Centre Number

Student Number

QATs
Quality Assessment Tasks

2008
TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using blue or black pen
- Board-approved calculators may be used
- Write your Centre Number and Student Number at the top of this page, the Multiple Choice Answer sheet, page 2 and 9.

Total marks – 100

Section I Pages 3 - 8
20 marks
- Attempt Questions 1 - 20
- Allow about 35 minutes for this part

Section II Pages 9 - 16
40 marks
- Attempt Questions 21 - 24
- Allow about 1 hour and 15 minutes for this section

Section III Page 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

Centre Number

Student Number

2008 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

ECONOMICS – MULTIPLE CHOICE ANSWER SHEET

ATTEMPT ALL QUESTIONS

Question					
	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 ○
	16	A ○	B ○	C ○	D ○
	17	A ○	B ○	C ○	D ○
	18	A ○	B ○	C ○	D ○
	19	A ○	B ○	C ○	D ○
	20	A ○	B ○	C ○	D ○

Section I
20 marks

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

Use the Multiple Choice Answer Sheet provided.

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

Sample 2 + 4 = (A) 2 (B) 6 (C) 8 (D) 9

A B C D

If you think you have made a mistake, put a cross through the incorrect answer and fill in the new answer.

A B C D

If you have changed your mind and have crossed out what you consider to be the correct answer, then indicate this by writing the word *correct* and drawing an arrow as follows:

correct

A B C D

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1 An increase in which of the following factors will lead to an increase in the international competitiveness of an economy?

(A) Labour productivity
(B) Inflation
(C) Economic growth
(D) Tariffs

2 A low income economy reforms regulations regarding financial flows so that they are more similar to those in developed nations. What process has this economy experienced?

(A) Institutionalisation
(B) Privatisation
(C) Economic growth
(D) Convergence

3 An Australian resident sends money to relatives living overseas. How will this transaction be recorded in the Balance of Payments?

(A) An income debit
(B) A credit on the financial account
(C) A transfers debit
(D) A service credit

4 What method would the Reserve Bank use to reduce the official cash rate?

(A) Selling government securities to increase liquidity in the official cash market
(B) Buying government securities to decrease liquidity in the official cash market
(C) Selling government securities to decrease liquidity in the official cash market
(D) Buying government securities to increase liquidity in the official cash market

5 This table shows average exchange rate data for a nation.

Year	Trade weighted index	$US
2005	70.7	0.76
2006	68.9	0.81
2007	69.5	0.79
2008	67.6	0.92

Which of the following statements describes the impacts of the changes in the value of the exchange rate for this nation?

(A) In 2006 imported goods from the United States became more expensive and exports to all trading partners became less competitive
(B) In 2007 the price of exports to all of the economy's trading partners fell
(C) In 2008 imports from all parts of the world became cheaper
(D) In 2007 exports to the United States became more competitive and import prices from the rest of the world rose.

6 A decrease in which of the following will increase the average levels of protection of an economy?

(A) Tariffs
(B) Quotas
(C) Subsidies
(D) Local content rules

7 Which of the following government policy settings would lead to an increase in the level of ecologically sustainable development in an economy?

(A) A decrease in carbon tax rates and a decrease in income tax rates
(B) An increase in subsidies to the coal industry and a reduction in fuel excise
(C) An increase in carbon taxes and an increase in the approval of industrial developments
(D) An increase in fuel excise and a decrease in company tax rates for renewable energy producers

8 The table shows selected data for an economy.

Year	CPI
1	94
2	100
3	110
4	121

Which of the following describes the measurement of inflation in this economy?

