

STUDENT NUMBER:

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TEACHER:

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BAULKHAM HILLS HIGH SCHOOL
HIGHER SCHOOL CERTIFICATE
TRIAL HSC EXAMINATION

2016 Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Board- approved calculators may be used

Total marks -100

Section I: Pages 2-9

20 marks

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

Section II: Pages 11-19

40 marks

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

Section III: Pages 22-23

20 marks

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

Section IV: Page 24

20 marks

- Attempt either Question 27 or Question 28
- Allow about 35 mins 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

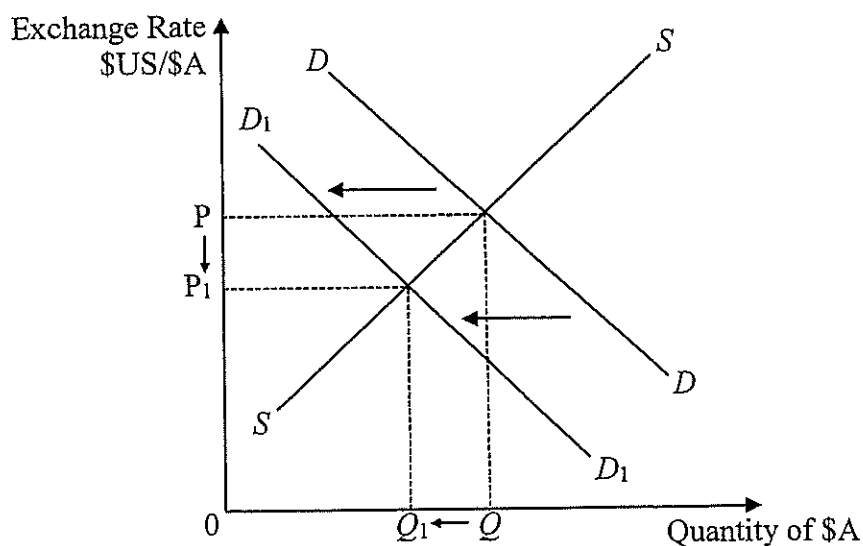
20 marks

Attempt Questions 1 – 20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet for Questions 1-20.

- 1 What is most likely to be a negative externality of coal seam gas extraction in rural New South Wales?
- (A) Decreased unemployment in rural areas
 - (B) A decrease in water quality in rural areas
 - (C) A decrease in the price of gas
 - (D) Increased farm production
- 2 The diagram shows a change in demand for Australian dollars (\$A) from D to D_1 .



Which of the following statements is most likely to explain the impact on the Australian economy of this change in demand for Australian dollars?

- (A) Australian assets will be less expensive for overseas investors.
- (B) Australian exports will be more expensive.
- (C) Overseas travel by Australians will be cheaper.
- (D) Foreign students will be discouraged from studying in Australian education institutions.

- 3 Which of the following is most likely to cause an increase in Australia's Gini co-efficient?
- (A) A decrease in the Goods and Services Tax
 - (B) A decrease in the top marginal tax rate
 - (C) An increase in Family Tax Benefits
 - (D) An increase in the Age Pension

- 4 A developing country shows an increase in living standards over a five year period due to positive changes in economic growth and economic development.

Which combination of the following economic growth and economic development indicators are most likely to have contributed to the increase in living standards?

	<i>Reason for change in economic growth</i>	<i>Reason for change in economic development</i>
(A)	An increase in GDP per capita	An increase in infant mortality
(B)	An increase in imports	An increase in life expectancy
(C)	An increase in real GDP per capita	An increase in educational attainment
(D)	An increase in adult literacy rates	An increase in foreign aid

- 5 The table shows selected data for a hypothetical economy.

<i>Year</i>	<i>Income (\$ billions)</i>	<i>Savings (\$ billions)</i>
1	2000	200
2	2500	300
3	3000	400

If national income rises to \$4000 billion in Year 4, what will be the level of consumption expenditure?

