**CATHOLIC SECONDARY SCHOOLS
ASSOCIATION OF NEW SOUTH WALES**

2006
**TRIAL HIGHER SCHOOL CERTIFICATE
EXAMINATION**

Economics

Morning Session
Tuesday 1 August 2006

Total marks – 100

Section I   Pages 2-8

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

Section II   Pages 9-16

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

Section III   Pages 17-18

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

Section IV   Page 19

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

General Instructions

- Reading time – 5 minutes

- Working time – 3 hours

- Write using blue or black pen

- Board-approved calculators may be used

- Use Multiple Choice Answer Sheet provided

- Write your Centre Number and Student Number at the top of this page and page 9

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Section I

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

Use the Answer Sheet provided.

1.   What are the RBA's main objectives of monetary policy?

   (A)   Exchange rate stability, full employment and external stability

   (B)   Sustained economic growth, exchange rate stability and a more equal distribution of income

   (C)   Price stability, full employment and sustained economic growth

   (D)   External stability, price stability and a more equal distribution of income.

2.   Which of the following would be a most appropriate measure of quality of life in an economy?

   (A)   Economic growth rate

   (B)   GDP per capita

   (C)   Purchasing power parity

   (D)   Human Development Index

3.   Which of the following factors could increase the level of structural unemployment in the   economy?

   (A)   A contractionary budgetary policy

   (B)   The use of labour saving technology in production

   (C)   A fall in aggregate demand

   (D)   An increase in the number of people working part time

4. What is a possible cause of cost inflation?

    (A) A decrease in the level of interest rates
    (B) An appreciation in the Australian dollar
    (C) An increase in investment and consumption spending
    (D) An increase in the price of raw materials

5. How could ecological sustainable development be achieved?

    (A) Conserving natural resources for future generations
    (B) Decreasing production levels in the economy
    (C) Using natural resources as they become available
    (D) Allocating more resources to the production of capital goods

6. Other things being equal what will be the resulting increase in income for an economy that has a marginal propensity to consume (MPC) of 0.8, if investment spending increases by $20 million?

    (A) $10 million
    (B) $100 million
    (C) $20 million
    (D) $50 million

7. The following Table shows population and employment data for a nation.

Year	Population (millions)	Working Age Population(millions)	Employed Persons (millions)	Officially Unemployed (millions)
1	50	25	15	5
2	60	30	20	4

Which of the following is correct concerning this nation between years 1 and 2?

    (A) The unemployment rate increased
    (B) The unemployment rate remained unchanged
    (C) The participation rate decreased
    (D) The participation rate remained unchanged.

8. The following Table shows the Gini-coefficient data for a nation

Year	Gini-coefficient
1	0.43
2	0.46
3	0.47

Which of the following is a likely cause of the change in the Gini-coefficient between Year 1 and Year 2?

(A) Lower tax rates for low income earners

(B) Lower taxes on food and clothing

(C) Higher levels of unemployment

(D) A higher tax free threshold on income

9. Examine the following graph, which illustrates the effects of a subsidy provided for an industry in a hypothetical economy.
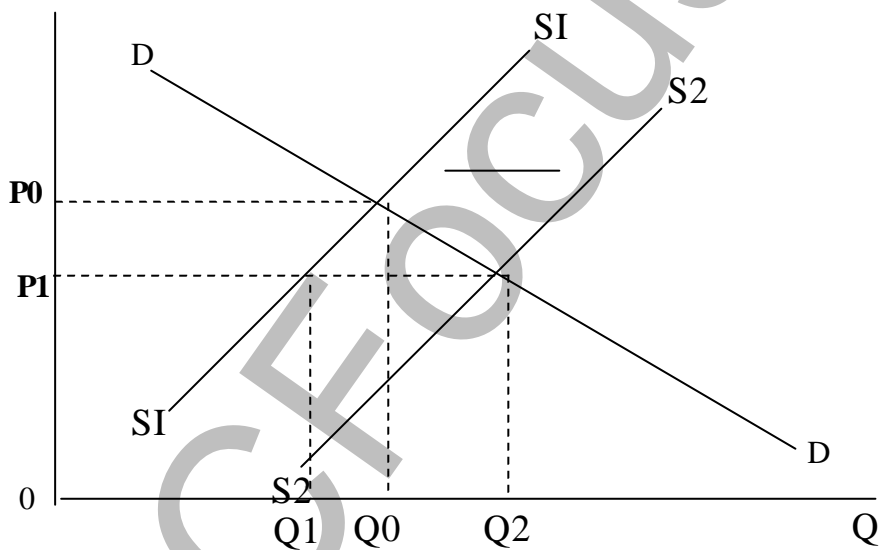
The effects of the subsidy would include:

