Student Number

SHORE

Sydney Church of England Grammar School

2017-18

HSC ASSESSMENT TASK 4

TRIAL HSC EXAM

Economics

General Instructions

- Working time – 3 hours (5 minutes reading time)
- Board-approved (non programmable) calculators may be used
- Write using blue or black ink
- Write your Examination Number where required

Section I

Total Marks **(20)**

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

Section II

Total Marks **(40)**

- Attempt all Questions 21 - 24
- Write your answers in the spaces provided
- Allow about 75 minutes for this section

Section III

Total Marks **(20)**

- Attempt Question 25
- Allow about 35 minutes for this section

Section IV

Total Marks **(20)**

- Attempt Question 26
- Allow about 35 minutes for this section

Section I

Total marks (20)

Use the multiple-choice answer sheet.

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

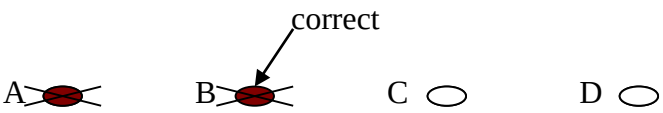
Sample 2 + 4 = (A) 2 (B) 6 (C) 8 (D) 9



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



If you change 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:



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1 Which of the following groups of countries has benefitted the most from increasing globalisation?

(A) Low income countries

(B) Middle income countries

(C) Emerging economies

(D) High income countries

2. Which of the following international organisations would assist an economy experiencing external stability issues?

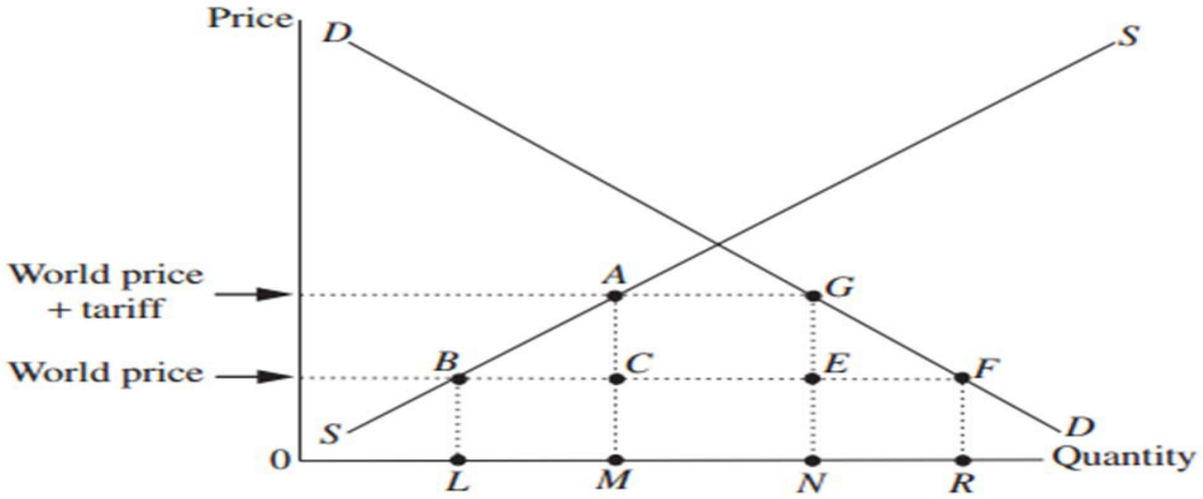
(A) Asia Pacific Economic Co-operation (APEC)

(B) World Trade Organisation (WTO)

(C) International Monetary Fund (IMF)

(D) World Bank (WB)

3. The graph below shows the impact of a tariff an open economy:



Which area(s) represent(s) the loss in income for foreign producers following the introduction of the tariff?

(A) AGEC.

(B) CEMN.

(C) BCML + EFRN.

(D) ABC + GEF.

4. Which of the following best explains a movement in Australia's Terms of Trade (TOT) index from 109.5 to 92.3?

(A) A fall in the volume of imports relative to exports

(B) A fall in the volume of exports relative to imports

(C) A rise in export prices relative to import prices

(D) A rise in import prices relative to export prices

5. Where would a pension received by an English citizen living in Australia be recorded in Australia's Balance of Payments?

