



CATHOLIC SECONDARY SCHOOLS
ASSOCIATION OF NSW

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Centre Number

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Student Number

DO NOT REMOVE PAPER FROM EXAM ROOM

2020

**TRIAL HIGHER SCHOOL CERTIFICATE
EXAMINATION**

Economics

Morning Session
Monday, 31 August 2020

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Use Multiple-Choice Answer Sheet provided
- NESA-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 10-18

40 marks

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

Section III

Pages 21-23

20 marks

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

Section IV

Page 24

20 marks

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

Disclaimer

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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 would be considered an indicator of economic development?
 - (A) Economic growth
 - (B) Increased exports
 - (C) Increased literacy rates
 - (D) Increased degradation of the environment

- 2 An individual who is unemployed for 18 months will most likely be considered which of the following types of unemployment?
 - (A) Cyclical
 - (B) Long Term
 - (C) Structural
 - (D) Underemployment

- 3 Which of the following would increase the supply of Australian dollars to the foreign exchange market?
 - (A) Greater export volume
 - (B) Greater import volume
 - (C) Increased foreign investment
 - (D) Decreased Australian investment overseas

- 4 The rationale for macroeconomic policy is best described by which of the following?
- (A) Reallocate resources in the economy.
 - (B) Influence consumption in the economy.
 - (C) Function as a counter cyclical economic tool.
 - (D) Increase the productive capacity of the economy.

- 5 Which of the following combinations correctly indicates how a foreign loan would impact the Balance of Payments?

	<i>Credit</i>	<i>Debit</i>
(A)	Financial Account	Primary Income Account
(B)	Primary Income Account	Financial Account
(C)	Secondary Income Account	Capital Account
(D)	Capital Account	Secondary Income Account

- 6 Which of the following policy measures would most likely cause the deterioration income distribution?
- (A) Increased transfer payments
 - (B) Increasing the tax-free threshold
 - (C) Indexing minimum wage to inflation
 - (D) Implementing a flat rate of income tax
- 7 Which of the following would cause an increase in the labour force? (updated per errata)
- (A) Increase in the retirement age
 - (B) Increasing the school leaving age
 - (C) Removal of the childcare subsidy
 - (D) Prolonged period of economic recession

- 8 Which of the following international organisations would provide financial support for a developing country during an economic crisis?
- (A) The World Bank
 - (B) The World Trade Organisation (WTO)
 - (C) The International Monetary Fund (IMF)
 - (D) The Organisation of Economic Cooperation and Development (OECD)

- 9 The Australian government's competition policy is designed to increase productivity of firms.

Which of the following indicates the effects of the policy on the market and the economy?

	<i>Market Impacted</i>	<i>Effect</i>
(A)	Factor	Increased price level
(B)	Factor	Decreased productive capacity
(C)	Product	Inefficient allocation of resources
(D)	Product	Increased international competitiveness

- 10 There has been an increase in tariff protection in the United States.

Assuming all else being equal, what would be the effects on Australian exports?

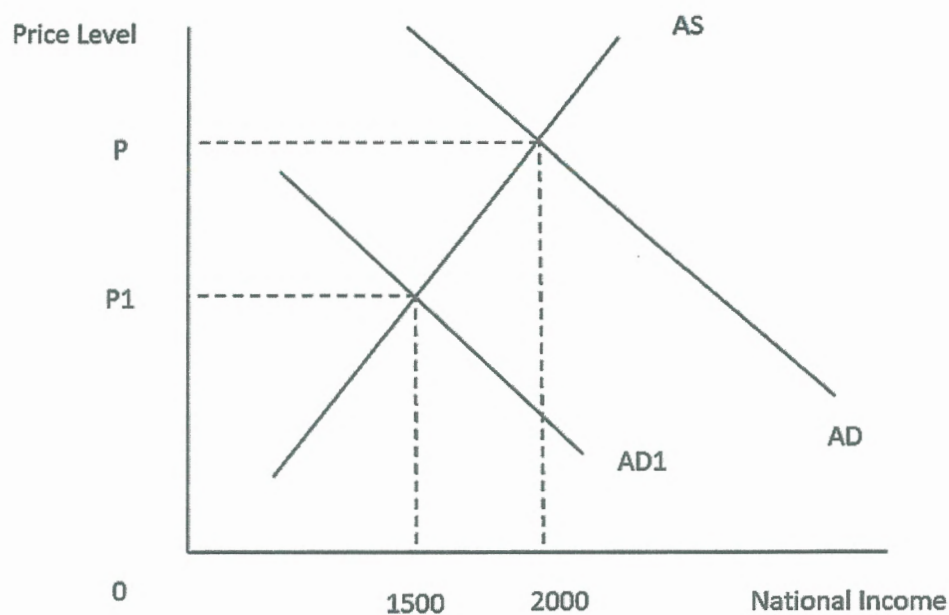
- (A) Australian exports become cheaper and volumes increase.
- (B) Australian exports become cheaper and volumes decrease.
- (C) Australian exports become more expensive and volumes increase.
- (D) Australian exports become more expensive and volumes decrease.

