

Student Number:

2006**PRELIMINARY**

Sample Examination Paper

ECONOMICS

General Instructions

- Reading Time – 5 minutes
- Working Time – 2 hours
- Write using blue or black pen
- Write your student number at the top of this page

Total marks – 80**Section I****20 marks**

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

Section II**20 marks**

- Attempt Questions 21–22
- Allow about 30 minutes for this section

Section III**20 marks**

- Attempt either Question 23 or Question 24
- Allow about 35 minutes for this section

Section IV**20 marks**

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

Directions to school or college

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Section I
20 marks

Allow about 20 minutes for this section

Select the alternative A, B, C, or D that best answers the question. Fill in the response sheet clearly.

1	X			
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If you think you have made a mistake, blank out the incorrect answer and fill in the new answer.

1	X			X
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If you change your mind and have crossed out what you consider to be the correct answer, then indicate the correct answer by writing the word *correct* and drawing an arrow.

1	X			X
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Correct →

Section I

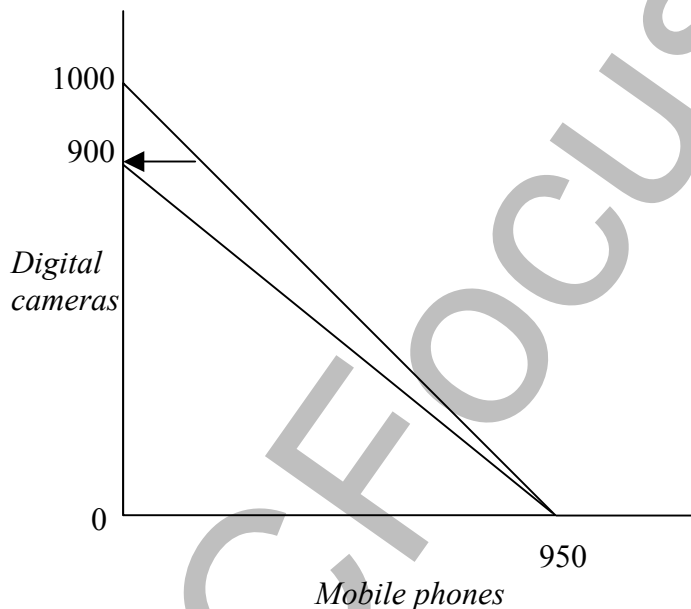
20 marks

Attempt ALL questions – each question is worth 1 mark
 Mark your answers on the multiple-choice answer sheet provided
 Allow about 20 minutes for this section

1 Which of the following best defines the economic problem?

- A Income is not evenly distributed across the population
- B The inefficient allocation of resources
- C The fall in living standards caused by rising prices
- D The scarcity of resources cannot satisfy unlimited wants

2 What would have caused the movement of the production possibility frontier shown below?



- A An improvement in the technology used in the production of digital cameras
- B An improvement in the technology used in the production of mobile phones
- C A decline in the technology used in the production of digital cameras
- D A decline in the technology used in the production of mobile phones

3 Which of the following is regarded as an investment in economics?

- A The purchase of a delivery van by a florist
- B Taking out a loan to renovate a home
- C Buying shares in the fully privatised Telstra
- D Buying a fully restored vintage sports car

4 Which of the following best defines the price mechanism?

- A The interaction between supply and demand to determine the market price
- B The setting of prices by a regulatory or government body
- C The bar code which is scanned at the check-out of a retail outlet
- D The measure of the general movement in prices in the economy

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	<i>\$ billion</i>
Savings	75
Investment	100
Taxation	95
Government spending	90
Imports	50
Exports	30

From the information given in the table above, which of the following statements is true?