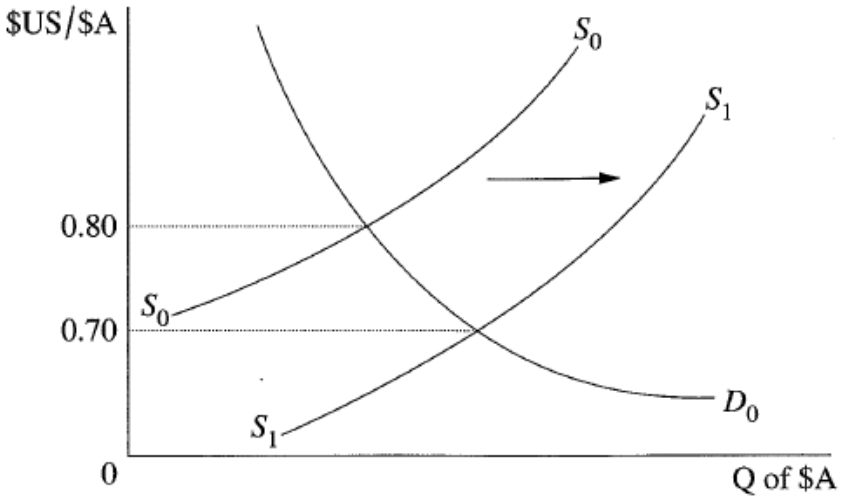
(A) As a debit on the Current account.

(B) As a credit on the Current account.

(C) As a debit on the Capital and Financial account.

(D) As a credit on the Capital and Financial account.

6 The following graph shows a movement in the supply and demand of Australian dollars against US dollars on the foreign exchange market.



Which of the following factors may have caused the shift in the supply curve from S0 to S1?

(A) A decrease in capital inflow into Australia

(B) A decrease in demand for foreign imports

(C) An increase in capital outflow from Australia

(D) An increase in demand for Australian exports

7 Why does the market system generally fail to produce public goods?

(A) The Government controls the prices and distribution of public goods.

(B) The benefits of public goods cannot be restricted to those who purchase them.

(C) Public goods tend to be those goods that are privatised by the Government.

(D) Legislation prevents private firms from producing public goods.

8 The table below shows selected data for a nation.

Year	***Nominal Gross Domestic Product (million)***	***Consumer Price Index (CPI)***	***Literacy levels (%)***	***Mortality (death) rate (per 1000 population)***
2006	$5 000	140	65	82
2011	$8 550	165	77	64

According to the data, which statement correctly describes what this economy has experienced over the period of time shown?

(A) A decrease in real Gross Domestic Product (GDP) and a fall in living standards

(B) A decrease in real Gross Domestic Product (GDP) and rise in living standards

(C) An increase in real Gross Domestic Product (GDP) and a fall in living standards

(D) An increase in real Gross Domestic Product (GDP) and rise in living standards

9 What would be the most likely effect of the Reserve Bank of Australia (RBA) selling second – hand Commonwealth Government Securities?

(A) A decrease in liquidity and a decrease in interest rates

(B) An increase in liquidity and a decrease in interest rates

(C) A decrease in liquidity and an increase in interest rates

(D) An increase in liquidity and an increase in interest rates

10 As part of its Paris Agreement commitments an economy has legislated that all local manufacturers of building products must install new and more effective anti-pollution technology in their factories.

Which of the following outcomes would result because of this action?

(A) An increase in private costs and a reduction in negative externalities

(B) An increase in private costs and an increase in negative externalities

(C) An increase in social costs and an increase in negative externalities

(D) An increase in social costs and a reduction in negative externalities

11 Which of the following combinations would indicate that a country is reducing its protectionist policies?

(A) An increase in a subsidy and a decrease in an import quota

(B) An increase in a subsidy and an increase in an import quota

(C) A decrease in a subsidy and a decrease in an import quota

(D) A decrease in a subsidy and an increase in an import quota

12 The economic indicators shown in the table below refer to a hypothetical economy over time.

	Current Account ($bn)	**Real GDP ($bn)**
Year 1	$110	$1,800
Year 2	$120	$2,200

Which of the following statements below is correct?

