SYDNEY GRAMMAR SCHOOL

TRIAL EXAMINATION 2025

FORM VI ECONOMICS

Part 1: Multiple Choice Questions

Candidate No:

General Instructions

- Working Time: 3 hours (plus 5 mins reading time)
- Write using black pen
- Write your candidate number on the top of the Answer Booklet and each writing booklet used
- Board approved calculators may be used
- Put your Part 1: Multiple Choice Question booklet and your clearly marked essay writing booklets inside your Part 2: Answer Booklet and hand up in one bundle

Structure of Paper & Instructions

- Section I (20 marks).
  Attempt Questions 1–20, allow about 35 minutes for this section
- Section II (40 marks).
  Attempt Questions 21–24, allow about 1 hour and 15 minutes for this section
- Section III (20 marks).
  Attempt either Question 25 or Question 26, allow about 35 minutes for this section
- Section IV (20 marks).
  Attempt either Question 27 or Question 28, allow about 35 minutes for this section

Total Marks: 100

Tuesday 19 August

8:40am

CHECKLIST

Each boy should have the following:

- ☐ 1 x Part 1: Multiple Choice Question Paper
- ☐ 1 x Part 2: Answer Booklet
- ☐ 4 x 4-page Writing Booklets

TZH July 2025

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Section I

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

Use the multiple-choice answer sheet found on the first page of the Answer Booklet for Questions 1–20.

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1. Which of the following multilateral trade agreements is Australia a member of?

(A) European Union (EU)
(B) Association of Southeast Asian Nations (ASEAN)
(C) Regional Comprehensive Economic Partnership (RCEP)
(D) Japan-Australia Economic Partnership Agreement (JAEPA)

2. A hypothetical economy shows low levels of integration with the global economy. It is primarily agrarian, has a high population growth rate, and low economic development.

This economy is most likely an example of which type of economy?

(A) Developing
(B) Emerging
(C) Advanced
(D) Transition

3. Which of the following is an example of an automatic stabiliser during a boom period?

(A) A rise in incomes moving taxpayers into higher tax brackets
(B) The discontinuation of a once-off unemployment benefit
(C) An increase in the highest marginal income tax rate
(D) An increase in discretionary public sector spending

4. Why would an economy decrease its quota on imports?

(A) To increase production costs for domestic businesses
(B) To promote price stability in the domestic economy
(C) To increase consumer access to foreign goods
(D) To reduce dependence on foreign goods

5. The table shows selected data for a hypothetical economy, Country X.

Loans owed by Country X to foreign lenders	$350 billion
Loans owed by foreign borrowers to Country X	$200 billion
Country X assets owned by foreigners	$400 billion
Net foreign liabilities for Country X	$450 billion

What is the value of foreign assets owned by Country X?

(A) $50 billion
(B) $100 billion
(C) $200 billion
(D) $1400 billion

6. The Reserve Bank of Australia wishes to respond to a rapid depreciation of the Australian dollar.

All else being equal, which of the following actions by the Reserve Bank of Australia would likely be the most effective?

	Cash rate decision	*Intervention in the foreign exchange market*
(A)	Decrease	Sell Australian dollars
(B)	Decrease	Buy Australian dollars
(C)	Increase	Sell foreign currency
(D)	Increase	Buy foreign currency

7. Which of the following is most likely to reverse the process of globalisation?

(A) An increase in recognition of global educational qualifications
(B) An increase in the percentage of goods covered by a free trade agreement
(C) A decrease in shipping bottlenecks
(D) A decrease in membership of government economic forums

8. The table shows data for a hypothetical economy.

Working age population	*Labour force*	*Unemployed*
30 million	23 million	2.76 million

What is the unemployment rate of this economy?

(A) 9.2%
(B) 10%
(C) 12%
(D) 12.5%

9. The government of a hypothetical economy has decided to increase subsidies on childcare.

Which of the following most correctly identifies the reasons for doing this?