(A) The base year is Year 1 and the inflation rate in Year 1 is 6%
(B) The base year is Year 2 and the inflation rate in Year 4 is 10%
(C) The base year is Year 1 and the inflation rate in Year 3 is 10%
(D) The base year is Year 2 and the inflation rate in Year 4 is 11%

9 Which of the following would be regarded as foreign direct investment?

(A) The purchase of 25% of an Australian company listed on the stock exchange by an overseas investor
(B) An overseas company placing funds into an interest-bearing account in an Australian bank
(C) An Australian business signing a contract to buy capital equipment from an overseas supplier
(D) An Australian company signing a long-term contract o supply goods to an overseas buyer

10 The table refers to the balance of payments data for an economy with a floating exchange rate.

Item	**$ (billions)**
Net Exports	-120
Net Services	25
Net Income	- 400
Net Current Transfers	-5
Balance on Capital & Financial Account	500

What is the value of the current account deficit in this economy?

(A) -$125 billion
(B) -$500 billion
(C) $500 billion
(D) $1000 billion

11 What term describes economies that undergo structural change from a centrally planned to a market-based economy?

(A) Transition economy
(B) Newly industrialised economy
(C) Developing economy
(D) Low income economy

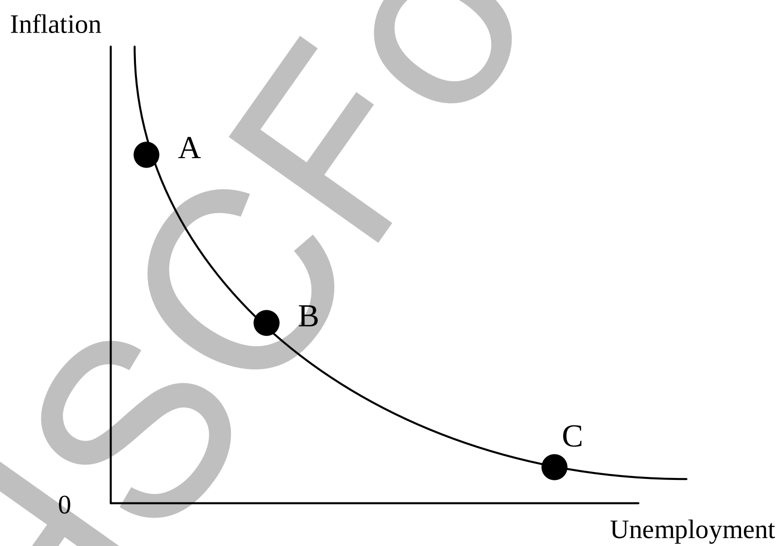
12 Which of the following is a discretionary change to a budget outcome?

(A) An increase in company tax receipts due to an increase in export sales
(B) A decrease in welfare spending due to an increase in employment
(C) An increase in GST revenue due to an increase in consumer spending
(D) A decrease in income tax receipts due to an increase in the tax-free threshold

13 Which of the following government policies would increase the influence of global forces on an economy?

(A) The adoption of a fixed exchange rate mechanism
(B) Joining the World Trade Organisation
(C) Increasing the regulation of the operations of transnational companies
(D) Introducing a voluntary export restraints

14 The following diagram shows the relationship between unemployment and inflation in an economy.



Which of the following describes the state of this economy?

(A) At point C the economy is in recession
(B) At point C the economy will be experiencing cost-push inflation.
(C) Point A indicates the natural rate of unemployment
(D) At point B the economy is in a downswing

15 Which of the following is a merit good?

(A) Public education
(B) Superannuation
(C) Airports
(D) Telecommunications

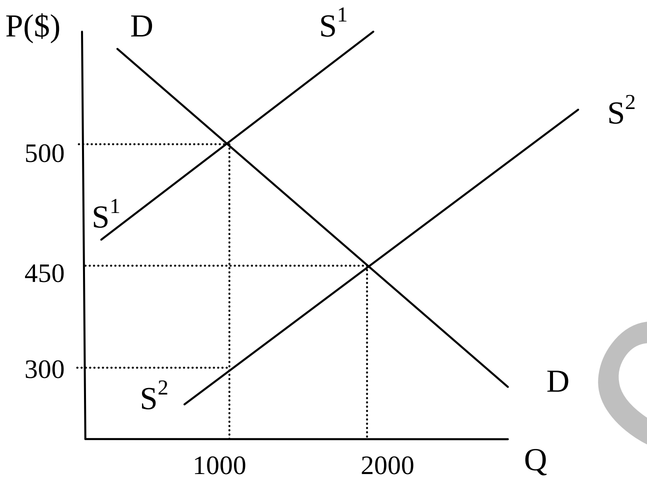
16 Which of the following is a characteristic of a centralised approach to wage determination?

