
Student Number

BAULKHAM HILLS HIGH SCHOOL
HIGHER SCHOOL CERTIFICATE
TRIAL HSC EXAMINATION

Teacher

2019
Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- NESA approved calculators may be used
- Write your student number and teacher's name on the multiple choice answer sheet and answer booklets

Total marks: 100

Section I - 20 marks (pages 2-8)
- Attempt Questions 1 – 20
- Allow 35 minutes for this section

Section II - 40 marks (pages 9-20)
- Attempt Questions 21- 24
- Allow about 1 hour and 15 minutes for this section

Section III - 20 marks (pages 21-22)
- Attempt either Question 25 or Question 26
- Allow about 35 minutes for this section

Section IV - 20 marks (page 23)
- Attempt either Question 27 or Question 28
- Allow about 35 minutes 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

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1. Which of the following best defines hidden unemployment?

A. Persons not classified as unemployed as they are in full time study

B. Persons not classified as unemployed as they have given up looking for work

C. Persons working part time but would like to work more hours

D. Persons who are unemployed due to a transition between jobs

2. The table shows Consumer Price Index (CPI) data by expenditure group for a hypothetical economy?

Expenditure group	*Weighting factor in CPI (%)*	*CPI by expenditure group (base year = 100)*
Food	20	110
Health	5	140
Clothing	10	115
Housing	15	115

According to the data, which CPI expenditure group contributes most to the inflation rate?

A. Food

B. Health

C. Clothing

D. Housing

3. The table shows selected data for hypothetical economy.

	Import Price Index	*Export Price Index*	*Trade Weighted Index*
Year 1	100	100	60
Year 2	115	95	50

What is the effect of this change from Year1 to Year2 on the economy?

	Terms of Trade	*International Competiveness*
A.	Improved	Reduced
B.	Deteriorated	Reduced
C.	Improved	Improvement
D.	Deteriorated	Improvement

4. Which of the following lists three of Australia's trading partners from highest to lowest, in terms of the proportion of Australian exports that they purchase?

A. China, Japan, United Kingdom
B. China, United Kingdom, Japan
C. United Kingdom, China, Japan
D. United Kingdom, Japan, China.

5. Of the following policy initiatives, which one is least likely to increase aggregate supply in the economy?

A. Increased government spending on infrastructure
B. Increased government spending on education and training
C. Increased government outlays allocated to payment of unemployment benefits
D. A reduction in company tax rates

6. Which of the following would be the most likely impacts of a tightening of Monetary Policy in the United States (US)?

A. An increase in US interest rates and a depreciation of the Australian dollar
B. An increase in US interest rates and an appreciation of the Australian dollar
C. A decrease in US interest rates and a depreciation of the Australian dollar
D. A decrease in US interest rates and an appreciation of the Australian dollar

7. The table below shows consumption data for a hypothetical economy, where the planned level of investment for the economy is $50bn.

Income (bn)	*Consumption (bn)*
0	70
200	230
400	390
600	550

What is the equilibrium level of income and the value of the multiplier?

A. The equilibrium level of income is 400 and the value of the multiplier is 0.2
B. The equilibrium level of income is 400 and the value of the multiplier is 5.0
C. The equilibrium level of income is 600 and the value of the multiplier is 1.25
D. The equilibrium level of income is 600 and the value of the multiplier is 5.0

8. The table shows data for a hypothetical economy.

Population	5,000,000
Working age population	3,000,000
Labour force	2,500,000
Employed	2,300,000
NAIRU	5%

Based on the data, which of the following statements is most likely to be correct?

