



ECONOMICS MOCK TRIAL

2020

HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black or blue pen
- Draw diagrams using pencil
- Calculators approved by NESAs may be used
- Write your NESAs number where required

Total marks: 100

Section I – 20 marks (pages)

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

Section II – 40 marks (pages)

- Attempt Questions 21-34
- Allow about 1 hours and 15 minutes for this section

Section III – 20 marks (pages)

- Attempt Questions 25 or 26
- Allow about 35 minutes for this section

Section IV – 20 marks (pages)

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

Section I–Module A: Language, Identity and Culture

20 marks

Attempt Questions 1-20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet for Questions 1-20

- 1 Which of the following is an example of a monetary union?
 - A. APEC
 - B. ASEAN
 - C. EU
 - D. NAFTA

- 2 If investment rises by \$100m in an economy and this raises national income by \$500m. What is the marginal propensity to save in this economy?
 - A. 0.1
 - B. 0.2
 - C. 0.5
 - D. 0.8

- 3 Which of the following describes a consequence of the appreciation of the Australian dollar to the Australian economy?
 - A. Increased Import Volume
 - B. Decreased foreign debt repayments
 - C. Decreased international competitiveness
 - D. Decreased interest rates

- 4 What is the equilibrium level of income if $C = 50 + 0.8Y$ and $I = 100$?
 - A. 100
 - B. 150
 - C. 250
 - D. 750

- 5 The Reserve Bank of Australia engages in a contractionary monetary policy stance. Which of the following is the most likely result of this decision?

	<i>Inflation</i>	<i>Australian Dollar</i>
A.	Increases	Appreciates
B.	Increases	Depreciates
C.	Decreases	Depreciates
D.	Decreases	Appreciates

- 6 What is one way a government can finance a budget deficit?

- A. Increase level of exports
- B. Services Tax Borrow from the Reserve Bank
- C. Encourage welfare recipients into the workforce
- D. Increase the rate of its Good and Services Tax

- 7 Which of the following is most likely to reduce income inequality?

- A. An increase in the minimum wage
- B. A decrease in unemployment benefits
- C. Decentralisation of the wage determination system
- D. Lower government funding for education and training

- 8 Which of the following policies would be most likely to reduce an economy's non-accelerating inflation rate of unemployment (NAIRU)?

- A. Expansionary fiscal policy
- B. Contractionary monetary policy
- C. Policies that increase factor market competition
- D. Policies that decrease product market competition

- 9 The table shows Balance of Payments data for a hypothetical economy with a flexible exchange rate.

	\$ Billion
Exports of Goods	\$20
Imports of Goods	\$10
Financial Account	\$85
Capital Account	\$25
Net services	-\$15
Net primary income	????
Net Secondary income	-\$65

What is the value of Net Primary Income?

- A. \$55
 - B. -\$40
 - C. -\$60
 - D. \$160
- 10 Which of the following is an advantage of deregulation of the labour market?
- A. An increase in productivity rates
 - B. Increased protections for workers
 - C. An increase in the minimum wage
 - D. A short-term decrease in unemployment
- 11 Which statement best describes public goods?
- A. They are always provided by the government
 - B. They do not have costs of production
 - C. They can be easily traded
 - D. They are non-rival
- 12 What is the impact of Reserve Bank sales of bonds as part of its market operations?
- A. A reduction in liquidity in markets and a decrease in the cash rate
 - B. A reduction in liquidity in markets and an increase in the cash rate
 - C. An increase in liquidity in markets and an increase in the cash rate
 - D. An increase in liquidity in markets and a decrease in the cash rate

13 Here is the information for a hypothetical economy. The value of CAD is \$70 billion, Net foreign debt is \$900 billion, Net foreign equity is \$220 billion and GDP is \$2300 billion.

What is the NFL for this economy as a percentage of GDP?