(A) To increase a positive externality and decrease the cost of childcare
(B) To increase a positive externality and increase the cost of childcare
(C) To increase a negative externality and increase the cost of childcare
(D) To increase a negative externality and decrease the cost of childcare

10. An Australian investor purchases the right to open a Crumpl Cookie franchise from the United States. To finance this, the Australian investor has also taken a loan from a Japanese bank, which requires regular interest payments to service.

How would the following transactions be recorded in Australia's balance of payments?

	Purchase of Crumpl Cookie rights	*Interest payment to Japanese bank*
(A)	Debit in the capital account	Debit in the capital account
(B)	Debit in the capital account	Debit in the current account
(C)	Debit in the current account	Debit in the current account
(D)	Debit in the current account	Debit in the capital account

11. The government of a hypothetical economy has implemented a one-off reduction in the level of outstanding student debt by 20%.

Which of the following statements is most correct?

(A) This was a non-discretionary change in fiscal policy which will make the distribution of wealth more equal
(B) This was a discretionary change in fiscal policy which will make the distribution of wealth more equal
(C) This was a non-discretionary change in fiscal policy which will make the distribution of income more equal
(D) This was a discretionary change in fiscal policy which will make the distribution of income more equal

12. A government has decided to finance its budget deficit by borrowing from its central bank.

All other things being equal, what is the most likely impact of this on the domestic economy?

(A) The rate of inflation will increase
(B) The size of net foreign debt will increase
(C) The size of the budget deficit will decrease
(D) The domestic money supply will decrease

13. The table shows exchange rate movements between the Australian and US dollar.

Year	*Australian dollar (AUD)*	*US dollar (USD)*
1	1.00	0.65
2	1.45	1.00

All else being equal, which of the following statements shows a likely impact of this movement from Year 1 to Year 2?

(A) Australian net foreign debt will increase in value when denominated in US dollars
(B) Australian businesses will face higher costs for imported parts
(C) Australian assets will become cheaper for foreign investors
(D) Australian exports will become less internationally competitive

14. The table shows data about a hypothetical economy.

Marginal propensity to consume (MPC)	*Average propensity to consume (APC)*	*National income (Year 1)*
0.75	0.60	$500 million

Suppose there is an increase in government spending of $100 million.

All else being equal, what will be the new equilibrium level of income in Year 2 as a result of this?

(A) $375 million
(B) $400 million
(C) $600 million
(D) $900 million

15. A hypothetical economy has increased its minimum wage at a rate higher than the rate of inflation.

Which of the following correctly identifies the effect of this?

	Aggregate Demand	*International Competitiveness*
(A)	Decrease	Deteriorate
(B)	Increase	Deteriorate
(C)	Decrease	Improve
(D)	Increase	Improve

16. The table below shows data for Country Y, which has a floating exchange rate.

	Balance of payments outcome
Year 1	$4 billion current account surplus
Year 2	$6 billion capital and financial surplus

Which of the following is most likely to have occurred in Country Y between Year 1 and Year 2?

(A) An improvement in the terms of trade and a depreciation of the currency
(B) An appreciation of the currency and decreased direct investment inflows
(C) A deterioration in the terms of trade and increased direct investment inflows
(D) A decrease in economic growth and increased portfolio investment outflows

17. The table shows data for a hypothetical economy.

Year	*Export price index*	*Import price index*	*Trade weighted index*
1	95	100	68
2	102	102	72
3	105	110	70

What is the effect of these changes on the terms of trade and international competitiveness for this economy?

	Terms of trade from Year 1 to Year 2	*International competitiveness from Year 2 to Year 3*
(A)	Improved	Improved
(B)	Improved	Worsened
(C)	Unchanged	Improved
(D)	Deteriorated	Worsened

18. A hypothetical economy has sustained an unemployment rate below its non-accelerating inflationary rate of unemployment (NAIRU).

Which of the following is the most likely effect of this?