- A The economy will contract because of the budget surplus and trade deficit
- B The economy will expand because investment is greater than savings
- C The economy will contract because leakages are greater than injections
- D The economy will neither expand nor contract at this time

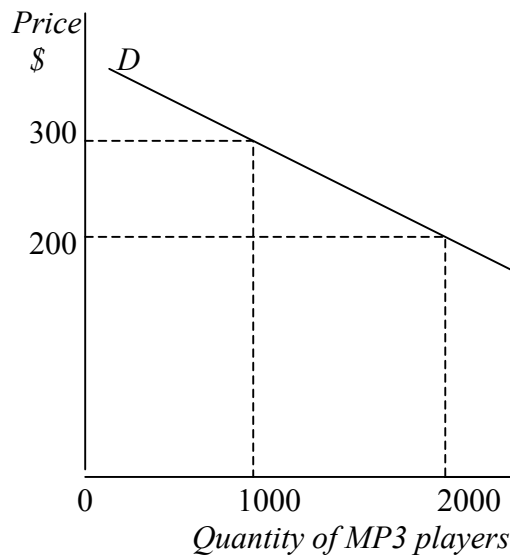
6 Which of the following is a feature of oligopoly?

- A There are no barriers to entering the market
- B A few firms have large market share
- C The product sold has no close substitutes
- D Many firms have some market share

7 Why would the Reserve Bank sell Commonwealth Government securities in the money market?

- A To increase the supply of cash and discourage consumption and investment spending
- B To increase the supply of cash and encourage consumption and investment spending
- C To decrease the supply of cash and discourage consumption and investment spending
- D To decrease the supply of cash and encourage consumption and investment spending

- 8 In the following diagram, *DD* represents the demand for MP3 players.



- What is the price elasticity of demand for the price range \$200 to \$300?
- A Relatively inelastic
 - B Relatively elastic
 - C Unit elastic
 - D Perfectly elastic
- 9 Which of the following best defines the tax base?
- A The proportion of income that is taxed
 - B The proportion of extra income that is taxed
 - C The income level where no tax is paid
 - D The items that are taxed by the government
- 10 Which factor will influence the supply of labour in an industry?
- A The education, skills and experience required for certain jobs
 - B The relative cost of labour to capital
 - C The level of output of firms
 - D The productivity of labour
- 11 Which of the following results in external diseconomies of scale?
- A A decrease in managerial efficiency
 - B An increase in tension between management and labour
 - C An increase in transport bottlenecks
 - D An increase in bottlenecks along the assembly line

- 12 Which of the following diminishes consumer sovereignty?
- A An increase in the price of a retail brand
 - B A marketing campaign based on consumer desires
 - C A shortage of goods in the market
 - D An influx of imported goods in the market
- 13 Which of the following is a function of the Australian Prudential Regulation Authority?
- A To ensure deposit-holders can take their deposits when they want them
 - B To ensure the systematic stability of the financial system
 - C To monitor the integrity of the financial system
 - D To settle accounts between financial institutions

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Labour (units)	Output (units)
1	10
2	24
3	42
4	52
5	55

From the information given in the table above, which of the following statements is true?

- A Productivity is constant with each additional worker
 - B Productivity declines after the third worker
 - C Productivity increases with the fourth worker
 - D Productivity continues to increase with each worker
- 15 All things being equal, what would be the effect of a reduction in the budget surplus from one year to the next?
- A A fall in economic activity and an increase in unemployment
 - B A fall in economic activity and an increase in inflation
 - C A rise in economic activity and a decrease in unemployment
 - D A rise in economic activity and a decrease in inflation
- 16 Which of the following is an example of a primary financial market transaction?
- A A first-time investor buying shares from other shareholders
 - B A public company buying matured debentures from its creditors
 - C Farmers selling their produce to the Australian Wheat Board
 - D A corporation issuing shares in a public float

17 Who of the following are included in the Australian workforce?

- A Striking workers
- B The hidden unemployed
- C House-spouses who perform full-time domestic duties
- D 13-year-olds looking for work at a fast-food restaurant

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Income	Consumption
0	50
50	75
100	100
150	125
200	150

From the information given in the table above, which of the following statements is true?