(A) Quantity produced in the industry increases from OQ1 to OQ2

(B) Price increases from P1 to Po

(C) Consumers demand for the product decreases from Q2 to Q0

(D) Imports would decrease from Q1Q2 to Q0Q2

4

10. How are payments by foreign students receiving tertiary education in Australia recorded on the Balance of Payments?

   (A) As a debit on the Australian Capital and Financial Account

   (B) As a credit on the Australian Capital and Financial Account

   (C) As a debit on the Australian Current Account

   (D) As a credit on the Australian Current Account

11. Which of the following is an example of microeconomic reform?

   (A) Lowering interest rates to increase economic activity

   (B) Lowering tariffs in the Australian car industry

   (C) Increasing government expenditure to increase employment

   (D) Raising income taxes for high income earners.

12. Which of the following is a feature of Certified Enterprise Agreements?

   (A) They are an example of the Safety Net wage stream and apply to all workers within an industry

   (B) They usually are collectively bargained by trade unions with employers

   (C) They require that the Employment Advocate approves of the terms and conditions of the agreement

   (D) They are individually negotiated and administered by the Australian Industrial Relations Commission.

Examine the following balance of payments data for a hypothetical economy:

	$ bn
Net goods balance	-25.4
Net services balance	-1.9
Net income	?
Net transfers	-1.2
Balance on capital and financial account	26.3

13. What is the value of net income for this economy?

   (A) -2.2

   (B) -28.5

   (C)   2.2

   (D) -26.3

14. What strategy could the RBA adopt in order to prevent the $A from appreciating any further?

   (A) Buy the $A and sell foreign exchange

   (B) Sell the $A and buy foreign exchange

   (C) Apply a contractionary monetary policy

   (D) Increase the cash rate levels in the domestic economy

15. What is the likely impact of a reduction in the general level of tariffs in Australia?

   (A) A disadvantage for Australian producers in overseas markets

   (B) An advantage for Australian producers in Australian market

   (C) An advantage for overseas producers in the Australian market

   (D) A disadvantage for overseas producers in overseas markets

16. Which factors limit the effectiveness of economic policy implementation?

   (A) Time lags, political constraints and global influences

   (B) High inflation, increased unemployment and exchange rate volatility

   (C) The economic policies of our major trading partners

   (D) Global terrorism and the policy formation lag

Examine the following Supply and demand for the $A
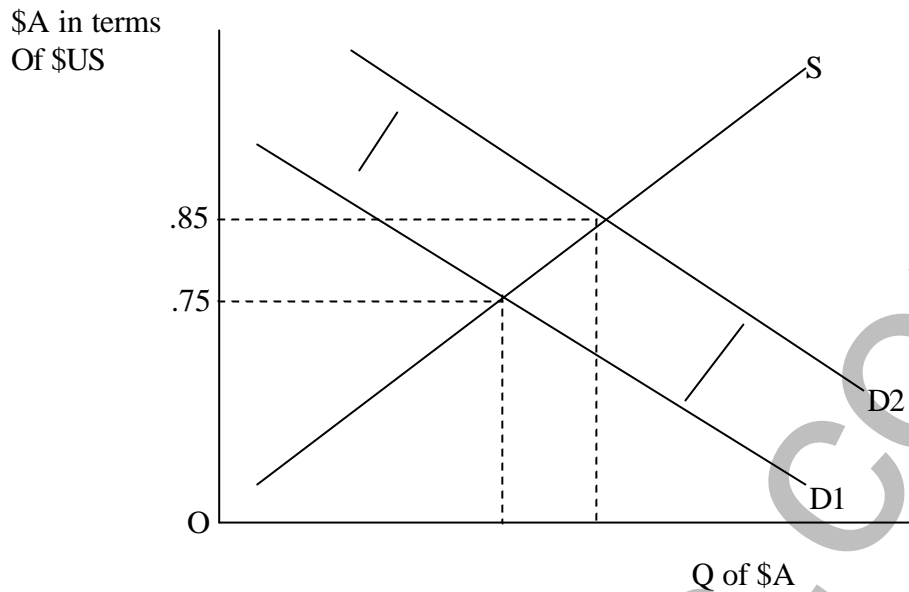
$A in terms
Of $US