- A. 3.7%
- B. 33.3%
- C. 56.7%
- D. 29.57%

14 Which combination of factors is most likely to decrease in Australia's Trade Weighted Index?

	<i>Terms of trade</i>	<i>Global interest rates relative to Australian interest rates</i>
A.	Increase	Decrease
B.	Increase	Increase
C.	decrease	Decrease
D.	decrease	Increase

15 Which of the following is most likely to cause inflation in the Australian economy?

- A. Higher interest rates in the United States
- B. An increase in the Medicare Levy
- C. A reduction in the Age Pension
- D. An increase in the compulsory superannuation employer contribution

16 Which of the following is most likely to be of benefit to transnational corporations?

- A. Migration laws that encourage international labour mobility
- B. Variations in regional business cycles
- C. Restrictions on international financial flows
- D. Increased trade flows

17 A Japanese company purchases an Australian company that pays a dividend to Japanese Shareholders. How would these transactions be recorded on Australia's balance of payments?

	<i>Purchase of the company</i>	<i>Payment of the dividend</i>
A.	Debit on the capital account	Credit on the financial account
B.	Debit on the financial account	Credit on the current account
C.	Credit on the financial account	Debit on the current account
D.	Credit on the capital account	Debit on the current account

18 Other things equal, an increase in the preference for Australian commodities by USA would:

- A. Cause an increase in the supply curve for the AUD and produce a depreciation of the AUD against the USD
- B. Cause a decrease in the demand curve for the curve for the USD and produce an appreciation of the USD against AUD
- C. Cause an increase in the demand curve for the AUD and produce an appreciation of the AUD against the USD
- D. Cause a decrease in the supply curve for the USD and produce an appreciation in the USD against the AUD

19 What are the circumstances that result in a positive externality?

- A. The marginal social cost exceeds the marginal private cost
- B. Consumption where a person's enjoyment does not diminish another's enjoyment
- C. Consumption by a free-rider
- D. The marginal social benefit exceeds the marginal private benefit

20 In 2022, one US dollar buys 0.75 Australian dollars. In 2023, one Australian dollar buys 1.25 US dollars. Which statement is most correct?

- A. Australian exports to the US are less expensive in 2022 compared to 2023.
- B. Goods imported from the US are more expensive in 2023 compared to 2022.
- C. There is no change in the exchange rate between 2022 and 2023.
- D. For US investors, Australian assets are less expensive in 2022 compared to 2023.

Section II

40 marks

Attempt Question 21-24

Allow about 1 hour and 15 minutes for this section

Question 21 (10 marks)

- a) Define the term economic growth.

1

.....

.....

.....

- b) The table below shows the change in real GDP for an economy between Year 1 and Year 2.

Year	Real GDP
1	\$440,000,000
2	\$480,000,000

Using the data in the table, calculate the annual rate of economic growth in Year 2. 1

.....

.....

.....

- c) Outline TWO possible reasons for the change in the annual rate of economic growth from Year 1 to Year 2.

2

.....

.....

.....

.....

d) Discuss the effects of economic growth on the Australian economy. 2

.....

.....

.....

.....

.....

e) Examine the role of microeconomic reform in promoting long term economic growth in Australia. 4

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

End of Question 21

Question 22 (10 marks)

- a) Evaluate the impact of a decrease in interest rates on the Australian dollar. **4**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- b) Country A uses a bilateral exchange rate against Country B whereas Country C uses the trade weighted index. Assess the effectiveness of the bilateral exchange rate in comparison to the trade weighted index. **3**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

c) Explain the impact of an increase in the current account deficit on the exchange rate.

3

.....

.....

.....

.....

.....

.....

.....

End of Question 22

PEAK Academy

Question 23 (10 marks)

The following table and graphs show selected data and trends for the Australian labour force in May 2020.

	May 2020	Change between March and May 2020
Employed Persons	12154100	-6.4%
Unemployed Persons	927600	29.5%
Unemployment Rate	7.1%	1.9pts
Participation Rate	62.9%	-3.1pts

https://www.nationalskillscommission.gov.au/sites/default/files/2020-06/NSC_a_snapshot_in_time_report.pdf

- a) State the formula for the labour force and calculate the size of the labour force in May 2020. **2**

.....

.....

.....

.....

- b) Explain what is meant by the participation rate and state the participation rate for May 2020. **2**

.....