(A) An increase in the rate of hidden unemployment
(B) An increase in the rate of inflation
(C) A decrease in the rate of economic growth
(D) A decrease in the cash rate

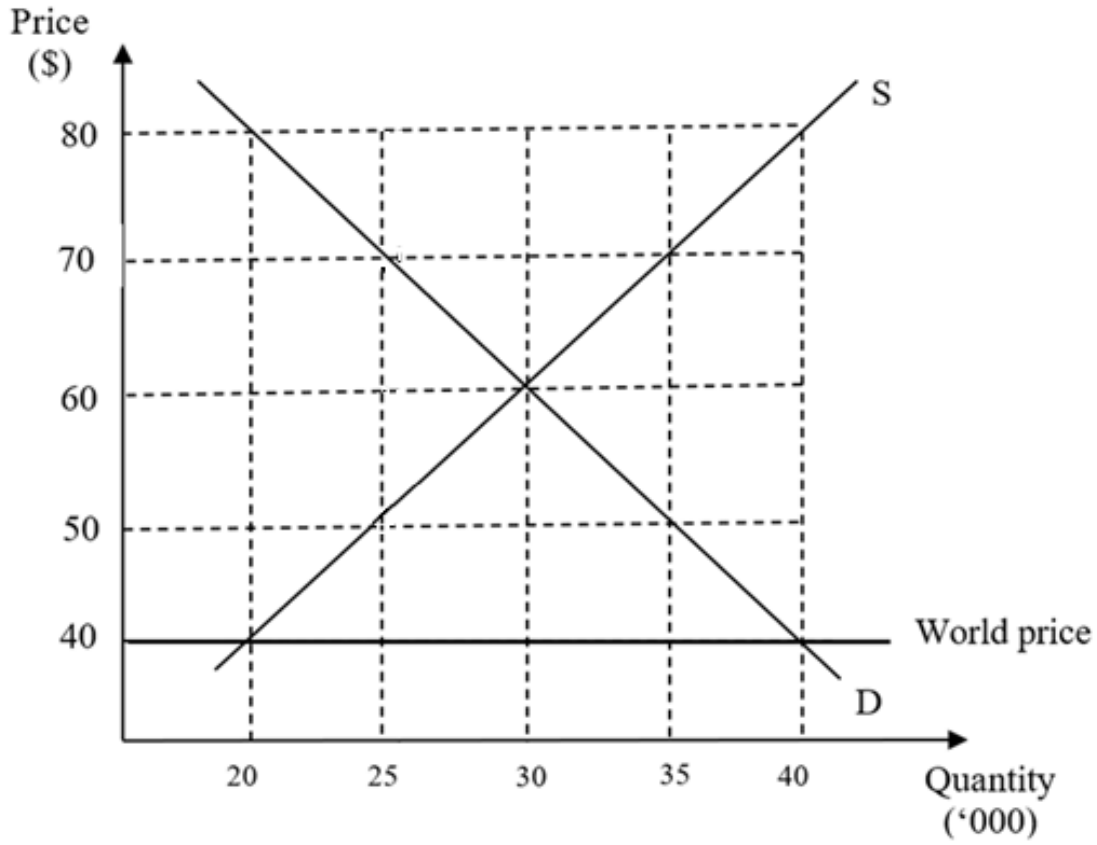
19. The table shows data for a hypothetical economy.

Year	*Nominal gross domestic product ($bn)*	*Consumer price index (CPI)*
1	2000	100
2	2240	107

What is the real economic growth rate for this economy in Year 2?

(A) 0%
(B) 4.7%
(C) 7%
(D) 11.2%

20. The graph shows the demand and supply for sunglasses in Country Z at the world price of $40.



Country Z currently imposes a tariff which allows for 10,000 imports. The government is considering replacing the tariff with a subsidy of $20 per unit for imported goods.

All else being equal, what would be the effects of this policy change?

	Domestic producer revenue	*Budget outcome*
(A)	Increase by $50,000	Worsen by $600,000
(B)	Decrease by $50,000	Worsen by $600,000
(C)	Increase by $50,000	Worsen by $700,000
(D)	Decrease by $50,000	Worsen by $700,000

End of Section I

SYDNEY GRAMMAR SCHOOL

CANDIDATE NUMBER

2025
TRIAL EXAMINATION

ECONOMICS: Part 2: Answer Booklet

Section I - Multiple Choice

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

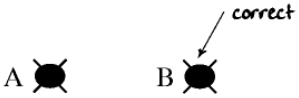
Sample: 2 + 4 = (A) 2 (B) 6 (C) 8 (D) 9

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.