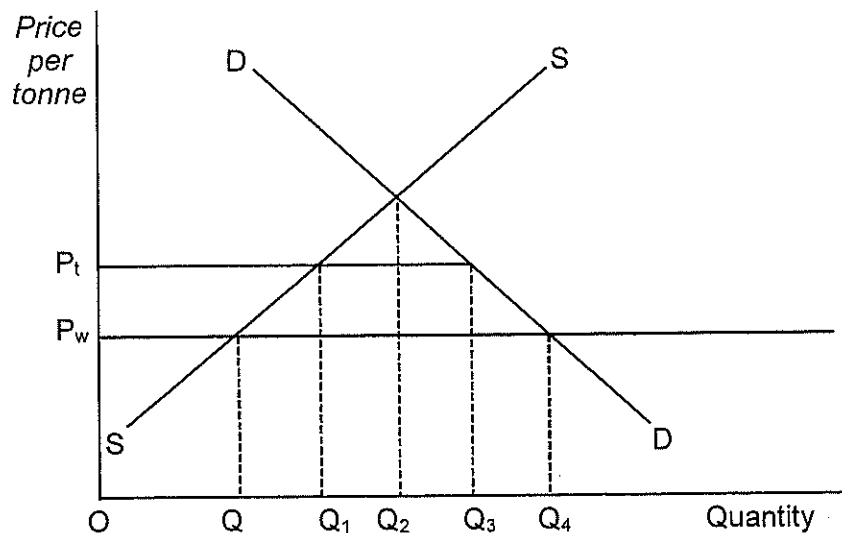
- (A) \$600 billion
- (B) \$2600 billion
- (C) \$3400 billion
- (D) \$4000 billion

- 6 The table shows economic data for a hypothetical economy.

<i>Year</i>	<i>Cash rate</i>	<i>Structural budget outcome</i>
1	2.00 per cent	\$40 billion deficit
2	1.50 per cent	\$35 billion deficit

What is the stance of monetary policy and fiscal policy from Year 1 to Year 2?

- (A) Monetary policy is contractionary and fiscal policy is contractionary.
 (B) Monetary policy is contractionary and fiscal policy is expansionary.
 (C) Monetary policy is expansionary and fiscal policy is expansionary.
 (D) Monetary policy is expansionary and fiscal policy is contractionary.
- 7 The following diagram shows the effect of a tariff on the demand and supply of Australian steel. P_w is the world price for steel and P_t is the tariff price.



What is the likely effect of the introduction of the tariff on the supply for Australian steel on the domestic market?

- (A) The quantity supplied will increase from OQ to OQ_1 .
 (B) The quantity supplied will increase from OQ_1 to OQ_2 .
 (C) The quantity supplied will decrease from OQ_1 to OQ .
 (D) The quantity supplied will decrease from OQ_4 to OQ_3 .

- 8 The following table shows selected information for the balance of payments for a country with a floating exchange rate.

<i>Category</i>	<i>Amount (\$ millions)</i>
Net Services	-15
Net Primary Income	-40
Net Secondary Income	2
Capital and Financial Account	60

What is the goods balance on the current account?

- (A) -\$3 million
 - (B) -\$7 million
 - (C) \$7 million
 - (D) \$55 million
- 9 The Australian agriculture industry undertakes improvements in technical efficiency and structural adjustment to meet the increase in global demand for Australian agricultural products.

Which of the following best describes the likely economic impact on Australian agriculture industries of these improvements?

- (A) An increase in international competitiveness and a decrease in the supply of agricultural products
 - (B) A decrease in international competitiveness and an increase in input costs of agricultural products
 - (C) An increase in international competitiveness and an increase in export revenue for farmers
 - (D) A decrease in international competitiveness and a decrease in domestic market competition
- 10 The following table shows selected data for two countries.

<i>Country</i>	<i>Human Development Index</i>
A	0.93
B	0.34

Which statement is most consistent with the above data?

- (A) Country A has a lower life expectancy than country B.
- (B) Country A has lower adult literacy than country B.
- (C) Country A has higher infant mortality than country B.
- (D) Country A has higher GDP per capita than country B.

- 11 Which combination of actions by the Reserve Bank of Australia is most likely to cause a depreciation of the Australian dollar?

	<i>Foreign currency</i>	<i>Cash rate</i>
(A)	Buy	Decrease
(B)	Sell	Decrease
(C)	Buy	Increase
(D)	Sell	Increase

- 12 Foreign workers in Australia remit some of their wages to their families overseas.

How would these remittances be recorded in Australia's balance of payments?

- (A) As a debit in the capital account
 (B) As a credit in net primary income in the current account
 (C) As a credit in the financial account
 (D) As a debit in net secondary income in the current account
- 13 The following table shows data for income and consumption in a closed economy.