(A) Individual contracts between employees and employers
(B) Wage increases are linked to productivity increases
(C) Usage of common law contracts
(D) The involvement of tribunals in setting wage increases

17 Which of the following will result in the greatest increase in a current account deficit in the short-term?

(A) Increased interest rates, decreased income tax rates and increased government expenditure
(B) Decreased interest rates, increased income tax rates and decreased government expenditure
(C) Decreased interest rates, decreased income tax rates and increased government expenditure
(D) Increased interest rates, increased income tax rates and decreased government expenditure

18 The following diagram shows the imposition of a subsidy in a market.



What is the amount of the subsidy paid by the government to the producer per unit of output?

(A) $300
(B) $200
(C) $150
(D) $50

19 Which of the following markets has the most volatile price levels in the short-term?

(A) Foreign exchange markets
(B) Manufactured goods markets
(C) Commodity markets
(D) Official cash market

20 Which of the following would lead to an increase in an economy's debt-servicing ratio?

(A) An increase in net foreign equity
(B) A decrease in global interest rates
(C) An increase in the profitability of multinational companies
(D) A decrease in export receipts

End of Section I

QATs
Quality Assessment Tasks

2008 TRIAL HIGHER SCHOOL CERTIFICATE EXAMINATION

Centre Number

Student Number

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.

Marks

Question 21 (10 marks)

Many factors can influence productivity growth in an economy, but none of them can promote short term increases. Productivity increases requires consistent policy over the long term.

(a) Define the term productivity. **1**

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(b) Describe TWO government policies that are used to promote productivity growth in Australia's economy. **2**

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Question 21 continues over page

Question 21 (continued)

(c) Explain ONE benefit of increasing productivity for Australia's domestic economic performance and ONE benefit for external economic performance. **4**

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(d) Explain how structural change affects the level of unemployment in an economy. **3**

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End of Question 21

Question 22 (10 marks) **Marks**

(a) Define the term globalisation. **1**

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(b) Outline TWO indicators of a change in the rate of globalisation. **2**

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(c) Describe one measure of economic development. **2**

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Question 22 continues over page

Question 22 (continued)

Marks

(d) Analyse how international organisations contribute to the growth of globalisation. **5**

End of Question 22

Question 23 (10 marks) **Marks**

The following table contains economic data for a hypothetical economy.

Year	Import Price Index	Export Price Index	CAD (% of GDP)	Net foreign debt ($bill)
1	125	110	4.7	480
2	130	125	5.8	490
3	140	154	5.0	505
4	160	192	4.1	525

(a) Calculate the terms of trade in Year 3. (Show all workings) **2**

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(b) Outline TWO factors that could contribute to an improvement in an economy's terms of trade over time. **2**

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Question 23 continues over page

Question 23 (continued)

(c) Describe how an increase in the terms of trade will impact on the current account deficit of an economy. **3**

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(d) Explain the impact of an increase in net foreign debt on the domestic economic performance of an economy. **3**

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End of Question 23

Question 24 (10 marks)

The following data is for a hypothetical economy **Marks**

Year	**Income ($billion)**	**Consumption ($billion)**	**Saving ($billion)**
1	2000	1200	800
2	2400	1520	880
3	2800	1840	960
4	3200	2160	1040

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

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(b) Calculate the marginal propensity to consume for this economy. **1**

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(c) Calculate the increase in national income if investment increases by $50 billion. **1**

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Question 24 continues over page

Question 24 (continued)

(d) Explain how changes in the marginal propensity to consume will affect the growth of income following a new injection into an economy. **3**

