

(A)	Buy Commonwealth government securities	Increase government spending
(B)	Buy Commonwealth government securities	Increase taxation
(C)	Sell Commonwealth government securities	Decrease government spending
(D)	Sell Commonwealth government securities	Decrease taxation

16 Which of the following factors may cause an increase in cost-push inflation in Australia?

- (A) Increase in the level of consumption and a decrease in domestic interest rates
- (B) Decrease in the wage levels and an increase in the level of production costs
- (C) Increase in the level of domestic interest rates and an increase in wage levels
- (D) A decrease in production costs and a decrease in domestic interest rates

- 17 Which of the following would be recorded on the net secondary income component of the balance of payments?
- (A) A Chinese company investing in the building of a new motorway connecting Sydney city to the western suburbs
 - (B) The British government's pension payments to a retired national living in Australia
 - (C) An interest payment from the Commonwealth Bank of Australia to the Bank of New Zealand
 - (D) The Australian government gives tied aid to Indonesia to assist with the construction of new high schools
- 18 Other things being equal, what would the effects of depreciation in the value of the Australian dollar have on the Australian economy?

(A)	Increased inflation rate	Increased international competitiveness	Increased foreign debt
(B)	Increased international competitiveness	Increased inflation rate	Decreased foreign debt
(C)	Increased economic growth	Increased inflation rate	Decreased international competitiveness
(D)	Decreased economic growth	Decreased debt servicing costs	Increased foreign debt

- 19 Which of the following components of the budgetary framework are influenced by cyclical factors?
- (A) Progressive tax and company tax rate
 - (B) Progressive tax and superannuation guarantee rate
 - (C) Progressive tax and unemployment benefits
 - (D) Progressive tax and defence spending

20 An Australian bank lends a substantial amount of money to a Japanese investor.

Other things being equal, what will be the likely effects of this transaction on the Australian economy?

	Net foreign debt	External stability
(A)	Increases	Improves
(B)	Increases	Deteriorates
(C)	Decreases	Improves
(D)	Decreases	Deteriorates

End of Section I

Section II

40 marks

Attempt Questions 21-24

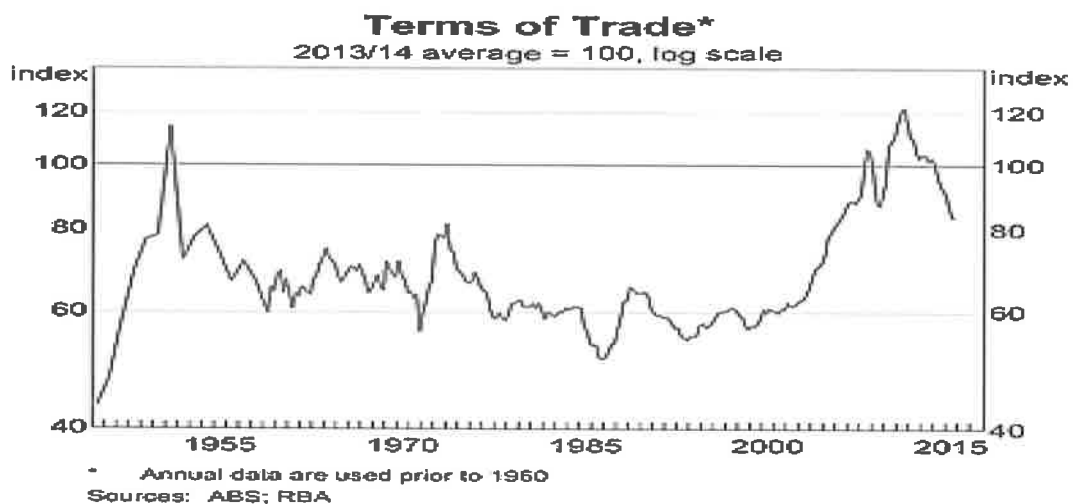
Allow about 1 hour and 15 minutes for this section

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

Extra writing space is provided on pages 18 and 19. If you use this space, clearly indicate which question you are answering.

Question 21 (10 marks)

Examine the following graph depicting the terms of trade for Australia.



- (a) What is meant by the 'terms of trade'?

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Question 21 continues on Page 11

(b) Account for recent trends in Australia's terms of trade. 3

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(c) Explain the effects of recent changes in Australia's terms of trade on Australia's economic performance. 5

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End of Question 21

Question 22 (10 marks)

(a) Define the term 'environmental sustainability'.