<i>Disposable income</i> \$m	<i>Consumption</i> \$m
50	50
100	80
150	110
200	140
250	170

What is the value of the marginal propensity to consume (MPC) and the simple multiplier?

- (A) The MPC is 0.4 and the multiplier is 2.5.
 (B) The MPC is 0.8 and the multiplier is 5.
 (C) The MPC is 0.6 and the multiplier is 2.5.
 (D) The MPC is 0.9 and the multiplier is 10.

- 14 The table shows data for a hypothetical economy.

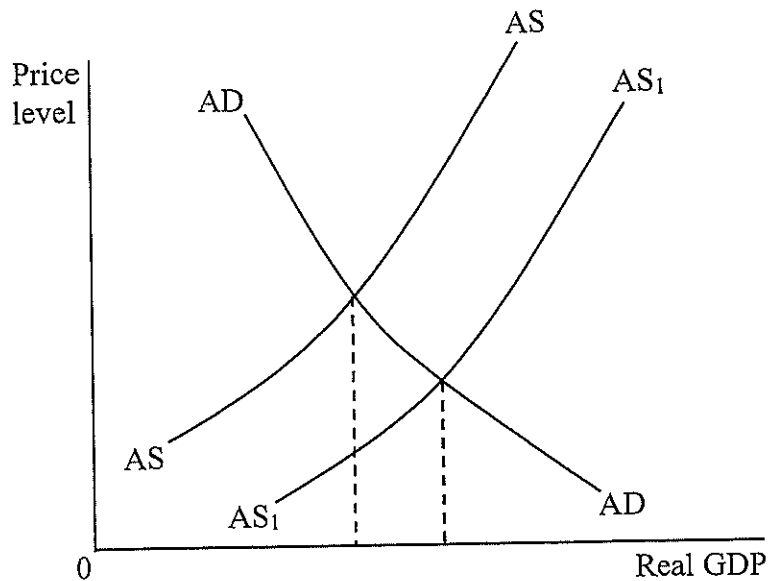
<i>Year</i>	<i>Employed Persons</i>	<i>Total Labour Force</i>	<i>Gini co-efficient</i>
1	11 750 000	12 500 000	0.315
2	11 800 000	12 700 000	0.335

What is the effect of the changes from Year 1 to Year 2 on the unemployment rate and income inequality?

	<i>Unemployment rate</i>	<i>Income inequality</i>
(A)	Increased	Decreased
(B)	Increased	Increased
(C)	Decreased	Decreased
(D)	Decreased	Increased

- 15 Which of the following would be most likely to lead to an increase in the non-discretionary component of the Australian Federal budget outcome?
- (A) An increase in the unemployment rate
 - (B) An increase in the tax free threshold
 - (C) An increase in government superannuation contributions
 - (D) An increase in government expenditure on defence equipment

- 16 The following diagram shows aggregate demand and aggregate supply curves for the Australian economy.



- Which of the following changes in government economic policy could cause a shift of the aggregate supply curve from AS to AS₁?
- (A) An increase in consumption spending by households
 - (B) An increase in the National Minimum Wage by the Fair Work Commission
 - (C) A reduction in the cash rate by the Reserve Bank of Australia
 - (D) An increase in Australian government expenditure on infrastructure
- 17 An emerging country is experiencing balance of payment difficulties and instability in its exchange rate.
- Which of the following international organisations could provide the country with financial assistance?
- (A) The World Trade Organisation
 - (B) The World Bank
 - (C) The International Monetary Fund
 - (D) The Organisation for Economic Co-operation and Development

- 18 The following table shows selected data for an economy in equilibrium.

<i>Injection/leakage</i>	<i>\$ millions</i>
Exports	80
Taxation	60
Imports	100
Savings	?
Investment	150
Government Expenditure	60

What is the level of saving for this economy?

- (A) \$200m
 (B) \$130m
 (C) \$210m
 (D) \$110m
- 19 What are the three parts of the Safety Net for employees under the *Fair Work Act 2009*?
- (A) The National Employment Standards, Modern Awards and the National Minimum Wage
 (B) Single Enterprise, Multi-Enterprise and Greenfields Agreements
 (C) The Fair Work Commission, the Fair Work Ombudsman and Good Faith Bargaining
 (D) Modern Awards, Enterprise Agreements and Common Law Contracts
- 20 The following table shows selected data for a hypothetical economy.