17. What would be the effect on the Australian economy as a result of the $A moving from 0.75c US to 0.85c US?

(A) Australian exports would become more internationally competitive

(B) Australia's terms of trade would improve

(C) Capital inflow from foreign investors would increase

(D) Imports into Australia would become cheaper

18. What is meant by "purchasing power parity"?

(A) What people in different countries are able to buy with their given incomes

(B) Where exchange rates are adjusted to equalise the prices of identical goods and services in different countries so that comparisons of living standards can be made

(C) Refers to the erosion of people's real income in different countries due to rising prices or inflation

(D) The idea of redistributing incomes more equally so that the buying capacity of consumers is increased in a particular country

19. Which nations account for the least world output, exports and Foreign Direct Investment?

   (A) Newly Industrialised Economies

   (B) Developed economies

   (C) Developing economies

   (D) Transition economies.

20. What is meant by the 'process of globalisation'?

   (A) The promotion of self-sufficiency

   (B) The increasing integration of world economies

   (C) The promotion of protection policies

   (D) The reduction of multilateral agreements.

Centre Number

Economics

Section II

Student Number

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

Answer the questions in the space provided

Question 21(10 marks)   **Marks**

The following data relates to GDP measures for a hypothetical economy:

Year	Nominal GDP	CPI
1	1500	100
2	1800	104
3	2100	109
4	2050	110

(a)   Define the term 'economic growth'.   **1**

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(b)   Calculate the growth of real GDP in year 3.   **1**

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(c)   Outline any TWO sources of economic growth for an economy.   **2**

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Question 21 continues on page 10

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Marks

(d) Explain ONE positive and ONE negative impact of economic growth on an economy.

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(e) Discuss any TWO government strategies/policies that would promote economic growth in an economy.

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End of Question 21

Question 22(10 marks)   **Marks**

Study the following diagram which refers to Australia's exchange rate.
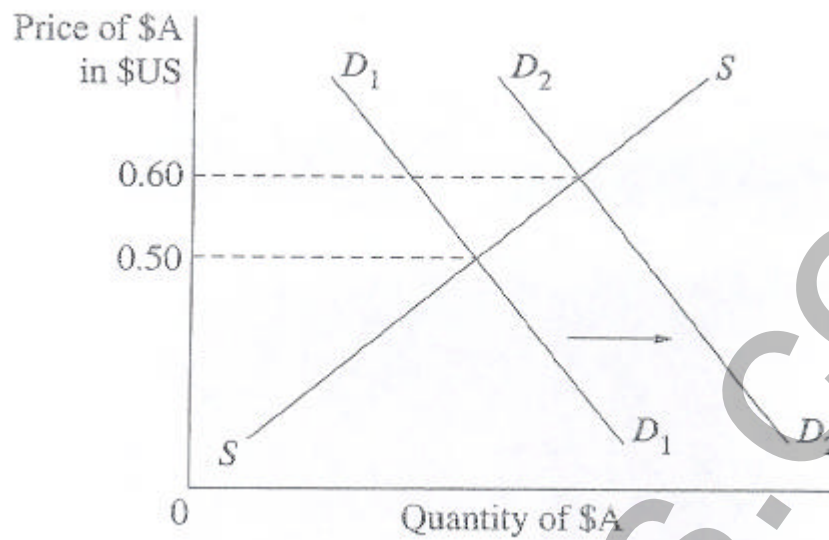
(a)   Define the term 'floating exchange rate'.   **1**

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(b)   Explain ONE reason why it is more accurate for the $A to be compared to the   **1**
      TWI instead of the $US.

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(c)   Identify TWO possible factors causing the $A to appreciate from $US 0.50 to   **2**
      $US 0.60.

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(d) Briefly explain TWO ways the RBA could intervene in foreign exchange market to influence the exchange rate of the $A

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(e) Discuss TWO economic benefits and TWO economic costs from an appreciation in the $A.