A. Cyclical unemployment is present and inflation is rising rapidly
B. Cyclical unemployment is present and inflation is not rising rapidly
C. Cyclical unemployment is not present and inflation is rising rapidly
D. Cyclical unemployment is not present and inflation is not rising rapidly

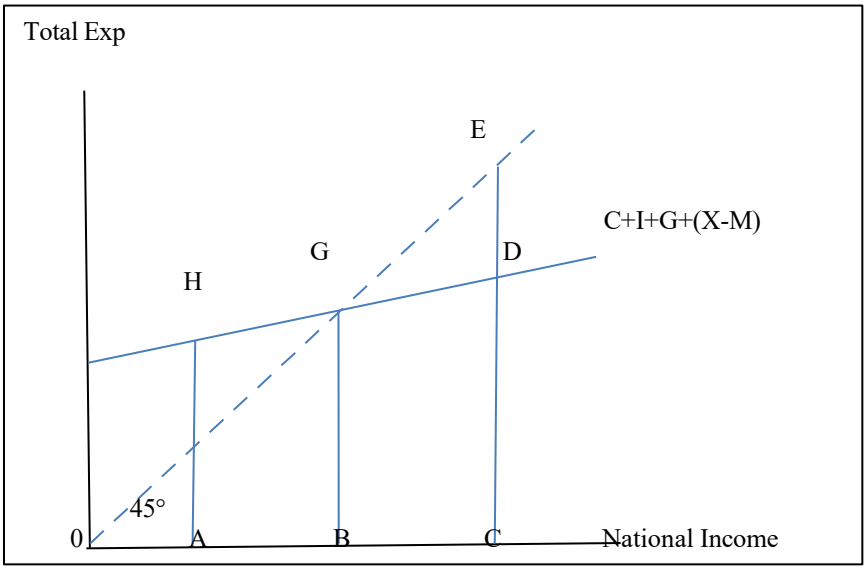
9. Which of the following would be an example of microeconomic reform in a factor market?

A. Centralisation of the Australian labour market
B. Deregulation of the trading hours for supermarkets
C. Changing from a managed to a flexible exchange rate
D. Discretionary government spending to increase the budget deficit

10. Which of the following are the main elements of the safety net administered by the Fair Work Commission in the system of national workplace relations?

A. Social Security payments , the system of Modern Awards and Enterprise Agreements
B. National Employment Standards, the system of Modern Awards and National Minimum Wage
C. Common Law employment contracts, the National Minimum Wage and Enterprise Agreements
D. Social Security Payments, Tax Free Threshold and Enterprise Agreements

11. The following diagram shows aggregate demand of C+I+G+ (X-M) in hypothetical economy.



If the full employment level of income is C and the economy's equilibrium level of income is B, what type of situation exists in this economy?

A. The economy's level of income is in equilibrium
B. The economy's level of income is above full employment
C. There is a deflationary gap in the economy of DE
D. There is an inflationary gap in the economy of DE

12. The table shows hypothetical data for the global economy.

Year	*World Trade growth ($ billions)*	*Global GDP growth per annum*
1	2.0%	2.8%
2	1.6%	2.15%

Which of the following shows the most likely effects of these changes from Year 1 to Year 2 on a predominantly export focused economy?

A. An increase in export revenue and a depreciation of the exchange rate
B. A decrease in GDP growth and an appreciation of the exchange rate
C. An increase in capital inflow and an appreciation of the exchange rate
D. A decrease in commodity prices and a depreciation of the exchange rate

13. Which of the following distinguishes a trade bloc from a trade agreement?

A. A trade bloc imposes protectionist trade barriers on non-member nations

B. A trade bloc does not impose protectionist barriers on non-member nations

C. A trade agreement diverts trade to inefficient producers

D. A trade agreement is likely to stimulate retaliation from other non-members

14. The table shows the Balance of Payments for a hypothetical economy which has a floating exchange rate.

Balance of payments component	Billions of $
Goods balance	15.4
Net services	-7.3
Net Primary Income	?
Net Secondary Income	-1.3
Capital account	8
Financial Account	34.8

What is the value of Net Primary Income?

