

STUDENT NAME:			
SUBJECT TEACHER:		TUTOR GROUP:	

Year 12 Trial Exam

ECONOMICS

Written examination

Reading time: (15 minutes)

Writing time: (120 minutes)

September 2023

QUESTION AND ANSWER BOOK

Structure of book

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	15	15	15
B	4	4	65
Total			80

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners, scientific calculator, and rulers.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or correction fluid/tape.

Materials supplied

- Question and Answer Book of 24 pages.
- Answer sheet for Multiple-Choice Questions.
- Additional space is available at the end of the book if you need extra paper to complete an answer.

Instructions

- Write your **name** in the space provided above on this page and on the Multiple-Choice Answer Sheet.
- All written responses must be in English.

At the end of the examination

- Wrap the answer sheet for Multiple-Choice Questions around this book.

Students are NOT permitted to bring into the examination room mobile phones and/or any other unauthorised electronic devices.

Section A – Multiple-Choice Questions

Instructions for Section A

Answer **all** questions in pencil on the answer sheet provided for Multiple-Choice Questions.

Choose the response that is **correct** or that **best answers** the question.

A correct answer scores 1; an incorrect answer scores 0.

Marks will **not** be deducted for incorrect answers.

No marks will be given if more than one answer is completed for any question.

Question 1

Which of the following is **not** a method of financing a budget deficit by the Australian Government?

- A. Selling government bonds to overseas investors
- B. Increasing tax rates and lowering government expenditure
- C. Selling government bonds to domestic investors
- D. Selling government bonds to the Reserve Bank of Australia (RBA)

Question 2

Hypothetical Country A	Number
Citizens over 15 years	20,000
Unemployed	1,000
Employed	9,000
Underemployed	500

Referring to the above table for a hypothetical Country A, the labour force underutilisation rate is

- A. 5%
- B. 10%
- C. 15%
- D. 53%

Question 3

Which of the following would have a **different impact** on Australia's international competitiveness than the other alternatives?

- A. A reduction in Australia's rate of inflation
- B. A reduction in Australia's labour productivity
- C. A depreciation of the Australian dollar relative to its major trading partners
- D. A reduction in Australia's corporate tax rate

Question 4

Which one of the following would have a negative impact on aggregate supply?

- A. Removal of the immediate tax deduction for capital expenditure
- B. Additional funding for vocational training programs to assist industries with skill shortages
- C. Funding for improved port facilities in Melbourne and Sydney
- D. Subsidies paid to the private sector to encourage the commencement of new wind and solar energy initiatives

Question 5

Which of the following is **not** a role of the RBA as set out in its Charter?

- A. Stability of the Australian currency
- B. Economic prosperity and welfare of the people of Australia
- C. Maintenance of full employment in Australia
- D. Maintaining economic growth as measured by real GDP between 3% to 3.5%

Question 6

An increase in skilled migration is likely to have all of the following impacts, **except**

- A. an increase in Australia's population.
- B. an increase in Australia's labour productivity.
- C. an increase in Australia's productive capacity.
- D. an increase in Australia's real unit labour costs.

Question 7

A decrease in a hypothetical country's budget deficit from \$100b in Year 1 to \$80b in Year 2 will result in

- A. a decrease in the growth of public debt.
- B. a decrease in public debt by \$20b.
- C. an increase in the growth of public debt.
- D. an increase in public debt by \$20b.

Question 8

Fresh fish is likely to have an inelastic price elasticity of supply because

- A. fresh fish is relatively expensive compared to substitutes such as red meat.
- B. fish farmers can quickly increase production in response to rises in the price of fresh fish.
- C. fish farmers are unable to store fresh fish for more than a week.
- D. climatic conditions are not a consideration for fish farmers.

Question 9

The cash-flow transmission mechanism operates to slow aggregate demand by

- A. reducing discretionary incomes for borrowers of loans with a variable interest rate.
- B. decreasing the price competitiveness of Australia's exporters.
- C. decreasing asset prices leading to a wealth effect that discourages consumption.
- D. decreasing the incentive to borrow to increase consumption.

Question 10

Which of the following would **not** be described as a gain from international trade?

- A. Greater choice for consumers and producers
- B. Access to resources from overseas economies
- C. Increased access to capital equipment to improve Australia's technical efficiency
- D. Greater competition for domestic producers causing structural unemployment in some industries

Question 11

Which of the following is **least likely** to be a consequence of high levels of inflation?

- A. Increase in the level of international competitiveness of Australian exporters
- B. Erosion of consumer purchasing power
- C. Increase in income tax receipts
- D. Increase in speculative investments such as gold and collectables

Question 12

Environmental policies are primarily focussed on the improvement of which type of efficiency?

- A. Productive efficiency
- B. Dynamic efficiency
- C. Intertemporal efficiency
- D. Allocative efficiency

Question 13

According to the five-sector circular flow model of income, an increase in export income would result in

- A. an increase in leakages relative to injections.
- B. a decrease in aggregate demand.
- C. an increase in injections relative to leakages.
- D. a decrease in demand for factors of production.

Question 14

The supply curve is upward-sloping because

- A. the higher the price the lower the quantity demanded.
- B. the higher the price the lower the relative price of substitute goods.
- C. the higher the price the higher the revenue per unit of sales and therefore profit.
- D. the higher the price the higher the cost of production for firms.

Question 15

Which of the following is not a condition for a free and perfectly competitive market?