- 11 The table below represents a range of economic indicators for a hypothetical economy.

<i>Economic Indicator</i>	<i>Year 1</i>	<i>Year 2</i>
Economic Growth	5%	8%
Human Development Index (HDI)	0.43	0.52
Gini Co-efficient	0.8	0.65

Which of the following correctly classifies this economy?

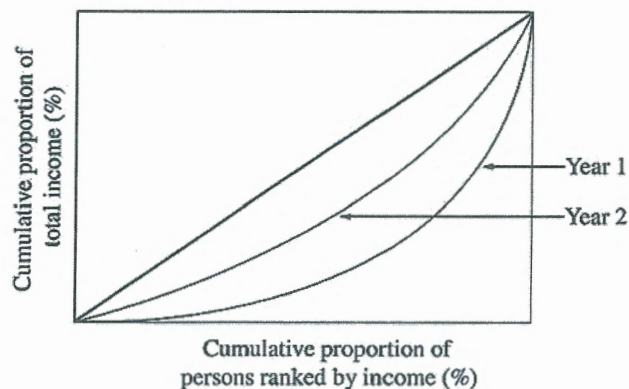
- (A) Emerging Economy
 - (B) Advanced Economy
 - (C) Developing Economy
 - (D) High Gross National Income Economy
- 12 The following diagram shows a decrease in Aggregate Demand.



Assuming the economy has a marginal propensity to consume of 0.8, what change in AD would have caused the change in national income above?

- (A) \$100
- (B) -\$100
- (C) -\$500
- (D) -\$800

13 The diagram below shows a Lorenz curve for a hypothetical economy.



Which combination of changes to taxation and the labour market would have most likely caused the change from Year 1 to Year 2?

	<i>Taxation</i>	<i>Labour Market</i>
(A)	Increased GST	Decreased minimum wage
(B)	Increase tax-free threshold	Increased underemployment
(C)	Increased luxury goods tax	Increased minimum wage
(D)	Reduced company tax	Increased labour productivity

14 Which of the following is a positive effect of inflationary pressure?

- (A) Reduced real wages
- (B) Increasing asset prices
- (C) Increased unemployment
- (D) Reallocation of resources to industry with increasing prices

15 There has been a decrease in global oil supply.

What would be the most likely impact of this on the global economy?