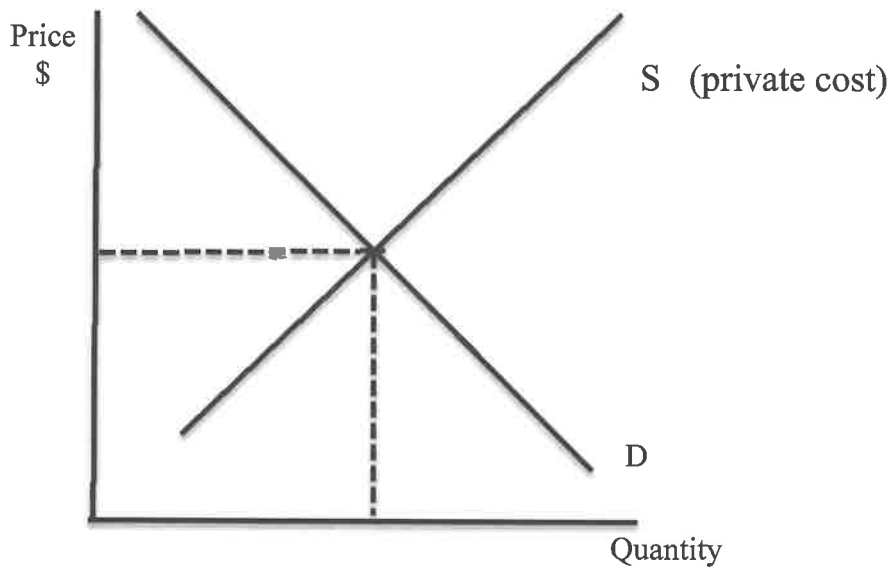
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(b) Using the graph above, graphically illustrate the impact on motor vehicle production of a government's decision to implement a carbon tax.

1

Question 22 continues on Page 13

- (c) Suggest ONE reason as to why the government would impose a carbon tax on Australian producers. 1

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- (d) Outline how the imposition of a carbon tax could lead to structural change in the Australian economy. 2

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- (e) In relation to ONE specific environmental issue, explain a policy adopted by the Australian government to address the chosen environmental issue. 4

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End of Question 22

Question 23 (10 marks)

(a) What is the balance of payments?

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(b) Briefly outline ONE macroeconomic policy that could be used by government to improve Australia's balance of payments.

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Question 23 continues on Page 15

(c) Outline the relationship between the capital/financial account and the current account.

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(d) Explain how changes in the level of domestic interest rates impact on Australia's balance of payments.

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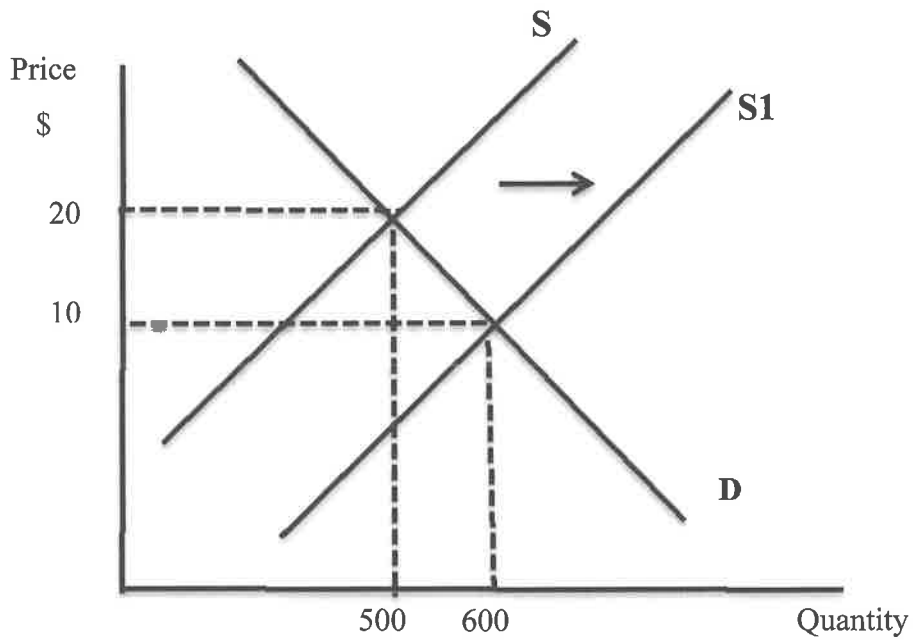
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End of Question 23

Question 24 (10 marks)

Examine the following diagram depicting the effects of a subsidy.



(a) Distinguish between a tariff and subsidy.

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(b) Calculate the increase in domestic quantity produced after the subsidy.

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Question 24 continues on Page 17

(c) Outline TWO advantages of a subsidy over the imposition of a tariff.

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(d) Discuss the effects of reducing the levels of domestic protection on the Australian economy.

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End of Question 24

End of Section II

Section II Extra writing space

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Section II Extra writing space

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Section III

20 marks

Attempt either Question 25 or 26

Allow about 35 minutes for this section

Answer the question on pages 2-8 in the Section III and IV Writing Booklet. Extra writing booklets are available.

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

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

Question 25 (20 marks)

Assess the implications of recent exchange rate fluctuations on the Australian economy.

“The Australian dollar has depreciated by nearly 20 per cent on a trade weighted basis since its peak in mid-2013 and is starting to play a role in helping the economy to adjust.”
“While the depreciation (has been) helpful, it’s still our assessment that our exchange still remains relatively high given the state of our overall economy.”