.....

.....

.....

- c) Outline TWO reasons for the trend in the level of unemployment in Australia between March 2020 and May 2020. **2**

.....

.....

.....

- d) Explain ONE Australian government policy that could be implemented to overcome the trend in unemployment in the short term and ONE Australian government policy that could be implemented to overcome the trend in unemployment in the long term.

4

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

End of Question 23

PEAK Academy

Question 24 (10 marks)

a) Explain how continued globalization can influence climate change.

4

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

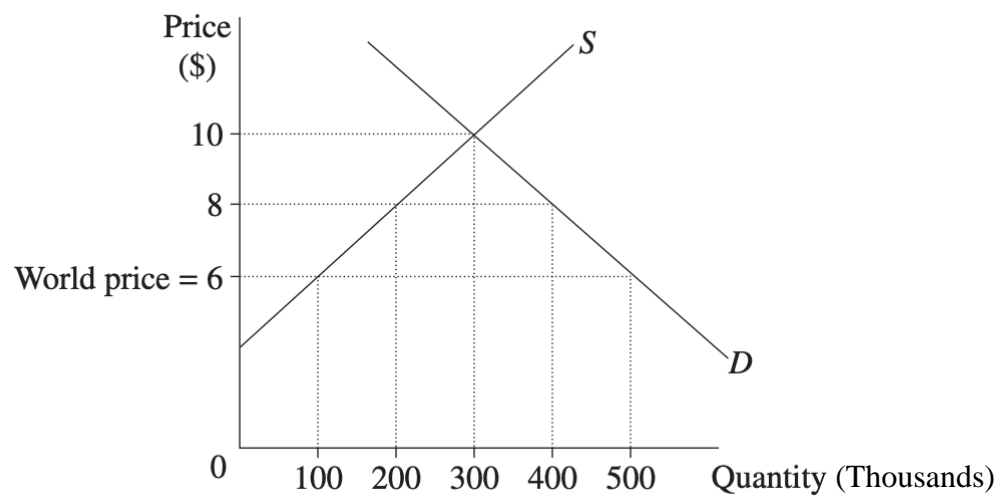
.....

.....

.....

.....

The following diagram shows domestic demand and supply curves for a hypothetical economy.



b) In this hypothetical economy, there was an import quota of 200 000. The government is considering imposing a tariff instead. What is the total tariff revenue generated if the imposed tariff has the same impact on domestic production as the original import quota? 2

.....

.....

.....

c) Discuss the costs and benefits of implementing an import tariff instead of a subsidy. 4

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

End of Question 24

Section III

20 marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Your answer will be assessed on how well you:

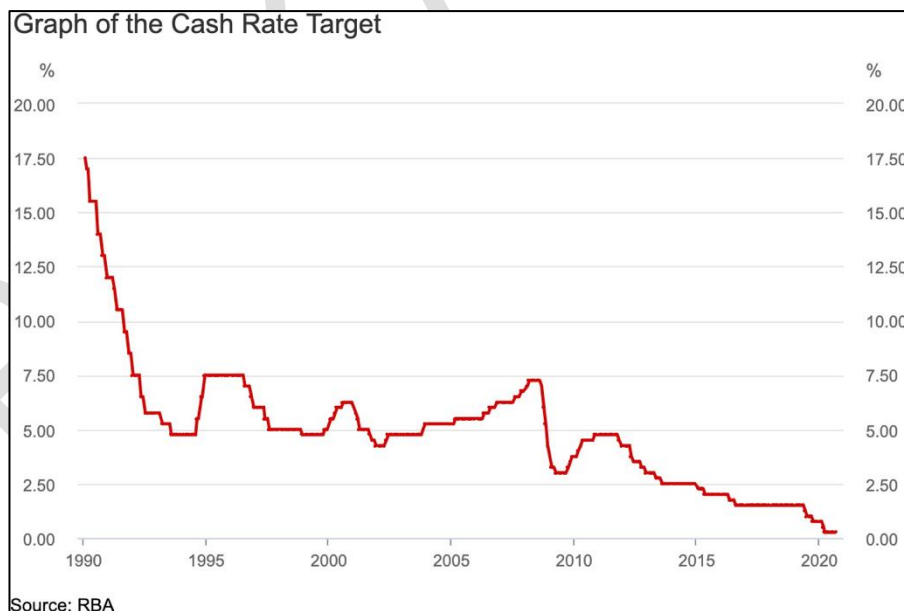
- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 25 (20 marks)

Discuss the use of macroeconomic policies in achieving the Australian government's objectives of economic growth and full employment.