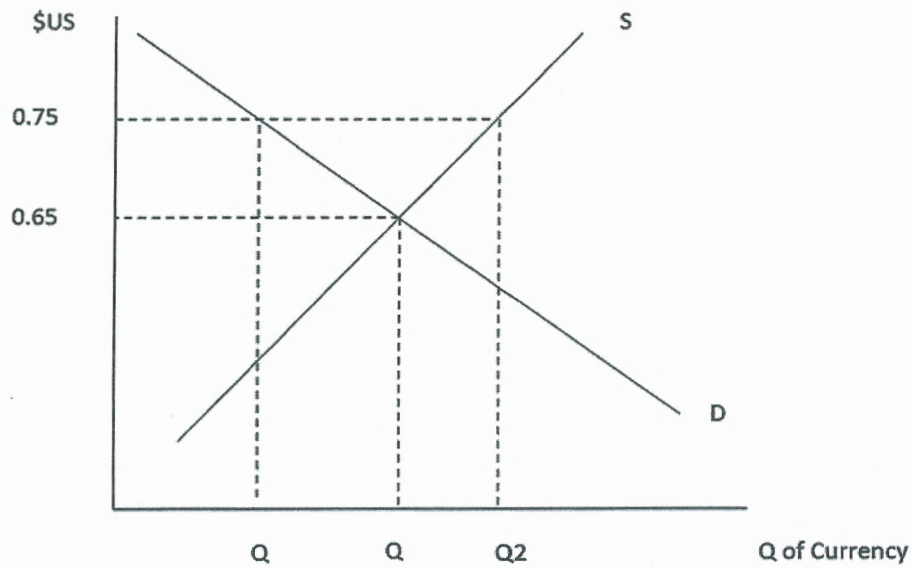
- (A) Increased migration rates
- (B) Decreased levels of economic protection
- (C) Expansion of the international business cycle
- (D) Decreased productive capacity of the global economy

- 16 Assume an economy has a non-accelerating inflation rate of unemployment (NAIRU) of 5%. The economy is operating at 6% unemployment and the objective is 4% unemployment.

Which of the following would most likely achieve this?

- (A) Contractionary monetary policy and lower spending on education.
 - (B) Expansionary monetary policy and greater spending on education.
 - (C) Expansionary monetary policy and further centralisation of labour markets.
 - (D) Contractionary monetary policy and further decentralisation of labour markets.
- 17 Why can it be argued that a public park is NOT a public good?
- (A) It is excludable.
 - (B) It is paid for through tax.
 - (C) It is rivalrous in consumption.
 - (D) It is not available in each area.

18 The following diagram shows a fixed exchange rate system for a hypothetical economy.



Assuming the hypothetical economy fixes their exchange rate at \$0.65US, what action will be taken if the currency appreciates to \$0.75US?

	<i>Domestic Currency</i>	<i>Foreign Currency</i>
(A)	Sell	Buy
(B)	Buy	Sell
(C)	Buy	Buy
(D)	Sell	Sell

- 19 The table below shows a range of economic indicators for the Australian economy.

<i>Economic Indicator</i>	<i>Year 1</i>	<i>Year 2</i>
Unemployment Rate	5.5%	3.5%
Nominal GDP	\$1000m	\$1500m
Inflation CPI	100	125

Assuming the NAIRU is 4.5%, which policy mix is appropriate based on the indicators above?

	<i>Monetary Policy</i>	<i>Fiscal Policy</i>
(A)	Loosening	Expansionary
(B)	Tightening	Expansionary
(C)	Loosening	Contractionary
(D)	Tightening	Contractionary

- 20 The table below shows a range of external stability indicators for the Australian economy.

	<i>Year 1</i>	<i>Year 2</i>
Terms of Trade	100	110
Exchange Rate	\$0.95US	\$0.85US
Current Account Deficit (CAD)	-\$25million	-\$15million
GDP (millions)	150	160

What is the change in the external stability of the Australian economy?

- (A) Deteriorating due to depreciating Australian dollar and increased current account deficit ratio.
- (B) Deteriorating due to improved terms of trade and decreased current account deficit ratio.
- (C) Improving due to increased cost of servicing debt and increased current account deficit ratio.
- (D) Improving due to increased international competitiveness and decreased current account deficit ratio.

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 19 and 20. If you use this space, clearly indicate which question you are answering.

Question 21 (10 marks)