- A MPC is rising and APC is falling
- B MPC is falling and APC is rising
- C MPC is constant and APC is falling
- D MPC and APC are rising

19 Which of the following is an economic benefit of income inequality?

- A An increase in overall utility in society
- B An increase in conspicuous consumption by the wealthy
- C The government provides increased welfare support to the needy
- D Incentive for employees to work longer hours thus increasing output

20 What is the overall aim of macroeconomic policy?

- A To improve work practices and productivity at the enterprise level
- B To stabilise the fluctuations in the business cycle
- C To improve the international competitiveness of the Australian economy
- D To reduce the level of interest rates and government spending

End of Section I

Section II

20 marks

Attempt Questions 21–22

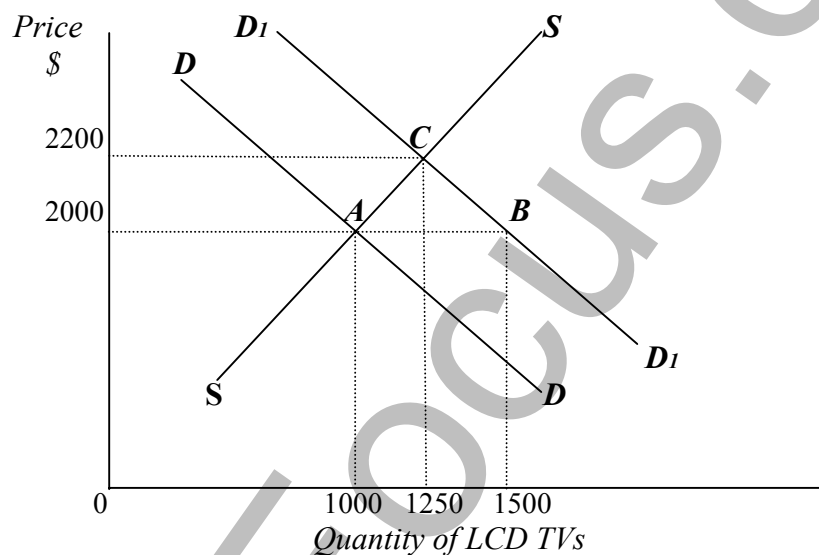
Allow about 30 minutes for this section

Answer the questions in the spaces provided

Marks

Question 21 (10 marks)

The following diagram shows the change in demand for LCD TVs. Using this information, answer the questions below.



- (a) Define market equilibrium. 1

- (b) Calculate the total outlay of consumers at point A. 1

Marks

- (c) Outline TWO factors that would cause the movement of the demand curve for LCD televisions from DD to D_1D_1 ?

om

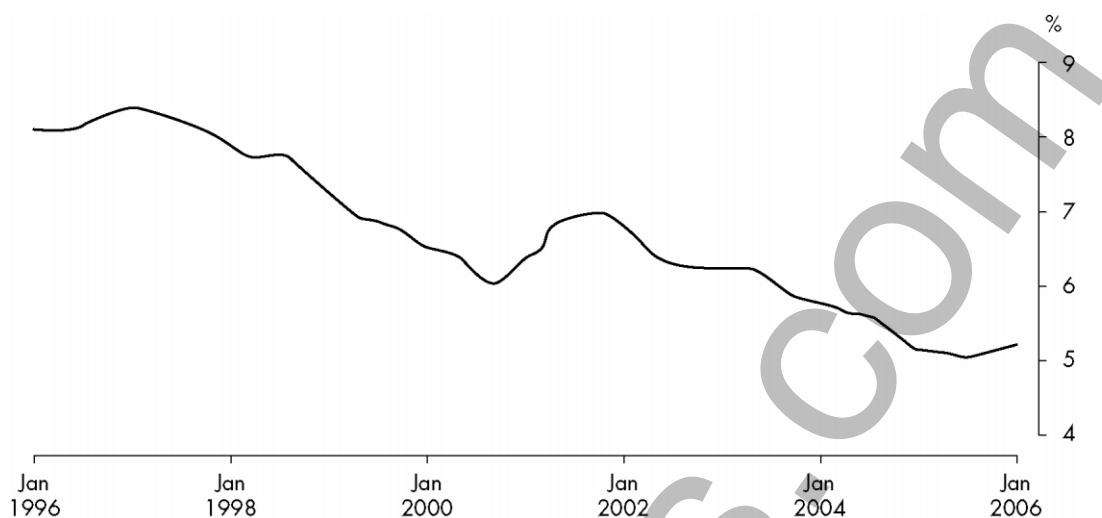
- (d) Explain what would happen if the price remained at \$2000. 2

- (e) Discuss the role governments play in finding alternative market solutions when it comes to the pricing of goods and services.