- A. Many buyers and many sellers
- B. Relatively low entry and exit costs for producers
- C. Homogeneous goods and services
- D. Opportunity costs do not exist

Section B – Written Responses

Instructions for Section B

Answer **all** questions in pen in the spaces provided.

Question 1 (16 marks)

Graph 1: Annual change in Gross Domestic Product (GDP)



Source <https://tradingeconomics.com/australia/gdp-growth-annual>

- a. Referring to the above graph, describe the current phase of Australia's business cycle.

3 marks

This image shows a blank sheet of white paper with horizontal blue or grey ruling lines, typical of notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

- b.** Explain how **one** aggregate demand **and one** global aggregate demand factor may have contributed to the current phase of Australia's business cycle identified in **Part a**.

4 marks

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

- c. Evaluate the extent to which the government has achieved the goal of strong and sustainable economic growth in the past two years. 5 marks

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on the right side, suggesting it's resting on a surface.

- d. Discuss the consequences of low rates of economic growth on material living standards.

4 marks

Question 2 (27 marks)

- a.** Distinguish between progressive and regressive taxes. Use examples in your response.

3 marks

- b.** Explain the role of **one** automatic stabiliser **and one** discretionary stabiliser in influencing aggregate demand and the rate of economic growth in the past two years. 6 marks

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

c. Identify the stance of monetary policy in 2023. Justify your response.

2 marks

- d.** Analyse the strengths and weaknesses of monetary policy in 2023 in achieving the goal of low inflation. 6 marks

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

- e. Explain how one aggregate supply policy can complement aggregate demand policies to promote non-inflationary economic growth over time. 4 marks

[illegible]

- f. Discuss the short-term and long-term impacts of the government's policy of trade liberalisation on the government's goal of full employment and living standards. 6 marks

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Question 3 (9 marks)

Month	US cents per \$Aus
Mar-22	74.8
Apr-22	71.5
May-22	71.9
Jun-22	68.9
Jul-22	70.1
Aug-22	69.0
Sep-22	65.0
Oct-22	64.2
Nov-22	67.0
Dec-22	67.8
Jan-23	70.4
Feb-23	67.3

Source: https://www.apf.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/KESI

- a.** Referring to the table, describe the trend in the A\$/US\$ from March 2022 to February 2023.
- 2 marks

- b.** Referring to the trend identified in **Part a.**, explain how two factors from the past year could have contributed to the trend. 4 marks

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

- c. Explain how the trend identified in **Part a.** may impact Australia's international competitiveness.

3 marks

[illegible]

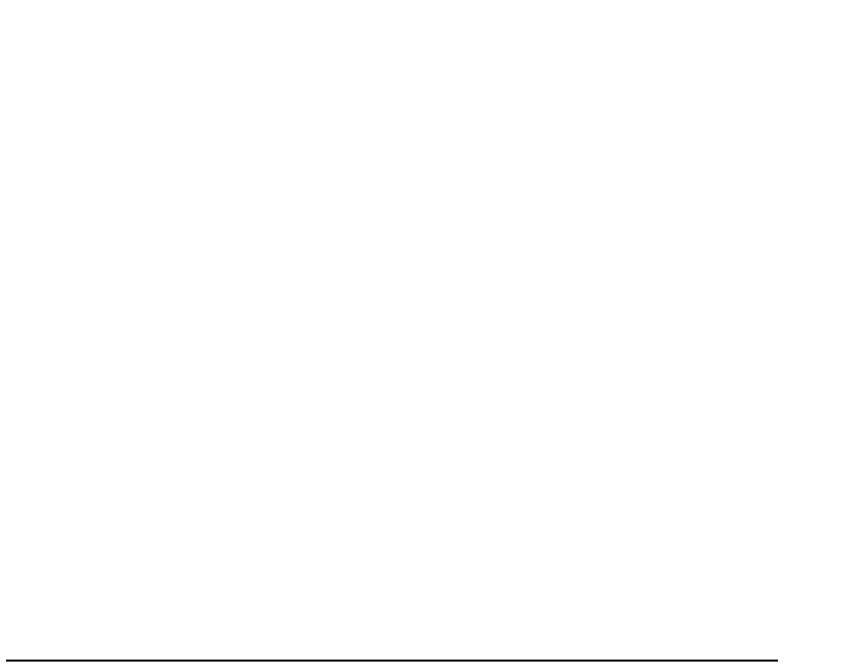
Question 4 (13 marks)

In recent times, Australian salmon prices have jumped due to adverse weather conditions and supply chain issues impacting the cost of packaging the fish. Consumer demand has also risen as shoppers continue to look for healthier and cheaper alternatives to red meat products such as lamb and beef. The Australian salmon industry is under examination by governments due to concerns about water pollution, caused by intensive salmon farming in sensitive marine environments. *Note - This is a fictional case study.*

- a.** Referring to the above, identify and outline one non-price demand factor that may have impacted the market for salmon. 2 marks

b.

- c. Construct a demand and supply diagram to illustrate the impact of the change in one non-price demand factor on the equilibrium price and quantity for salmon. 3 marks



- d. Explain the impact of the change in equilibrium price and quantity in the salmon market as identified in **Part a**. Analyse the impact of the change on relative prices and resource allocation in the Australian economy. 5 marks

[illegible]

- e. Explain how the Australian salmon industry could cause market failure in the Australian economy.

3 marks

Extra space for responses

Clearly number all responses in this space.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

END OF QUESTION AND ANSWER BOOK

Multiple-Choice Answer Sheet

NAME: _____

Shade the best answer to each question in pencil. If you make a mistake, you must completely erase it.

	A	B	C	D
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