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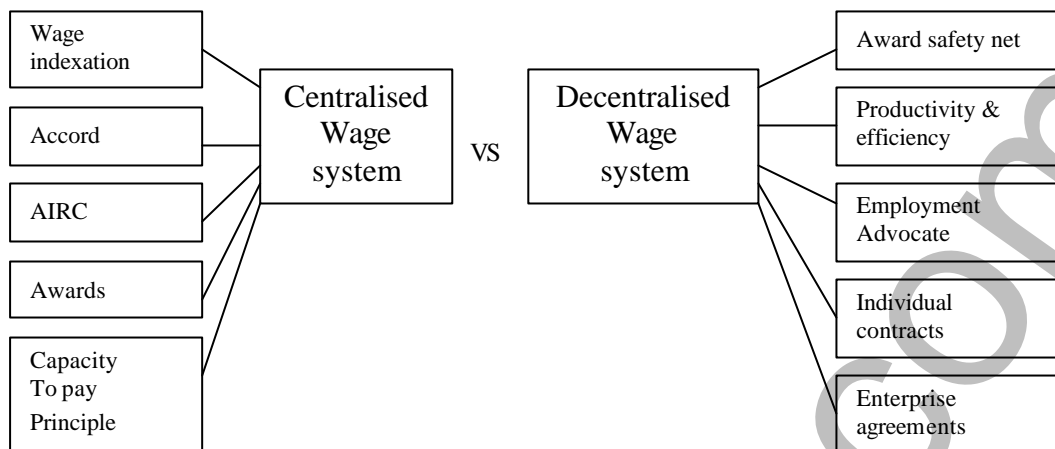**End of Question 22**

Question 23 (10 marks) **Marks**

The following information refers to wage determination in Australia.

(a) Define the term enterprise bargaining and give an example of a current enterprise bargaining agreement within a particular industry. **2**

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(b) Contrast features of Awards and AWA's. **2**

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(c) Describe the role of trade unions in the current wage determination system in Australia. **2**

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Marks

(d) Explain TWO benefits and TWO costs of the shift towards a more decentralised wage determination system.

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End of Question 23

Question 24 (10 marks)   **Marks**

The following information refers to economic growth and development for selected nations.

Trade, Economic Growth and Human Development (%)

Country	Annual % Growth in Exports (1985-97)	Per Capita Income Growth (1985-97) %	Reduction in HDI Shortfall (1985-97) %
Strong Links			
Singapore	12.9	6.2	45
Mauritius	7.9	3.7	38
Hong Kong	13.0	4.8	33
Weak Links			
Pakistan	9.0	3.0	17
Uganda	8.0	2.4	5

Source: UNPD (1999) Human Development Report 1999. Oxford University Press, New York, p85

(a)   Identify ONE Newly Industrialised Country and provide ONE feature of that newly industrialised country.   **2**

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(b)   Distinguish between economic growth and economic development   **2**

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(c)   Explain TWO reasons for differences in the levels of development between countries in the global economy.   **2**

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Marks

(d)   Analyse TWO strategies nations could use to achieve both growth and
      development.

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End of Question 24

Economics

Section III

20 marks
Attempt either Questions 25 or Question 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 your knowledge and the economic information provided

- apply economic terms, concepts, relationships and theory

- present a sustained, logical and well structured answer to the question


Question 25 (20 marks)

Outline the causes of unemployment and analyse the policies available to the Australian government to reduce unemployment.

> Reducing unemployment is one of the most difficult tasks of economics management. Unemployment has remained stubbornly high in Australia, despite a range of government policies designed to attack the unemployment problem. Although Australia's record of fourteen years of economic growth has continued to the sustained reduction in the official unemployment rate – which reached historical lows in 2005 – Australia still suffers major long term unemployment problems.
>
> *Leading Edge Education 'Australian the Global Economy' page 171*