HSCFC

Question 22 (10 marks)

The following graph shows the level of unemployment in Australia from 1996 to 2006.



Source: // www.abs.gov.au/ausstats/abs%40.nsf/mf/6202.0

a) Define the term *unemployment*.

1

b) Describe the trend in unemployment in Australia from 1996 to 2006.

2

Marks

- 3

Blank lined paper for writing.

- 4

HSCFOOD

End of Section II

Section III

20 marks

Attempt EITHER Question 23 or 24

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet

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

- use economic data
 - apply economic terms, concepts, relationships and theory
 - present a sustained, logical and well-structured answer to the question.
-

Question 23 (20 marks)

Examine the similarities and differences between Australia and ONE other economy in relation to any THREE of the following:

- economic growth
- employment and unemployment
- quality of life
- environmental quality
- the role of government, health care, education and welfare payments.

OR

Question 24 (20 marks)

Examine the factors that influence the spending and saving decisions of individuals, and the impact these have on the economy as a whole.

End of Section III

Section IV
20 marks

Attempt EITHER Question 25 or 26

Allow about 35 minutes for this section

Answer the question in a SEPARATE writing booklet

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

- use economic data
 - apply economic terms, concepts, relationships and theory
 - present a sustained, logical and well-structured answer to the question.
-

Question 25 (20 marks)

Discuss the differences in wage outcomes in Australia by any **THREE** of the following:

- income groups
- occupational groups
- age
- gender
- cultural background.

OR

Question 26 (20 marks)

Discuss the role and function of the share market and the impact its activities have on the Australian economy.

End of paper

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Section I – Multiple choice**Answer sheet**

Place an **✕** in the response box for the alternative A, B, C or D that best answers the question.

	A	B	C	D
1				
2				
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Mapping grid

Question	Mark	Content	Outcome	Band
1	1	The economic problem: wants, resources, scarcity	P1	2–3
2	1	Opportunity cost and its application through production possibility frontiers	P11	4–5
3	1	Investment	P1	2–3
4	1	The price mechanism	P1, P2	3–4
5	1	The circular flow in equilibrium	P1, P2, P11	5–6
6	1	Oligopoly	P1, P2	3–4
7	1	Role of the Reserve Bank in determining cash rates	P1, P2	3–4
8	1	Price elasticity of demand	P11	3–4
9	1	Tax base	P1, P2	3–4
10	1	Supply of labour	P1, P3	3–4
11	1	Diseconomies of scale	P1, P8	3–4
12	1	Consumer sovereignty	P1, P8	4–5
13	1	Australian Prudential Regulation Authority	P1, P2	4–5
14	1	Productivity of labour	P1, P11	3–4
15	1	Budget surplus	P1, P7	4–5
16	1	Primary financial market	P1, P2	5–6
17	1	General characteristics of the Australian workforce	P1, P2	3–5
18	1	Patterns of consumer spending and saving/dissaving	P1, P11	4–5
19	1	Arguments against a more equitable distribution of income from work	P1, P7	5–6
20	1	Stabilisation of economic activity	P1, P6	4–5
21(a)	1	Market equilibrium	P1	2–3
(b)	1	Calculation of total outlay	P11	3–4
(c)	2	Factors causing movement of demand	P1, P3, P8, P10	4–5
(d)	2	Movement to equilibrium	P11, P3	3–4
(e)	4	Alternatives to market solutions – the role of government	P1, P2, P3, P8, P10	5–6