A ⊗ B ⊗ C ○ D ○

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 ○

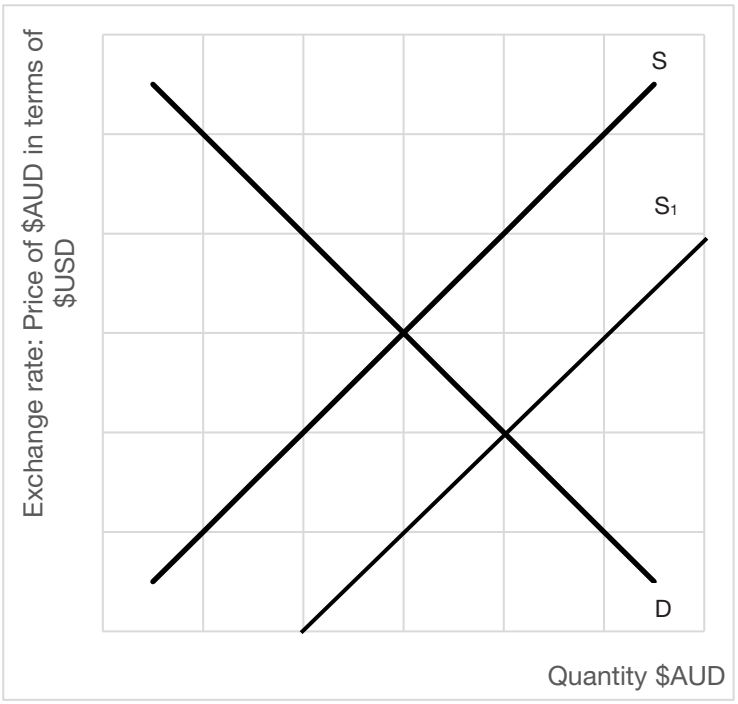
Section II

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

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

Question 21 (10 marks)

The diagram below shows a change in the market for the Australian dollar in terms of the United States dollar.



(a) Outline ONE possible reason for this change. **2**

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(b) Explain ONE advantage and ONE disadvantage of a floating exchange rate system. **4**

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(c) Analyse how a depreciation of the Australian dollar can impact Australia's economic growth. **4**

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End of Question 21

Question 22 (10 marks)

(a) Compare and contrast the roles of the International Monetary Fund (IMF) and the World Bank (WB) in promoting economic development. **4**

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(b) For an economy other than Australia, assess ONE strategy to promote economic growth and ONE strategy to promote economic development. **6**

Name of economy: .....

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Question 23 (10 marks)

(a) Outline the relationship between income and wealth. **2**

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(b) Explain how TWO changes to taxation have affected the distribution of income in Australia. **4**

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(c) Explain how age and gender lead to income inequality in Australia. **4**

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End of Question 23

Question 24 (10 marks)

The table below shows the government's budget for a hypothetical economy.

	Year 1	*Year 2*
Taxation Revenue (T) $billions	900	950
Government Expenditure (G) $billions	720	830

(a) Identify the budget outcome in Year 1. **1**

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(b) Identify the fiscal stance in Year 2. **1**

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(c) Explain how a budget deficit could worsen external stability. **3**

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(d) With the use of examples, explain how recent fiscal policy in Australia has been used to reallocate resources. **5**

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End of question 24

End of Section II

Section III

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

In your response, refer to the economic information provided.
Answer the question in a writing booklet. Extra writing booklets are available.