(A) The current account as a percentage of real GDP rose and external stability fell

(B) The current account as a percentage of real GDP fell and external stability rose

(C) The current account as a percentage of real GDP fell and external stability fell

(D) The current account as a percentage of real GDP rose and external stability rose

13 Which of the following is a cyclical factor that results in an improvement in the Current Account?

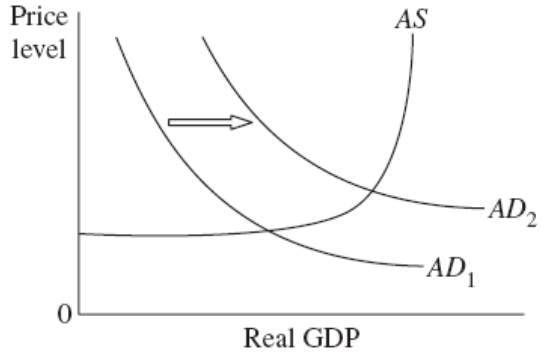
(A) A decrease in import spending following an increase in unemployment

(B) A fall in the domestic savings rate

(C) A reliance on foreign investment for business expansion

(D) A fall in global commodity prices

14. The following diagram shows the demand and supply curves for an economy.



All other things being equal, which of the following could have caused the Aggregate Demand (AD) curve to shift from AD1 to AD2?

(A) An increase in household saving

(B) An appreciation of the exchange rate

(C) An increase in business investment

(D) An increase in interest rates

15 Which of the following is a benefit of joining a monetary union?

(A) Lower transaction costs between countries inside the monetary union

(B) Increased ability to target inflation via individual domestic monetary policy

(C) An exchange rate that is directly aligned to domestic economic conditions

(D) The loss of economic sovereignty and greater trade cycle convergence

16 Which of the following measures are used in calculating the Human Development Index (HDI)?

(A) Life expectancy, GDP per capita, doctors per 1000 people

(B) GDP per capita, life expectancy and population growth

(C) GDP per capita, life expectancy and levels of educational attainment

(D) Unemployment rate, crime rate and GDP per capita

17 An Australian firm is seeking to achieve greater levels of dynamic efficiency.

What is the best way the firm can do this?

(A) Increased funding allocated to research and development

(B) Reallocation of resources from efficient to inefficient uses

(C) The introduction of machinery to increase the volume of production

(D) Achieving lower costs of production through investments in technology

18 The table below shows selected data for an economy.

Year	***Working Age Population (million)***	***Employed (million)***	***Unemployed (million)***
Year 1	50	30	10
Year 2	60	30	10

Which of the following has occurred in this economy between Year 1 and Year 2?

(A) The unemployment rate has decreased

(B) The labour force has increased

(C) The labour force participation rate has decreased

(D) The unemployment rate has increased

19 Which of the following will be reduced as a result of lower rates of inflation?

(A) Uncertainty in the economy

(B) The purchasing power of money

(C) The level of real population growth

(D) The level of real income

20 The table below relates to the following economic indicators of a particular country:

	Year 1	Year 2	Year 3
Income	200	400	700
Consumption	100	300	500
Investment	20	30	100
Government Expenditure	40	20	60
Exports	40	60	60
Imports	?	?	?

4. In which year(s) do net exports provide the greatest nominal injection?

(A) Year 1.
(B) Year 2.
(C) Year 3.
(D) Years 1 and 3 equally.

Section II

Exam Number _____

Total marks (40)

Answer in the spaces provided.

Question 21 (10 marks) **Marks**

The following are hypothetical figures for a closed economy with no government.

The equilibrium level of income is 22 billion and the full employment level of income is 25 billion. To reach full employment would require an injection of 1 billion.

a) What is the simple multiplier for the economy? (Show working) **1**

b) What is the Marginal Propensity to Save (MPS) for the economy? (Show working) **1**

c) Explain what is meant by full employment? **2**

d) What is likely to occur if the unemployment rate falls below the non-accelerating inflation rate of unemployment (NAIRU)? **2**

-Question 21 continues over the page –

e) Outline ONE economic and ONE social problem created by unemployment. **2**

f) Outline the consequences of inflation expectations rising in an economy. **2**

- End of Question 21 -

Question 22 (10 marks) **Exam Number _____**

The following are hypothetical Balance of Payments figures for an open economy with a floating exchange rate.