- (a) Distinguish between the capital and financial account. **2**

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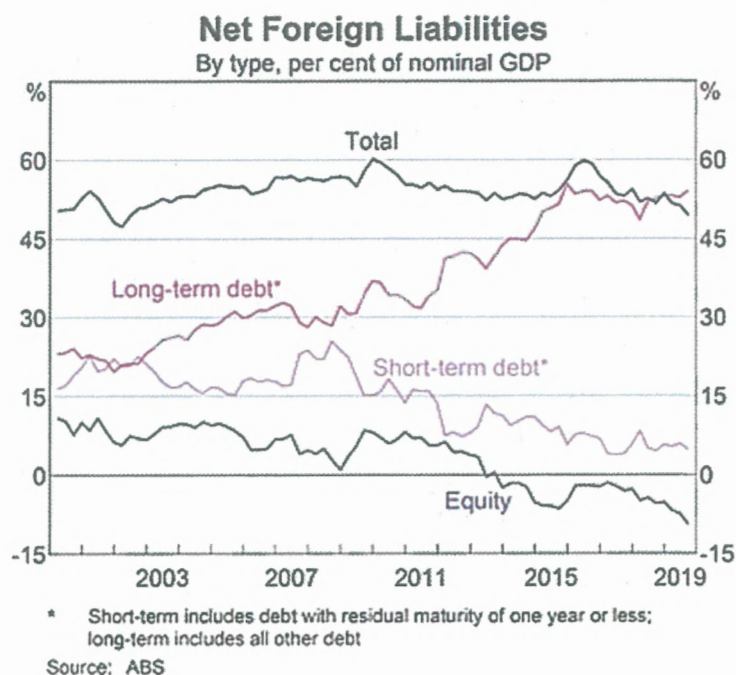
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Question 21 continues on page 11

Question 21 (continued)

The following diagram shows the Net Foreign Liabilities of the Australian economy.



Australian Bureau of Statistics © Commonwealth of Australia. Used with permission.

- (b) Describe ONE reason for the change in Australia's net foreign liabilities between 2015 and 2019.

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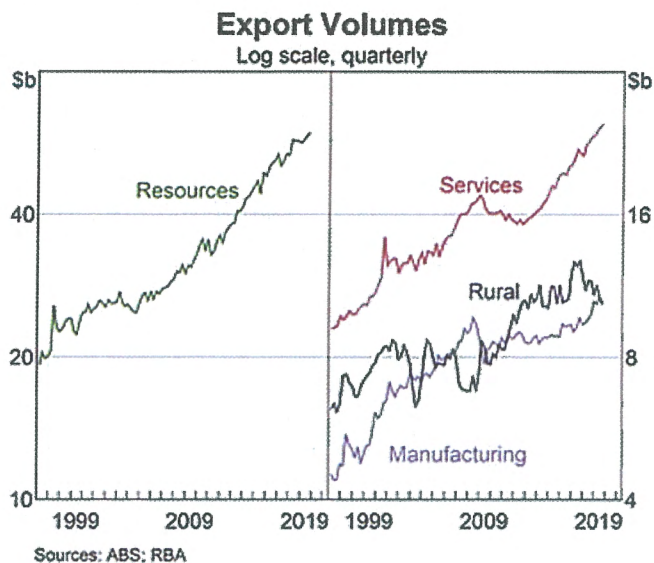
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Question 21 continues on page 12

Question 21 (continued)

Refer to the stimulus below in your response.



Australian Bureau of Statistics © Commonwealth of Australia and the Reserve Bank of Australia © Reserve Bank of Australia.
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- (c) Explain the impact of structural change in the Australian economy on TWO components of the Current Account.

[illegible]

End of Question 21

Question 22 (10 marks)

(a) Distinguish between demand pull and cost push inflation.

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(b) Explain the impact of inflationary expectations on the rate of unemployment.

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Question 22 continues on page 14

Question 22 (continued)

(c) Assess the impact of inflation on the allocation of resources in an economy.

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End of Question 22

Question 23 (10 marks)

(a) Define a quota. **1**

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(b) Outline the impact of a decreased use of subsidies on the government budget outcome. **2**

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(c) Describe the role of the International Monetary Fund (IMF) within in the global economy. **3**

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Question 23 continues on page 16

Question 23 (continued)

(d) Discuss the impact of globalisation on developing economies.

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End of Question 23

Question 24 (10 marks)

- (a) Outline ONE limitation of microeconomic policy.
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- (b) Why might minimum wage create unemployment?
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Question 24 continues on page 18

Question 24 (continued)

- (c) Evaluate the impact of a decentralised wage system on Australia's international competitiveness.