<i>Year</i>	<i>Export price index</i>	<i>Import price index</i>
1	100	100
2	105	110

Which statement is most consistent with the above data between Year 1 and Year 2?

- (A) The terms of trade has improved and the country can buy more imports with a given volume of exports.
 (B) The terms of trade has improved and the country can buy less imports with a given volume of exports.
 (C) The terms of trade has deteriorated and the country can buy the same volume of imports with a given volume of exports.
 (D) The terms of trade has deteriorated and the country can buy less imports with a given volume of exports.

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STUDENT NUMBER:

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TEACHER:

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2016 HIGHER SCHOOL CERTIFICATE
Trial HSC Examination

Economics

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 paper is provided on
pages 20-21. 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

Question 21 (10 marks)

(a) Outline the main components of Australia's balance of payments. **2**

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(b) Distinguish between the terms of trade and international competitiveness. **2**

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(c) Outline how a change in Australia's terms of trade can influence the exchange rate and international competitiveness. **2**

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Question 21 continues on page 13

Question 21 (continued)

(d) Explain causes of unfavourable movements in Australia's terms of trade. 4

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End of Question 21

Question 22 (10 marks)

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

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(b) How might the rate of wage growth affect the level of inflation? **3**

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Question 22 continues on page 15

Question 22 (continued)

(c) Analyse the possible effects of low inflation on the Australian economy. 5

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End of Question 22

Question 23 (10 marks)

(a) Distinguish between private costs and social costs. **2**

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(b) Why can market failure occur in the provision of public goods? **3**

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Question 23 continues on page 17

Question 23 (continued)

(c) Explain how environmental targets and international agreements can impact on environmental policies and management in Australia.

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End of Question 23

Question 24 (10 marks)

- (a) Distinguish between a subsidy and a quota. 2

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- (b) Explain ONE benefit of removing a subsidy. 2

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Question 24 continues on page 19

Question 24 (continued)

(c) Discuss impacts of bilateral and regional trade agreements on the global economy. 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 Section. III Writing Booklet. Extra writing paper is available.

Your answer will be assessed on how well you:

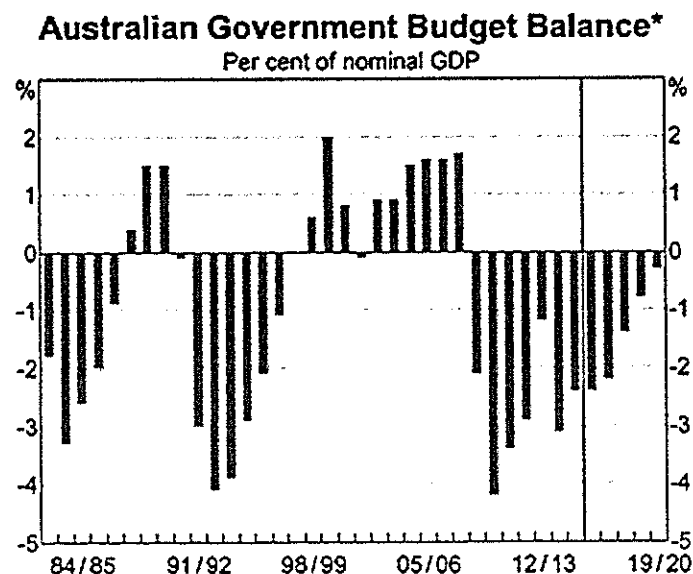
- demonstrate knowledge and understanding relevant to the question
 - use the information provided
 - apply relevant economic terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
-

Question 25 (20 marks)

Discuss the impact of macroeconomic policies on economic growth and full employment in the Australian economy. In your response, you should refer to the economic information provided.

“At its meeting today, the Board decided to lower the cash rate by 25 basis points to 1.75 per cent, effective 4 May 2016. This follows information showing inflationary pressures are lower than expected. Inflation has been quite low for some time and recent data were unexpectedly low. While the quarterly data contain some temporary factors, these results, together with ongoing very subdued growth in labour costs and very low cost pressures elsewhere in the world, point to a lower outlook for inflation than previously forecast.”