Question	Mark	Content	Outcome	Band
22(a)	1	Unemployment	P1	2–3
(b)	2	Trends in unemployment	P7, P10	3–4
(c)	3	Types of unemployment	P1, P8	2–3
(d)	4	Unemployment levels in the different parts of Australia	P7, P8, P10	5–6
23	20	Economies: their similarities and differences	P1, P2, P4, P7, P9, P10	2–6
24	20	Examine the impact of income on the spending and saving decisions of individuals	P1, P2, P5, P7, P9, P10	2–6
25	20	Wage outcomes for all persons by income groups, occupational groups, age, gender and cultural background	P1, P2, P6, P7, P9, P10	2–6
26	20	The role and function of the share market and the impact its activities has on the Australian economy	P1, P2, P5, P7, P9, P10	2–6

Answers

Section I

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

Section II**Question 21(a)****Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Correctly defines market equilibrium. 	1

Question 21(b)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Correctly calculates total outlay: $\\$2000 \times 1000 = \\$2\,000\,000$ 	1

Question 21(c)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> Outlines TWO factors which cause the movement of demand curve for LCD TVs. 	2
<ul style="list-style-type: none"> Outlines ONE factor which causes the movement of demand curve for LCD TVs. 	1

Question 21(d)

Marking guidelines

Criteria	Marks
• Correctly explains there would be a shortage because demand exceeds supply, forcing sellers to raise the price of LCD TVs, causing an expansion in supply and a contraction in demand.	2
• Explains there is a shortage because demand exceeds supply.	1

Question 21(e)

Marking guidelines

Criteria	Marks
• Discusses with possible reasons the government use of ceilings prices AND floor prices as market solutions.	4
• Explains both ceiling prices AND floor prices as market solutions.	3
• Explains, with reason, ONE alternative price solution.	2
• Outlines ONE alternative market solution.	1

Question 22(a)

Marking guidelines

Criteria	Marks
• Correctly defines unemployment.	1

Question 22(b)

Marking guidelines

Criteria	Marks
• Describes trend in unemployment over the 10-year period, identifying a decline from high levels in the mid-90s, a period of increased unemployment around 2001 and a steady decline in recent years.	2
• Describes the trend in general terms without identifying actual years and figures.	1

Question 22(c)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> • Outlines THREE types of unemployment. 	3

Question 22(d)**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> • Compares and contrasts the levels of unemployment throughout different parts of Australia including states, cities and regions, with reference to accurate statistics. 	4
<ul style="list-style-type: none"> • Compares and contrasts the levels of unemployment throughout different parts of Australia including states or cities and regions, with reference to statistics. 	3
<ul style="list-style-type: none"> • Describes the levels of unemployment in parts of Australia with reference to statistics. 	2
<ul style="list-style-type: none"> • Outlines different levels of unemployment in some parts of Australia. 	1

Section III**Question 23****Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates factually precise and extensive knowledge of the similarities and differences between Australia and ONE other economy in relation to any THREE of the given criteria. • Uses relevant data to support a comprehensive contemporary and theoretical explanation of the similarities and differences between Australia and ONE other economy in a sustained, logical and well-structured answer. • Integrates economic terms, concepts, issues, relationships and theories. 	17–20
<ul style="list-style-type: none"> • Good use of appropriate knowledge of the similarities and differences between Australia and ONE other economy in relation to any THREE of the given criteria. • Uses relevant data to support an explanation of the similarities and differences between Australia and ONE other economy. • Good use of economic terms and applies economic concepts and relationships. 	13–16

Criteria	Marks
<ul style="list-style-type: none"> • Uses correct and usually relevant information to demonstrate some knowledge and understanding of the similarities and differences between Australia and ONE other economy. • Uses relevant data to provide a descriptive response on the similarities and differences between Australia and ONE other economy. • Uses economic terms, concepts and relationships. 	9–12
<ul style="list-style-type: none"> • Demonstrates general knowledge describing the similarities and differences between Australia and ONE other economy. • Makes minimal use of data. • Limited use of economic terms, concepts and relationships. 	5–8
<ul style="list-style-type: none"> • Demonstrates basic knowledge of Australia and/or one other economy. • Basic use of some appropriate terminology. 	1–4