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

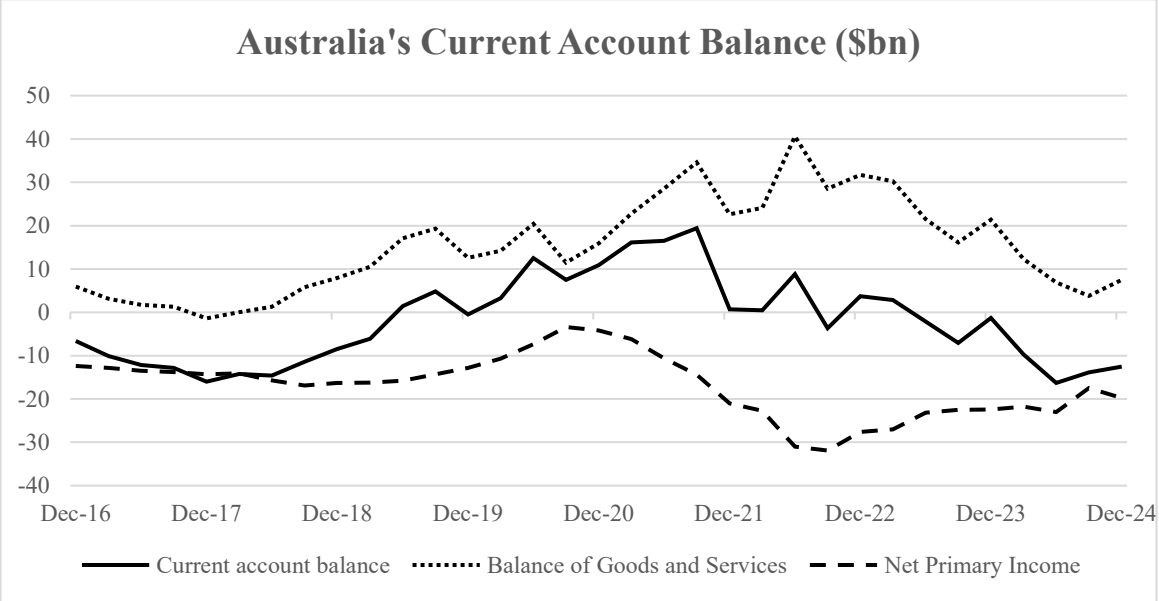
Please turn over

Question 25 (20 marks)

Analyse how recent changes to Australia's trade and financial flows have impacted Australia's current account. In your response, refer to the economic information provided.

In recent years, net long-term debt liabilities have fallen as banks gained access to low-cost domestic funding, credit growth declined, and interest rates increased (which reduces the value of debt). Australia's net foreign equity liabilities have also declined markedly in recent years. Since 2013, Australia has had a net foreign equity asset position – Australian residents own more equity in foreign companies than non-residents own in Australian companies.

Reserve Bank of Australia, April 2024



OR

Question 26 (20 marks)

Analyse how free trade and protectionist trade policies have impacted individuals, firms and government in Australia. In your response, refer to the economic information provided.

Trade benefits Australians by increasing productivity and economic growth, building a stronger labour market, generating more choices for consumers and raising government revenues that support government services.

- 31 per cent of Australia's economic output is supported by trade activity.
- One in four Australian jobs are connected to trade.
- Jobs directly associated with exports are paid 9.6 per cent more than the national average.
- Foreign companies employ one in eight Australian workers.

Department of Foreign Affairs and Trade, November 2024

Australia's top partner countries for exports

	China ($b)	Japan ($b)	South Korea ($b)	United States of America ($b)	India ($b)
2018	136.5	58.8	26.6	24.0	22.4
2019	168.4	60.4	28.2	26.8	21.7
2020	160.2	46.4	25.2	29.1	16.9
2021	189.1	65.1	37.9	26.0	24.6
2022	185.3	119.9	54.1	33.4	35.0
2023	218.3	90.3	44.0	36.8	35.1
2024	196.0	75.6	41.7	40.1	35.5

Australian Bureau of Statistics (ABS), April 2024

Section IV

20 marks
Attempt either Question 27 or Question 28
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 assessed on how well you:

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

Question 27 (20 marks)

Evaluate the effectiveness of Australia's macroeconomic policies in achieving price stability and full employment.

OR

Question 28 (20 marks)

Evaluate the effectiveness of Australia's policies in achieving environmental sustainability.

End of paper