Source: Statement by Glenn Stevens, Governor, Reserve Bank of Australia,
Monetary Policy Decision
3 May 2016



Source: Australian Treasury *Underlying cash balance: 2016/17 Budget

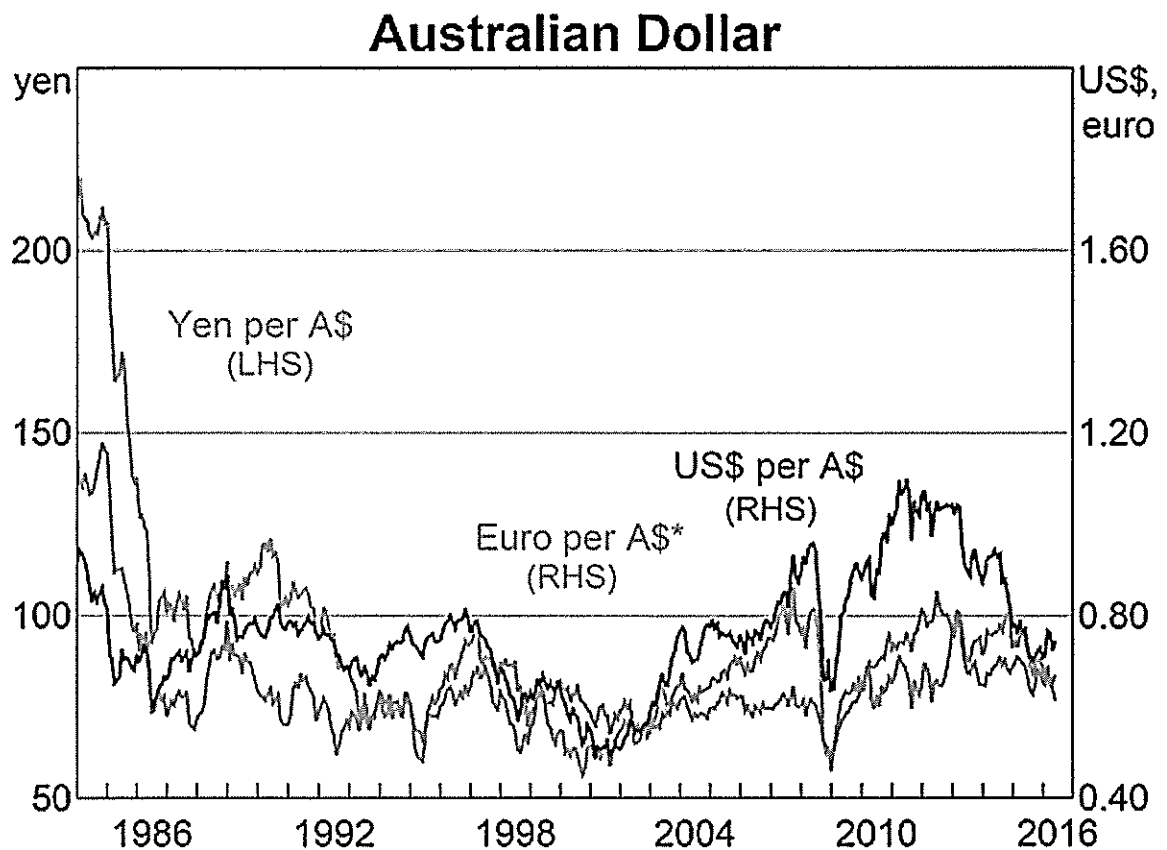
OR

Question 26 (20 marks)

Discuss the effects of changes in the value of Australian dollar on the Australian economy. In your response, you should refer to the economic information provided.

“The Reserve Bank Board reduced the cash rate by 50 basis points in the first half of 2015. The available data suggest that the accommodative stance of monetary policy and the depreciation of the exchange rate since 2013 have supported growth and assisted the rebalancing of economic activity towards non-resource sectors of the economy. This has been most apparent in the significant contribution to growth made by net service exports.”

Source: Reserve Bank of Australia (2016), *Statement on Monetary Policy*, February



Source: Reserve Bank of Australia, Chart Pack, www.rba.gov.au

Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question in the Section IV Writing Booklet. Extra writing paper is 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)

Evaluate strategies used to promote economic growth and development in an economy other than Australia.

OR

Question 28 (20 marks)

Evaluate the effectiveness of government policies in reducing the level of unemployment in the Australian economy.

End of paper