- Merchandise exports 350 Bn
- Merchandise imports 2,425 Bn
- Service Exports 2,145 Bn
- Service Imports 170 Bn
- Net Primary and Secondary Income 221.5 Bn
- Change in assets owned overseas 245 Bn
- Change in foreign owned domestic assets 100 Bn

Marks

a) i) Calculate the Current Account Balance. (Show working) **1**

ii) Calculate the Capital/Financial Account Balance. (Show working) **1**

iii) Calculate Net Errors and Omissions. **1**

b) Distinguish between the *composition* and *direction* of Australian trade with clear evidence provided for both.

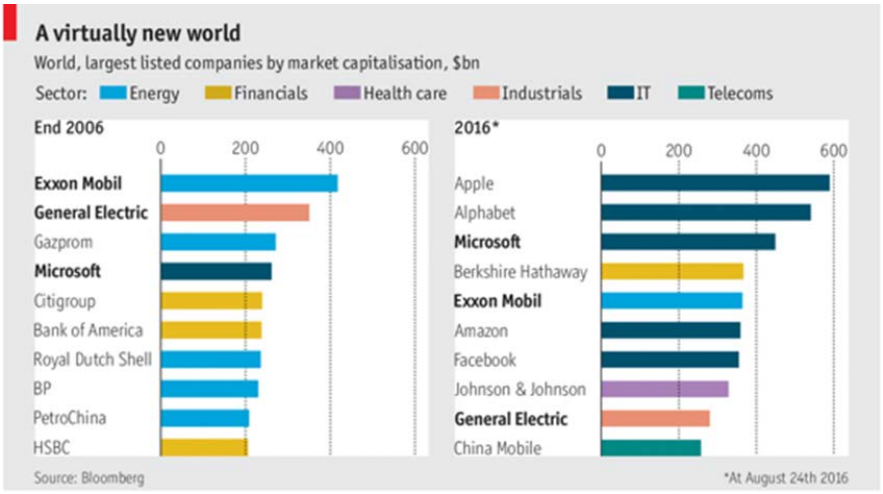
2

- Question 22 continues over the page -

c) Identify recent trends in the size and composition of Australia's Balance of Payments and discuss the effects of these trends on Australia's Balance of Payments. **5**

End of Question 22

Question 23 (10 marks) **Exam Number** _____



a) Outline ONE positive potential impact on the environment of continuing world economic development. **1**

b) Outline ONE negative consequence of a more equal distribution of global income. **1**

c) With reference to the table above, briefly explain the relationship between international trade, investment and transnational corporations. **2**

- Question 23 continues over the page -

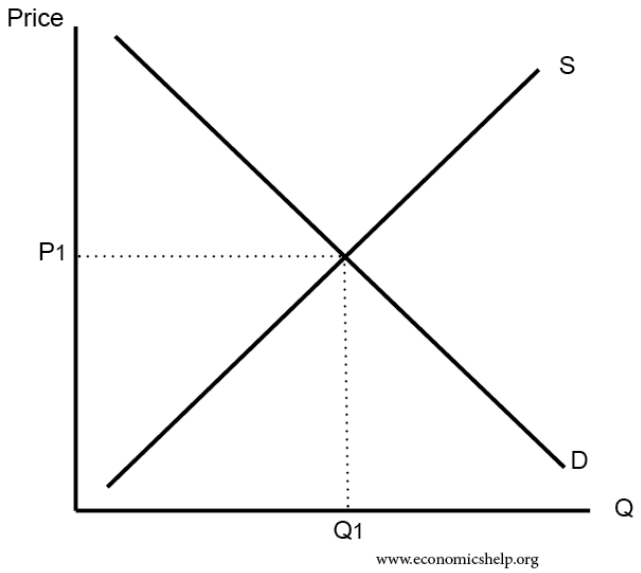
d) Explain how the effects of globalisation have impacted on the quality of life of the citizens of an economy other than Australia. **3**

e) Assess the current impact on the global economy of ONE international organisation and ONE contemporary trading bloc agreement. **3**

- End of Question 23 –

Question 24 (10 marks) **Exam Number _____**

The diagram below shows the demand for and supply of the Australian Dollar (AUD) in terms of the United States Dollar (USD).



Marks

a) i) On the graph indicate the imposition of a price floor by the RBA. **1**

ii) Would the price floor create an excess of demand or supply of AUD's? **1**

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iii) How would the RBA resolve the excess of demand or of supply created? **2**

.....