A. $8.6 billion deficit

B. $36.0 billion surplus

C. $49.6 billion deficit

D. $49.6 billion surplus

15. How are the weights in Australia's Trade Weighted Index (TWI) determined?

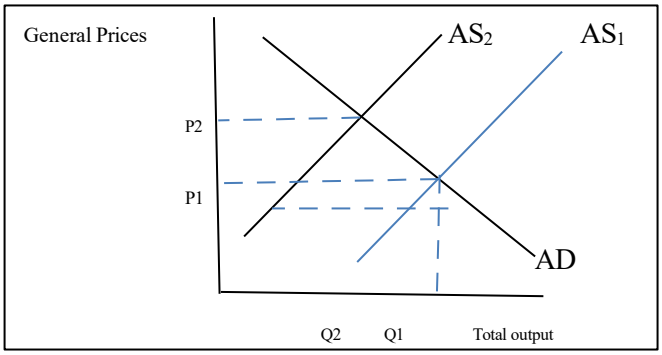
A. The portion of Australia's exports to its key trading partners

B. The portions of Australia's two way trade with its key trading partners

C. The geographic position of other economies to Australia

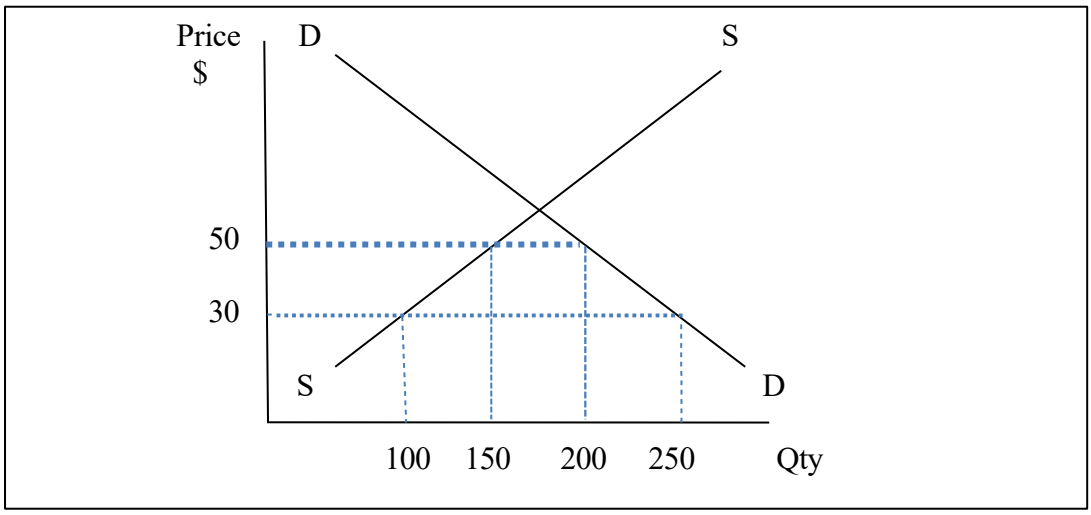
D. The export price index divided by the import price index

16. Which type of inflation is best illustrated in the diagram below?



A. Imported inflation
B. Cost push inflation
C. Demand pull inflation
D. Inflationary expectations

17. The diagram below shows the effects of a quota for imported fooshies being removed.



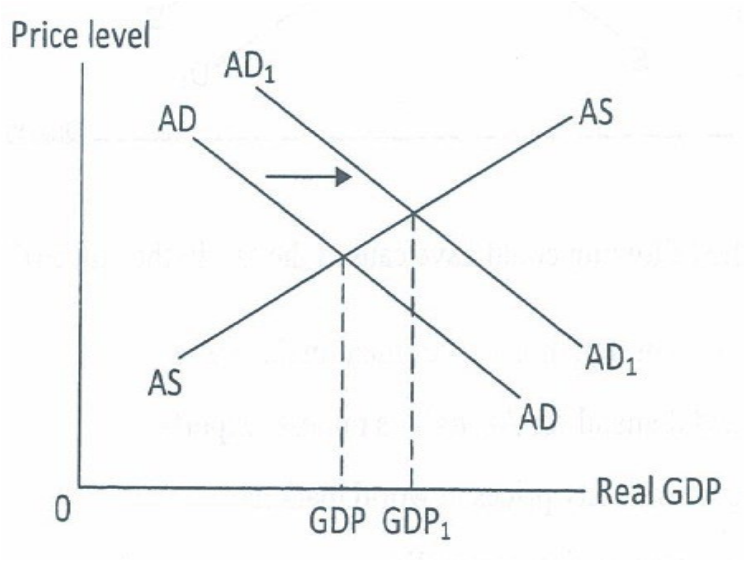
What is the change to the domestic producer's revenue and the level of imports?