20

“The Government is providing timely economic support with \$289 billion in fiscal and balance sheet measures, equivalent to around 14.6 per cent of GDP. This action, together with large declines in taxation receipts and increases in payments, has seen a major deterioration in the budget position, with estimated deficits of \$85.8 billion in 2019-20 and \$184.5 billion in 2020-21.” – Australian Government, Economic and Fiscal Update 23 July 2020



OR

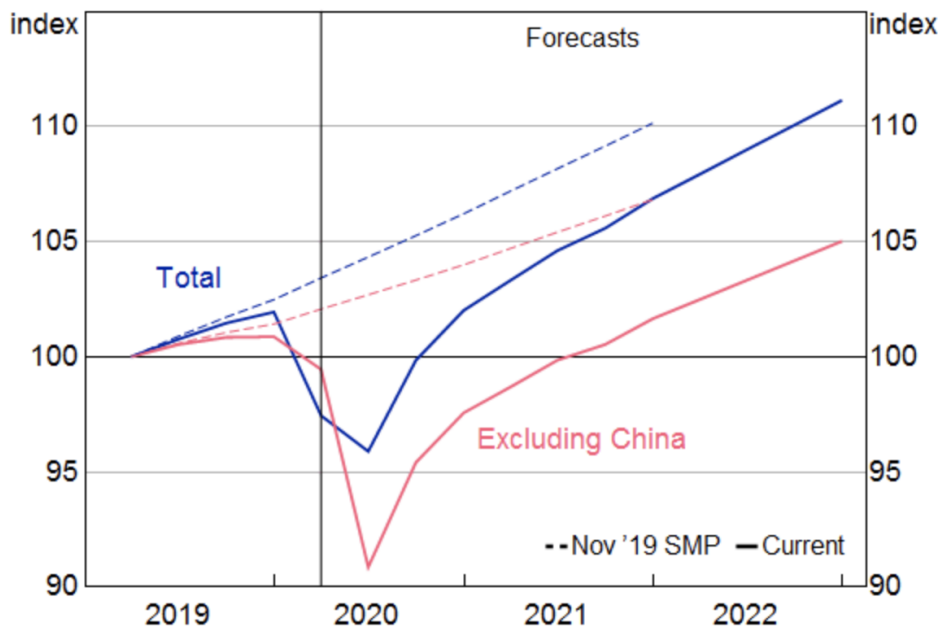
Question 26 (20 marks)

Use the following stimulus (Speech on Economic Outlook from the Assistant Governor at the RBA) to answer the following question. **20**

Analyse the impact of changes in the global economy on Australia's balance of payments.

This lingering effect of the pandemic on uncertainty and demand means that, beyond the first couple of months, recoveries will be protracted and uneven. It will take time to get back to the level of global GDP prevailing before the pandemic. Taking 2020 as a whole, global GDP is expected to contract by more than 4 per cent, before rising by nearly 6 per cent in 2021. If realised, this outcome would still leave GDP below where it would have been had the outbreak not occurred. The pattern is very similar for Australia's major trading partners, though the contraction occurred earlier and the recovery is expected to be a bit more vigorous in China than in our other major trading partners (Graph 3; Graph 1.7 in the SMP).

Graph 3
Australia's Major Trading Partner GDP
March 2019 = 100



Sources: ABS; CEIC Data; Consensus Economics; RBA; Refinitiv

Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Your answer 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)

Evaluate the strategies utilised by an economy other than Australia to respond to globalisation and promote economic growth and development.

20

OR

Question 28 (20 marks)

Discuss the effects of the global economy on Australia's internal & external stability.

20

End of paper