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- Question 24 continues over the page -

b) How do changes in the components of the balance of payments impact the value of the Australian dollar and what effect is the Australian dollar having on the economy?

6

- End of Question 24 –

Section III

Question 25 Total marks (20)

Answer on separate lined paper provided. In your answer you will be assessed on how well you:

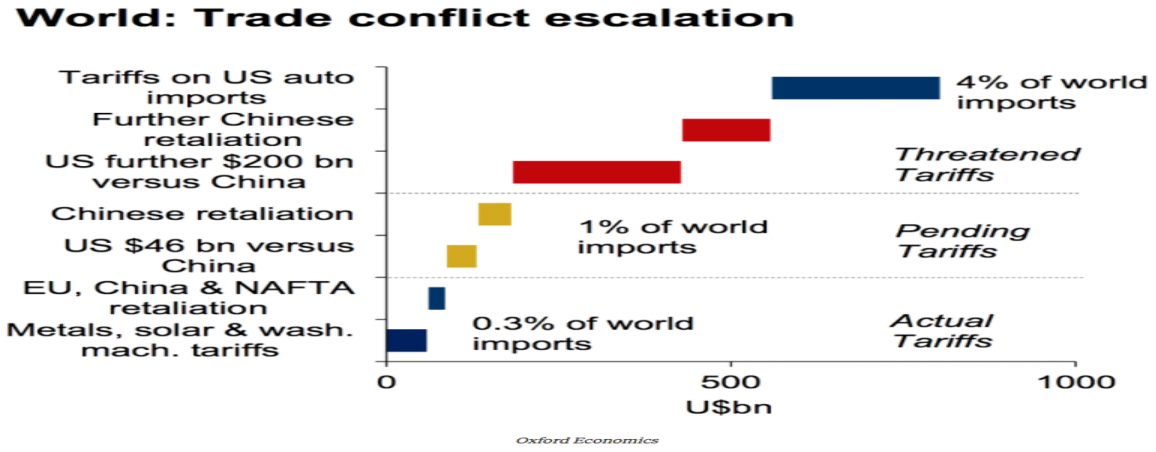
- use your knowledge and the economic information provided
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 24 (20 marks)

Critically evaluate the potential impact of rising global protectionism on the global economy and propose an appropriate Australian policy response.

Trump's trade war could destroy 4% of global trade:
'The threat to world growth is significant'

If US President Trump follows through on his threats to stage a trade war against his former allies in Europe, China, and other countries, it could reduce world trade by 4% and wipe away 0.4 percentage points of global GDP (about $US800 billion) in 2019, according to Oxford Economics. JIM EDWARDS Business Insider JUL 5, 2018



Countering the Global Rise of Protectionism

Resisting protectionism and continuing to work towards freer markets, while making trade work for all by minimising adjustment costs and ensuring the benefits are widely shared, is the best path forward. Higher living standards depend on it. JONATHON COPPEL 03 OCT 2017

(Jonathon Coppel is the Commissioner for the Australian Productivity Commission)

https://www.internationalaffairs.org.au/australianoutlook/free-market-rise-protectionism/

Section IV

Question 26 Total marks (20)

Answer on separate lined paper provided 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 cohesive response

Question 26 (20 marks)

Discuss how effectively recent Australian economic policies have been used to achieve the internal economic objectives you have studied.

End of Paper

Shore 2018

TRIAL HIGHER SCHOOL CERTIFICATE

Economics

Multiple choice answer sheet

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

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

Q21 GCA

Question	Answer could include	Marking
a) What is the multiplier for the economy? (Show working)	$1bn x 3 = $3bn	1 mk for correct answer showing working.

Question	Answer could include	Marking
b) What is the Marginal Propensity to Save (MPS) for the economy? (Show working)	K = 1/MPS therefore 1/.33 = 3	1 mk for correct answer showing working.

Question	Answer could include	Marking
c) Explain what is meant by full employment?	Full employment refers to the level of unemployment where cyclical unemployment is equal to zero, leaving only structural and frictional unemployment. It is also known as the natural rate of unemployment or the NAIRU.	2 mks for clear explanation. 1 mk for weak explanation

Question	Answer could include	Marking
d) What is likely to occur if the unemployment rate falls below the non-accelerating inflation rate of unemployment (NAIRU)?	In this event, it is likely that inflation will rise, with only temporary falls in the unemployment rate, since labour productivity is likely to fall and wage costs rise.	2 mks for clear explanation 1 mk for weak explanation.