A. The domestic producer's revenue decreases by $50 and the level of imports decrease to 50
B. The domestic producers revenue increases by $50 and the level of import decrease to 150
C. The domestic producers revenue decreases by $4500 and the level of imports increase to 150
D. The domestic producer's revenue increases by $4500 and the level of imports increase to 50

18. Which of the following should cause the Australian dollar to appreciate?

A. Concern abroad over the safety of Australia's angus beef exports
B. An increase in remittances from Australian workers abroad to their families at home
C. Increased imports by Australian consumers of electronics made in China
D. An increase in Australian savings that is used to purchase financial assets in the USA

19. The diagram shows aggregate demand and supply curves for a hypothetical economy



All other things being equal, which of the following changes in government's economic policy could have caused the aggregate demand curve to to shift from AD to AD_1?

A. Lower interest rates and increased government spending
B. Higher interest rates and increased government expenditure
C. Lower interest rates and reduced government expenditure
D. Higher interest rates and reduced government expenditure

20. Which of the following international organisations would assist Switzerland if it was experiencing a balance of payments crisis?

A. EU
B. The World Bank
C. The G20
D. The International Monetary Fund

End of Section I

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TRIAL HSC EXAMINATION

2019

ECONOMICS

Section II

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

Instructions

- Answer the question in the spaces provided. These spaces provide guidance for the expected length of your response.
- Extra writing space is provided on pages 18-20. If you use this space, clearly indicate which question you are answering.

Please turn over

Question 21 (10 marks)

(a) Define fiscal policy. **1**

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(b) Outline the economic options available to governments in using a fiscal surplus. **2**

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(c) Using the data supplied, calculate the budget outcome for Year 1 and identify the fiscal stance for Year 2. **2**

Year	Govt Spending	Govt Revenue
1	$870m	$880m
2	$900m	$860m

Year 1 Budget Outcome: ……..

Year 2 Fiscal Stance: ……..

Question 21 continues on page 11

Marks

(d) Analyse the implications of the current fiscal consolidation strategy used by the Australian Government in being able to achieve its economic objectives. **5**

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End of Question 21

Question 22 (10 marks) **Marks**

(a) Outline TWO factors that may contribute to a deterioration in the Balance on Goods and Services **2**

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(b) Distinguish between transactions that are recorded in the Net Primary Income account and Net Secondary Income account **2**

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Question 22 continues on page 13

Marks

(c) Analyse recent trends in Australia's Current Account performance. **6**

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End of Question 22

Question 23 (10 marks)

Marks

(a) Outline ONE cause of market failure in relation to the use natural resources. **2**

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(b) Analyse the relationship between achieving environmental sustainability and the objectives of both economic growth and inflation. **4**

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Question 23 continues on page 15

Question 23 (continued)

Marks

(c) Explain how market based policies can be used to limit the emission of greenhouse gases and the rate of climate change. **4**

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End of Question 23

Question 24 (10 marks)

Marks

(a) Distinguish between *developing* and *emerging economies.* **2**

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(b) Explain ONE positive and ONE negative effect of globalisation. **3**

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Question 24 continues on page 17

Marks

(c) Discuss the role of government in promoting economic development in a country other than Australia. **5**

Name of economy: ……

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End of Question 24

Section II extra writing space

If you use this space, clearly indicate which question you are answering.

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If you use this space, clearly indicate which question you are answering.

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2019

Economics

Section III

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

Answer the question in the writing booklet provided. Extra booklets are available.
Clearly state the question attempted and complete Student Number and Teacher's name.