Figure 8.1: Australia's Unemployment Rate 1994-95 to 2004-05
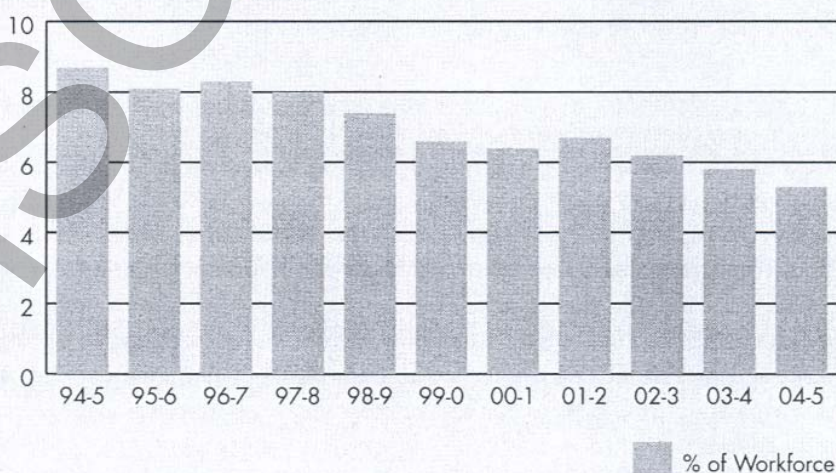
Source: ABS (2005), *Australian Economic Indicators*, Catalogue 1350.0, August.

OR

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17

Answer the question in a SEPARATE writing booklet.

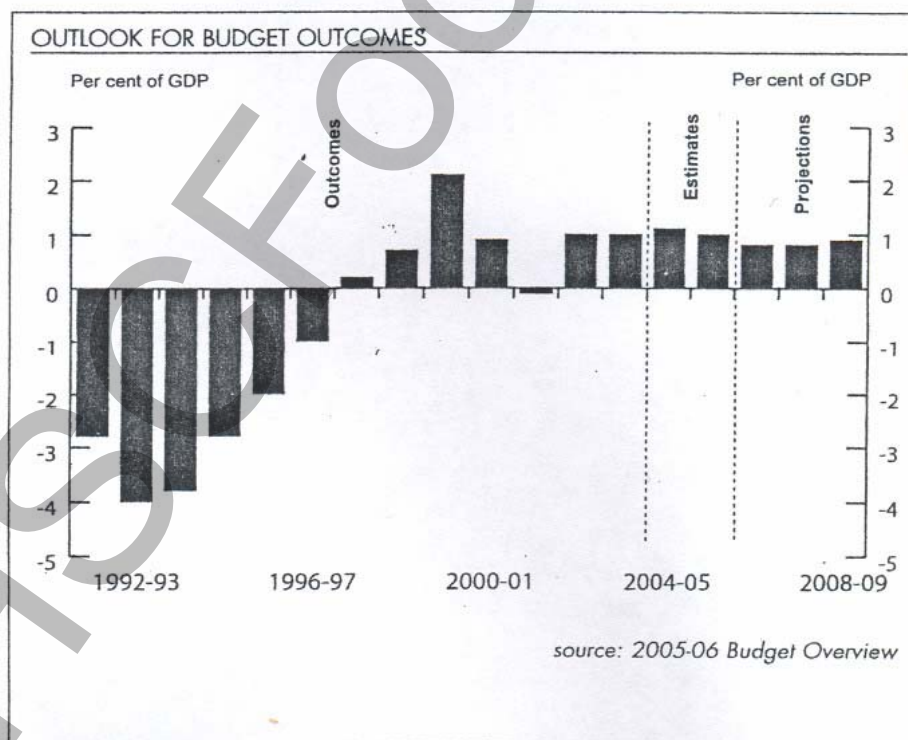In your answer you will be assessed on how well you:

- use your knowledge and the economic information provided
- apply economic terms, concepts, relationships and theory
- present a sustained, logical and well structured answer to the question

Question 26 (20 mark)

Outline the objectives of economic management and analyse the role of Fiscal Policy in achieving these objectives in the Australian economy.

The stance of fiscal policy has changed from focusing on external balance (1996-1998) to a focus on internal balance. Originally the focus was to reduce the call of government on national savings so as to reduce pressures on the Current Account Deficit and net external or foreign debt. More recently fiscal policy is focusing on 'maximising sustainable economic growth'. National saving, while still a factor to consider, is no longer the priority it once was.

Updated Economics (B) 2005 Edition, John Bulmer, p114.

OUTLOOK FOR BUDGET OUTCOMES

source: 2005-06 Budget Overview

Section IV

20 marks
Attempt either Questions 27 or Question 28
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 your knowledge and the economic information provided

- apply economic terms, concepts, relationships and theory

- present a sustained, logical and well structured answer to the question

Question 27 (20 marks)

Discuss the reasons for nations reducing protection and analyse its impact on the domestic and global economy.

OR

Question 28 (20 marks)

Discuss the issues affecting the Australian Balance of Payments and analyse the effectiveness of government policies in achieving an external balance.

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