(e) Explain TWO impacts of an increase in official interest rates on the level of aggregate demand in an economy. **4**

End of Section II

Economics
Section III

20 marks
Attempt either Question 25 OR Question 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 assess on how well you:
- use your knowledge and 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)

> For some time now, the Board has been seeking to slow the growth of aggregate demand, in order to reduce inflation. Information becoming available from the national accounts over the past month confirmed that the Australian economy grew strongly through 2007, driven by rapid growth in domestic spending. Employment has also continued to grow strongly. However, other recent information provides tentative evidence that growth in domestic demand is moderating. Business and consumer sentiment have softened in the early part of 2008, and credit demand has slowed somewhat.
>
> *Glenn Stevens, Governor of the Reserve Bank of Australia*
> *1 April 2008*

2007/08	CPI All groups	CPI (Excluding volatile items)
Sep	1.9	2.6
Dec	3.0	3.0
Mar	4.2	3.6

Discuss the causes and consequences of a high inflation in the Australian economy.

Question 25 continued over page

OR

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

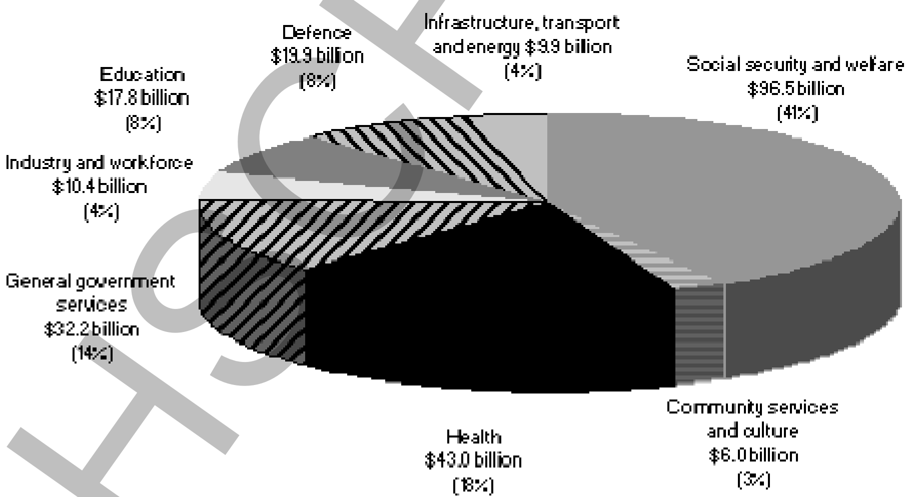
In your answer you will be assessed on how well you:
- use your knowledge and economic information provided
- apply economic terms, concepts, relationships and theory
- present a sustained, logical and well-structured answer to the question

Question 26 (20 marks)

The recent growth in spending is particularly noteworthy given Australia has experienced 17 consecutive years of real GDP growth. The economy is currently operating at close to its limits of capacity. Unemployment has fallen to 4.1 per cent, a 33 year low, and capacity utilisation is at a record high of 84.2 per cent. By way of comparison, during the recession in the early 1990s the unemployment rate peaked at 10.9 per cent and capacity utilisation fell to 75.7 per cent. In the current environment the costs of the government drawing on the economy's resources are clearly higher compared to earlier periods since resources must be redirected from other economic activities instead of from idle capital or unemployed labour.

Economic Roundup Summer 2008
Department of Treasury, March 2008

2007-08 Budget expenditure



Source: *Department of Treasury, May 2008*

Discuss the impact of changes in fiscal policy on the performance of the Australian economy.

Section IV

20 marks
Attempt either Question 27 OR Question 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:
- use economic data
- apply economic terms, concepts, relationships and theory
- present a sustained, logical and well-structured answer to the question

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Question 27 (20 marks)

Analyse the impact of globalisation on the environment and global inequality.

OR

Question 28 (20 marks)

Analyse the impacts of a deterioration of external stability on Australia's domestic economic performance.

End of paper