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End of Question 24

Section II Extra writing space

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

Section II Extra writing space

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

End of Section II

Section III

20 marks

Attempt either Question 25 or 26

Allow about 35 minutes for this section

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

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

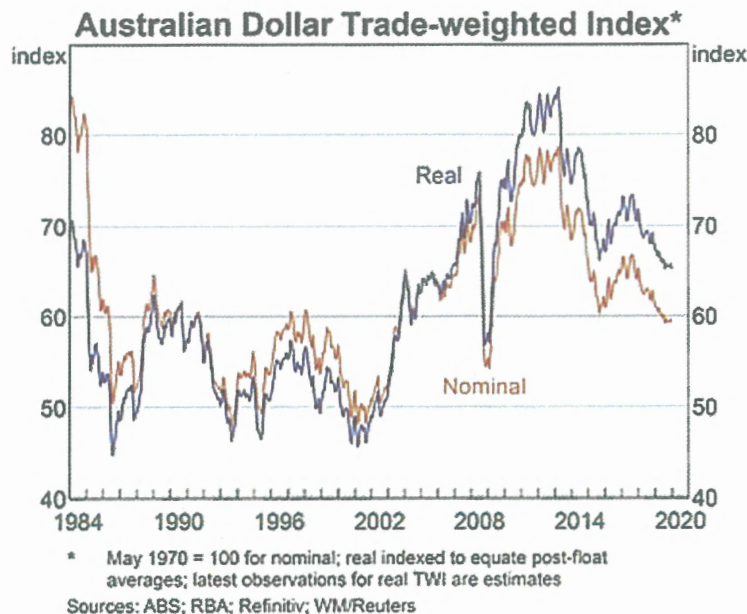
- demonstrate knowledge and understanding relevant to the question
 - use information provided
 - apply relevant economic terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
-

Please turn over

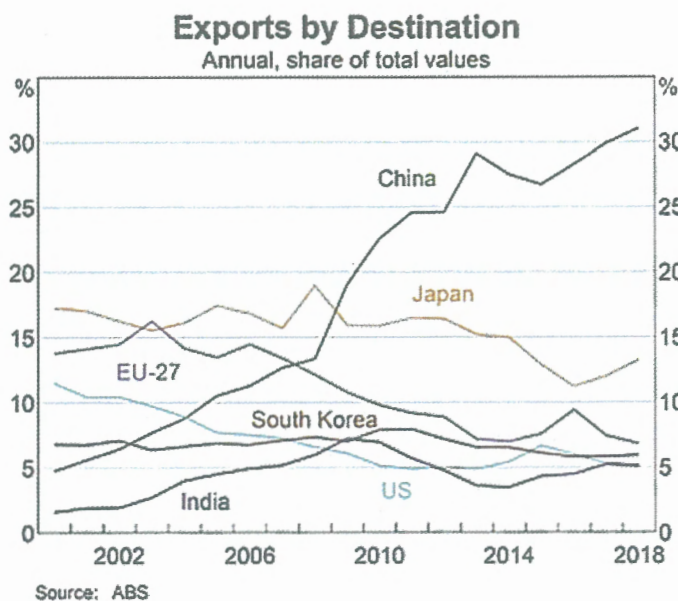
Question 25 (20 marks)

Discuss how changes in the value of the AUD can impact the composition and direction of Australian trade.

Exports of iron ore, coal and liquified natural gas have become increasingly important since the investment to expand production capacity of these goods during the mining boom. More recently, Australia has experienced growth in the services sector as a share of exports. <https://www.rba.gov.au/education/resources/explainers/pdf/trends-in-australias-balance-of-payments.pdf?v=2020-03-22-11-42-11>. Reserve Bank of Australia © Reserve Bank of Australia. Used with permission.