Question	Answer could include	Marking
e) Outline ONE economic and ONE social problem created by unemployment.	One economic cost of rising unemployment is the creation of spare capacity in the economy resulting in lost potential output and growth. One social cost of unemployment is the growth of social unrest and homelessness due to low incomes.	2mks for clear outline of both. 1 mk for one explanation only or weak explanation of both.

Q22 GCA

Question	Answer could include	Marking
a) i) Calculate the Current Account Balance. (Show working)	CAS= BOGS + Net Income CAS = 121.5	1
Question	**Answer could include**	**Marking**
ii) Calculate the Capital/Financial Account Balance. (Show working)	KAD = Net change in Aust and O/S assets KAD = - 145	1
Question	**Answer could include**	**Marking**
iii) Calculate Net Errors and Omissions.	Net E & O = CAS – KAD = 23.5	1

Question	Answer could include	Marking
b) Distinguish between the *composition* and *direction* of Australian trade with clear evidence provided for both.	Composition of trade refers to the types of goods and services exported and imported to Australia (e.g wool, tourism), while direction of trade refers to where trade is sourced e.g China	2 mks for clear distinction 1 mk for weak explanation

Question	Answer could include	Marking
c) Identify recent trends in the size and composition of Australia's Balance of Payments and discuss the effects of these trends on Australia's Balance of Payments.	The CAD reflects Australia's need for foreign capital and the consequent income deficit this generates (Net Primary Income) through ongoing Capital Account Surpluses. This is the structural component of the CAD. The cyclical component is the BOGS and in recent times the BOGS has fluctuated with slower world growth, and declining commodity prices. More recently, a BOGS surplus was achieved due to increased export volumes, higher commodity prices and a lower Australian dollar encouraging further components of the Current Account such as tourism, education and commodities. The CAD has hovered between 2 – 4 % approximately in recent times.	5 mks for clear identification and discussion 4 mks for identification and general discussion 3 mks some identification and general discussion 2 mks for some identification and weak discussion 1 mk for identification

Q23 MJW

Question	Answers could include	Marks
a) Outline ONE positive potential impact on the environment of continuing world economic development.	Number of possible answers: Innovation and R&D, Global Co-operation, Awareness and acceptance of ESD	1 mark for correct impact
b) Outline ONE negative consequence of a more equal distribution of global income.	Number of possible answers: Loss of incentives, loss of efficiency, loss of capital investment	1 mark for correct consequence
c) With reference to the table above, briefly explain the relationship between international trade, investment and transnational corporations.	Relationship is based on TNC acting as an agent of trade and investment, new service TNC;s like Apple can utilise the production platforms available in low cost countries and/or invest in subsidiaries thereby increasing trade flows through supply chains and FDI.	2 marks for clear explanation with reference to the stimulus 1 mark for general outline
d) Explain how the effects of globalisation have impacted on the quality of life of the citizens of an economy other than Australia.	Explanation has to show cause and effect such as for China SEZ's, the 'Open Door Policy' and WTO membership enabling the country to embrace and engage in globalisation. Through this growth, employment and migration assisting the populace to lift out of poverty and increase HDI. Negative impacts were also applicable.	3 marks for clear explanation of impact 2 marks for general outline 1 mark for limited attempt
e) Assess the current impact on the global economy of ONE international organisation and ONE contemporary trading bloc agreement.	**International Organisations include:** WTO, UN, IMF, WB and OECD (not G20) Assessment could be based on: current impact of Organisation eg WTO and rising trade protection, WB/UN and Millennium Goals, IMF and GFC bailouts and Argentina or Venezuela stability **Contemporary Trade Blocs include:** EU, NAFTA, ASEAN and The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (TPP 11) which is signed not in force yet. Assessment could be based on: Trade creation v diversion globally, size of market for participating countries in trade & finance, harmonisation of rules and regulations globally or Investor/State conflict through dispute provisions	3 marks for clear assessment of impact of ONE International Organisation and ONE Trade Bloc 2 marks for general outline of role and/or influence of ONE International Organisation and ONE Trade Bloc 1 mark for limited attempt