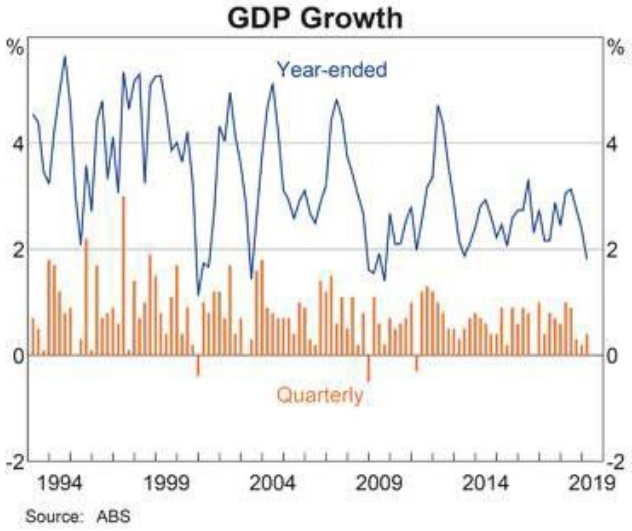
In your answer you will be assessed on how well you:

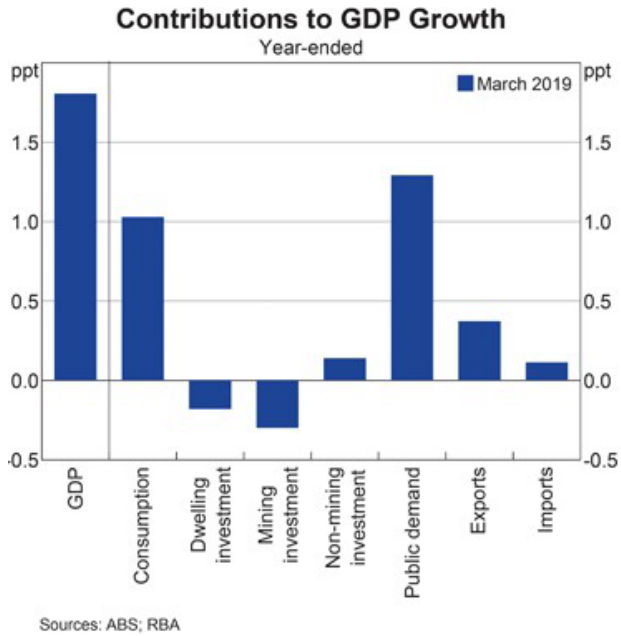
- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 25 (20 marks)

Analyse the effects of recent Monetary Policy on the Australian economy.

"Our judgement is that lower interest rates will help the economy as a whole. At the moment, this benefit is likely to come mainly through two channels. The first is a lower value of the exchange rate than otherwise would have been the case. The second is a boost to the disposable income of the household sector. In aggregate, the household sector pays around two dollars in interest for every dollar it receives in interest income. So, in aggregate, lower interest rates reduce the net interest payments of the household sector and so boost overall disposable income." Adapted from Philip Lowe speech dinner June 2019





OR

Question 26 (20 marks)

Analyse the role of the Australian government's economic policies in achieving full employment and low inflation in Australia.

The Government's personal income tax relief measures, ongoing delivery of essential services and its $100 billion transport infrastructure plan over the next decade will also support economic growth…Lower taxes form part of our plan that is delivering a stronger economy and record job creation. *2019-2020 Budget paper*

The unemployment rate is expected to remain around 5 per cent for some time, before edging lower to 4¾ per cent by mid 2021. This suggests that there will continue to be some spare capacity in the labour market over the next few years, although there is ongoing uncertainty around its extent. *Statement on Monetary Policy – May 2019*





Please turn over

Section IV

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

Answer the question in the writing booklet provided. Extra booklets are available.
Clearly state the question attempted and complete Student Number and Teacher's name.

In your answer you 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)

Assess the impact of global protection policies on the global economy and domestic economy.

OR

Question 28 (20 marks)

Analyse the impact of recent fluctuations in Australia's exchange rate on the government's achievement of economic objectives.

End of paper

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SECTION I

Total marks (20)

Attempt Questions 1 –20

Allow about 35 minutes for this section

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

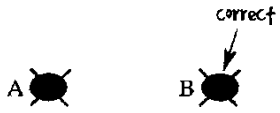
Sample: 2 + 4 = (A) 2 (B) 6 (C) 8 (D) 9

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 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 as follows.



Start here →

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