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OR

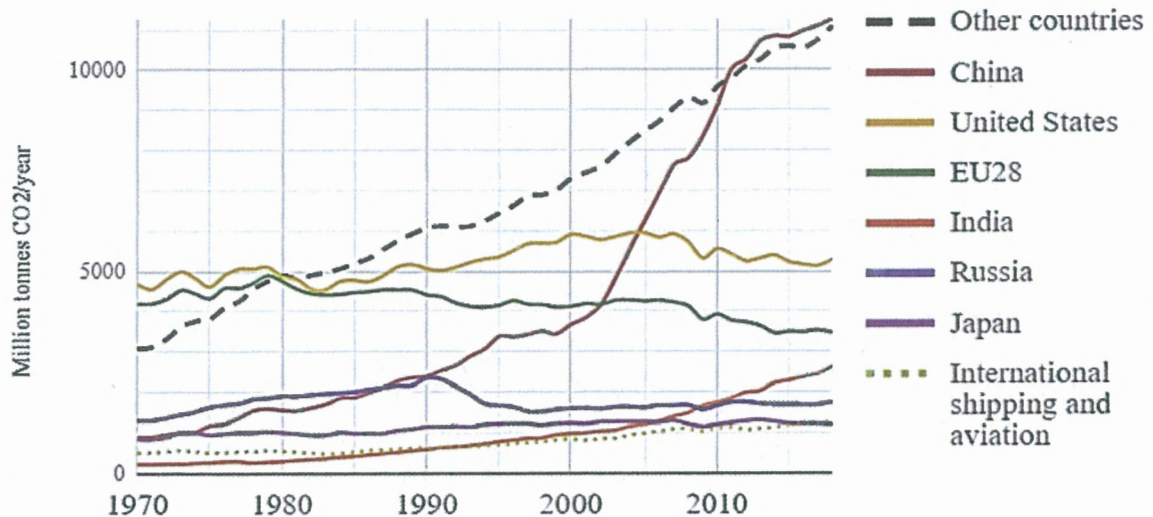
Question 26 (20 marks)

Discuss the impact of continuing world economic growth and development on the environment.

An absence of development cooperation is a significant hurdle to preventing further climate change. Developed nations are increasingly unwilling to share technological advances while emerging and developing economies are reluctant to forego the opportunity to accelerate growth through increased resource depletion.

Source: OECD (2019), *Aligning Development Co-operation and Climate Action: The Only Way Forward, The Development Dimension*, OECD Publishing, Paris, <https://doi.org/10.1787/5099ad91-en>. Used with permission.

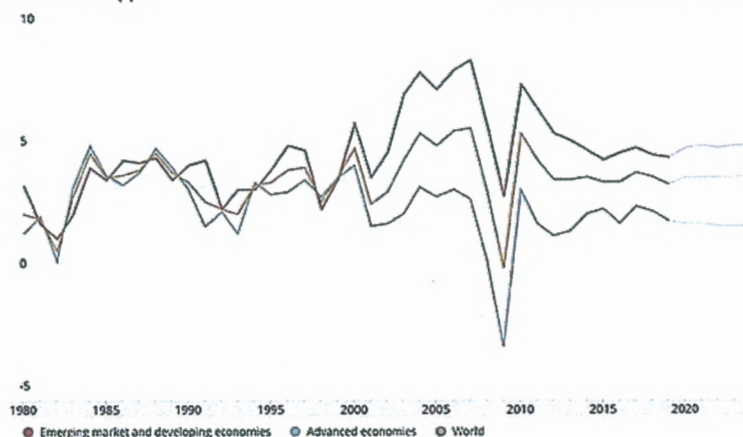
World fossil carbon dioxide emission 1970-2018



Source: https://en.wikipedia.org/wiki/List_of_countries_by_carbon_dioxide_emissions
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IMF DataMapper

Real GDP growth (Annual percent change)



© IMF, 2019, Source: World Economic Outlook (April 2019)

<https://www.gfmag.com/global-data/economic-data/countries-highest-gdp-growth>
IMF DataMapper. Source World Economic Outlook April 2019. Used with permission.

End of Section III

Section IV

20 marks

Attempt either Question 27 or 28

Allow about 35 minutes for this section

Answer the question in a separate 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)

Assess the use of monetary policy to achieve full employment and price stability.

OR

Question 28 (20 marks)

Assess the use of fiscal policy to achieve an equitable distribution of income and full employment.

End of Paper

EXAMINERS

Len Nixon (Convener)
Sophie Rowland
Andrew Watts
Phil Nicol

Barker College, Hornsby
St Matthews Catholic College, Mudgee
Barker College, Hornsby
St Paul's Catholic College Manly

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