Q24 MJW

Question	Answers could include	Marks
a) i. On the graph indicate the imposition of a price floor by the RBA.	The Price Floor is a permanent disequilibrium position above the equilibrium price indicating an overvalued AUD.	1 mark for correct diagram
a) ii. Would the price floor create an excess of demand or supply of AUD's?	Excess Supply	1 mark for correct answer
a) iii How would the RBA resolve the excess of demand or supply created?	The RBA would intervene in the market to BUY the excess of AUD's created by the price floor. To do so, the RBA would SELL its holdings of FOREX ie USD's to buy the excess supply of AUD. The RBA must satisfy the excess in supply it has created and must therefore have sufficient USD's in reserve to do so.	2 marks for clear answer addressing the resolving ie satisfying of the excess supply created by the RBA 1 mark for weak outline or partially correct answer
b) How do changes in the components of the balance of payments impact the value of the Australian dollar and what effect is the Australian dollar having on the economy?	Aust's BOP is a record of its transactions with the rest of the world and under its floating e/r system demand for the AUD (credits) will equal supply of the AUD (debits). Changes in the components of the BOP will reflect the transactions that influence the AUD. Issues such as Australia's international trade competitiveness and terms of trade will affect BOGS and factors that affect capital transactions and the resulting servicing obligations will have a major influence on NPY and the Capital/Financial account and hence movements in the exchange rate. The effect of the AUD ie currently AUD1.00 = USD 0.73c on the economy is primarily an issue of positive trade valuation effects, growth improvements, low imported inflation and strong employment outcomes whilst maintaining Ext St.	5-6 marks for clear md comprehensive response addressing both elements of the question 3-4 marks for a general response that attempts to address both elements of the question 1-2 marks for a limited response that outlines at least one element of the question

Section III Question 25

MARKING GUIDELINES

Criteria	Marks
• Integrates appropriate economic terms, data, concepts, relationships and theory throughout • Synthesises own knowledge to develop a logical and well-structured answer that clearly shows the relationship between protectionist policies and their impact on the global economy AND Australia • Demonstrates factually precise and extensive knowledge of the relationship between rising protectionist policies and Australia's policy response	17–20
• Consistently uses appropriate economic terms and data and applies concepts, relationships and theory • Uses own knowledge to develop a logically-sequenced answer that demonstrates the relationship between protectionist policies and their impact on the global economy AND Australia • Demonstrates factually correct and appropriate knowledge of the relationship between rising protectionist policies and Australia's policy response	13–16
• Uses appropriate economic terms, concepts and relationships • Uses own knowledge to develop an answer concerning the relationship between protectionist policies and their impact on the global economy AND Australia • Demonstrates correct and usually relevant knowledge of the relationship between protectionist policies and their impacts	9–12
• Uses some appropriate economic terms, concepts and relationships • Uses generalised knowledge to develop an answer which refers to the relationship between protectionist policies and their impact on the global economy • Makes minimal use of data concerning the relationship between protectionist policies and their impact on the global economy	5–8
• Uses some appropriate terminology to communicate economic ideas • Demonstrates a limited knowledge of the relationship between protectionist policies and their impact on the global economy • Presents a limited response	1-4

Section IV Question 26

MARKING GUIDELINES

Criteria	Marks
• Synthesises own knowledge and understanding to develop a sustained, logical and cohesive response • Integrates relevant economic terms, concepts, relationships and theories • Demonstrates a clear and comprehensive understanding of HOW effective the Australian government's macroeconomic AND microeconomic policies have achieved internal economic objectives	17–20
• Synthesises own knowledge and understanding to develop a logical and cohesive response • Applies relevant economic terms, concepts, relationships and theories • Demonstrates a sound understanding of HOW the Australian government's macroeconomic AND/OR microeconomic policies have affected internal economic objectives	13–16
• Uses own knowledge and understanding to develop a coherent response • Uses relevant economic terms, concepts, relationships and theories • Demonstrates some understanding of how the Australian government's macroeconomic AND/OR microeconomic policies have affected some economic objectives	9–12
• Presents a generalised response • Uses some economic terms and concepts • Identifies aspects of Australian government policies AND some economic objectives	5–8
• Presents a limited response • Uses some economic terms and concepts • Lists some aspects of government policies	1-4