Question 24**Marking guidelines**

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates factually precise and extensive knowledge of the factors that influence the spending and saving decisions of individuals, and the impact these have on the economy as a whole. • Uses relevant data to support a comprehensive contemporary and theoretical explanation of the factors that influence the spending and saving decisions of individuals, and the impact these have on the economy in a sustained, logical and well-structured answer. • Integrates economic terms, concepts, issues, relationships and theories. 	17–20
<ul style="list-style-type: none"> • Good use of appropriate knowledge of the factors that influence the spending and saving decisions of individuals, and the impact these have on the economy. • Uses relevant data to support discussion of the factors that influence the spending and saving decisions of individuals. • Good use of economic terms and applies economic concepts and relationships. 	13–16
<ul style="list-style-type: none"> • Uses correct and usually relevant information to demonstrate some knowledge and understanding of the factors that influence the spending and saving decisions of individuals. • Uses relevant data to provide a descriptive response of the factors that influence the spending and saving decisions. • Uses economic terms, concepts and relationships. 	9–12

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates general knowledge describing the factors that influence the spending and saving decisions. • Makes minimal use of data. • Limited use of economic terms, concepts and relationships. 	5–8
<ul style="list-style-type: none"> • Demonstrates basic knowledge of the factors that influence the spending and/or saving decisions. • Basic use of some appropriate terminology. 	1–4

Section IV

Question 25

Marking guidelines

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates factually precise and extensive knowledge of the differences in wage outcomes in Australia by any THREE of given criteria. • Uses relevant data to support a comprehensive contemporary and theoretical discussion of the differences in wage outcomes in Australia in a sustained, logical and well-structured answer. • Integrates economic terms, concepts, issues, relationships and theories. 	17–20
<ul style="list-style-type: none"> • Good use of appropriate knowledge of the differences in wage outcomes in Australia by any THREE of given criteria. • Uses relevant data to support discussion of the differences in wage outcomes in Australia. • Good use of economic terms and applies economic concepts and relationships. 	13–16
<ul style="list-style-type: none"> • Uses correct and usually relevant information to demonstrate some knowledge and understanding of the differences in wage outcomes in Australia. • Uses relevant data to provide a descriptive response about the differences in wage outcomes. • Uses economic terms, concepts and relationships. 	9–12
<ul style="list-style-type: none"> • Demonstrates general knowledge describing the differences in wage outcomes. • Makes minimal use of data. • Limited use of economic terms, concepts and relationships. 	5–8
<ul style="list-style-type: none"> • Demonstrates basic knowledge of wage outcomes. • Basic use of some appropriate terminology. 	1–4

Question 26

Marking guidelines

Criteria	Marks
<ul style="list-style-type: none">• Demonstrates factually precise and extensive knowledge of the role and function of the share market and the impact its activities have on the Australian economy.• Uses relevant data to support a comprehensive contemporary and theoretical discussion of the role and function of the share market and the impact its activities have on the Australian economy in a sustained, logical and well-structured answer.• Integrates economic terms, concepts, issues, relationships and theories.	17–20
<ul style="list-style-type: none">• Good use of appropriate knowledge of the role and function of the share market and the impact its activities have on the Australian economy.• Uses relevant data to support discussion of the role and function of the share market and the impact of its activities.• Good use of economic terms and applies economic concepts and relationships.	13–16
<ul style="list-style-type: none">• Uses correct and usually relevant information to demonstrate some knowledge and understanding of the role and function of the share market and the impact of its activities.• Uses relevant data to provide a descriptive response about the role and function of the share market.• Uses economic terms, concepts and relationships.	9–12
<ul style="list-style-type: none">• Demonstrates general knowledge describing the role and function of the share market.• Makes minimal use of data.• Limited use of economic terms, concepts and relationships.	5–8
<ul style="list-style-type: none">• Demonstrates basic knowledge of share market.• Basic use of some appropriate terminology.	1–4