Adapted from Kent, C. (2015, March 11). Australian Economic Growth – The How, What and Where. Speech presented at National RSL Clubs Conference, Hobart. Retrieved from <<http://www.rba.gov.au/speeches/2015/sp-ag-2015-03-11.html>>.

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

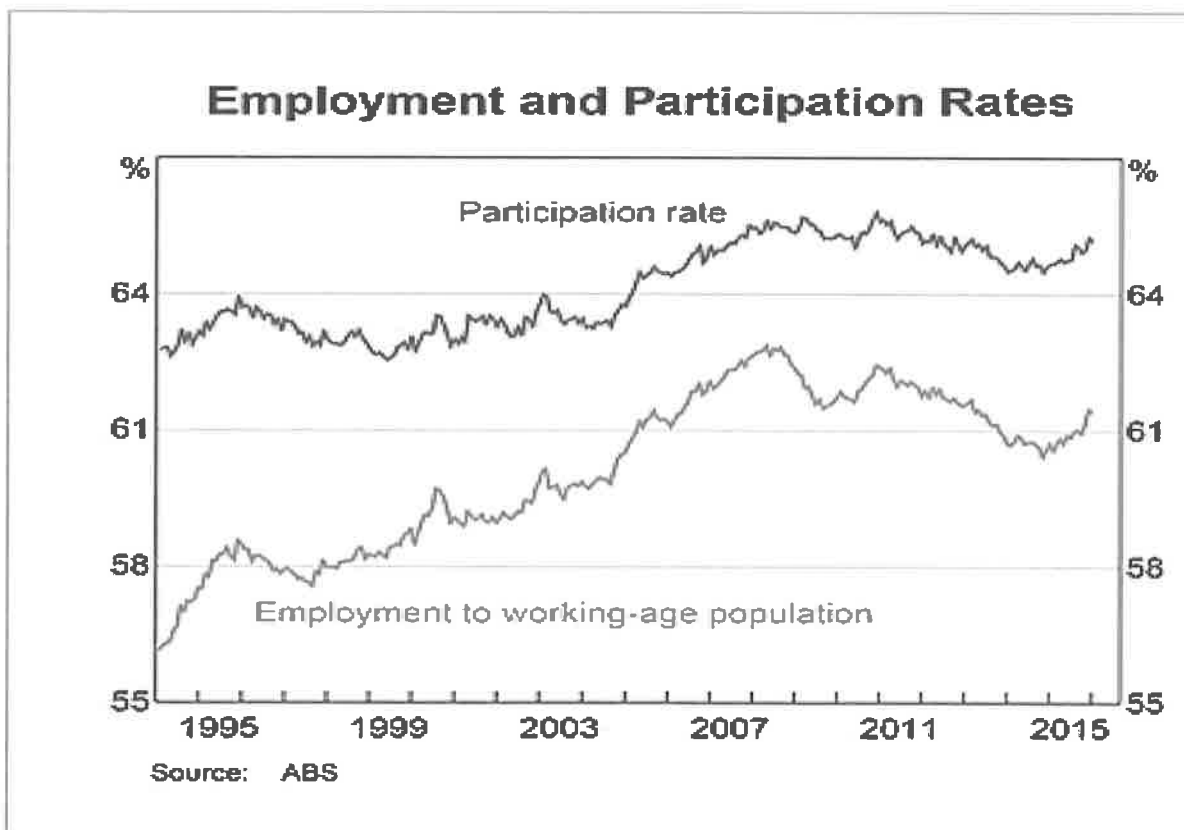
- demonstrate knowledge and understanding relevant to the question
- use information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 26 (20 marks)

Assess the current role of fiscal policy in achieving economic growth and full employment in Australia.

“The Turnbull government’s mid-year budget update revised Australia’s real GDP growth downwards for 2015-16, from the budget forecast of 2.75 per cent to 2.5 per cent. Additionally, the IMF says ongoing problems with China’s economic rebalancing, the huge fall in global commodity prices and rising US interest rates are seriously hampering the global growth effort.”

Extracted from Hutchens, G. (2016, January 20). IMF warns global growth could be 'derailed' over the next two years. The Sydney Morning Herald. Retrieved from <<http://www.smh.com.au/business/the-economy/global-growth-could-be-derailed-over-the-next-two-years-warns-imf-20160119-gm9bo1.html>>. Used under licence.



End of Section III

Section IV

20 marks

Attempt either Questions 27 or 28

Allow about 35 minutes for this section

Answer the question on pages 10-16 of the Section III and IV Writing Booklet. Extra writing booklets are available.

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

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

Question 27 (20 marks)

Discuss how government economic policies influence income distribution in the Australian economy.

OR

Question 28 (20 marks)

For an economy other than Australia, discuss the influence of globalisation on economic growth, development and environmental sustainability.

End of Paper

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EXAMINERS

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