

Trial Examination 2022

HSC Year 12 Economics

**General
Instructions**

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Calculators approved by NESA may be used

**Total Marks:
100**

SECTION I – 20 marks (pages 2–6)

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

SECTION II – 40 marks (pages 7–18)

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

SECTION III – 20 marks (pages 19–21)

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

SECTION IV – 20 marks (page 22)

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

Students are advised that this is a trial examination only and cannot in any way guarantee the content or the format of the 2022 HSC Year 12 Economics examination.

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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 for Questions 1–20.

- 1** Which of the following are receipts in the Federal Budget?

 - A. goods and services tax (GST) and welfare payments
 - B. defence spending and infrastructure projects
 - C. tariff payments and company tax
 - D. subsidies and fringe benefits tax (FBT)

- 2** Which of the following international organisations provides economic policy support to advanced, industrialised economies?

 - A. World Bank
 - B. Organisation of Economic Co-operation and Development (OECD)
 - C. World Trade Organization (WTO)
 - D. United Nations Development Programme

- 3** Which of the following is a likely reason for the privatisation of a government-owned enterprise?

 - A. achieving expansionary fiscal policy
 - B. increasing technical efficiency in a market
 - C. reducing unemployment
 - D. increasing export revenue

- 4** The international division of labour has caused

 - A. a decrease in global trade.
 - B. a decrease in migration.
 - C. human capital flight from developing nations.
 - D. a fall in financial remittances.

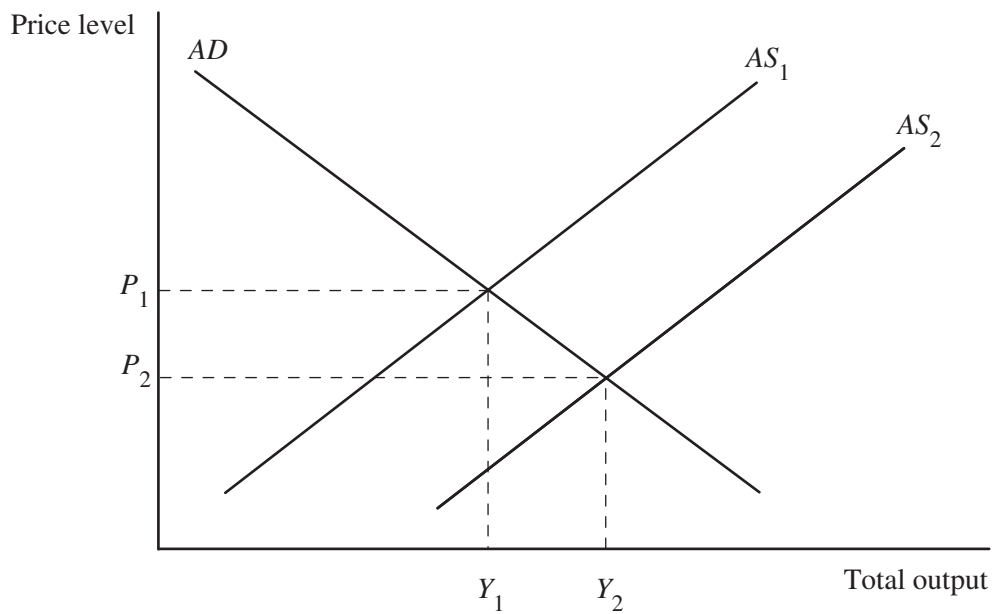
- 5 As a result of joining a multilateral, free trade agreement, a particular country faces lower tariffs on agricultural exports to member nations compared to non-member nations. Which of the following is likely to occur from the signing of the multilateral, free trade agreement?
- A. increased exports of imported agricultural goods to non-member nations
 - B. increased purchasing power for consumers in other member nations
 - C. decreased export revenue for the country
 - D. increased tariff revenue for governments in member nations

- 6 The table shows data for a hypothetical economy.

<i>Year</i>	<i>Nominal Gross Domestic Product (GDP)</i>	<i>Consumer Price Index (CPI)</i>
1	\$50 million	120
2	\$55 million	126

- Which of the following describes the changes in the economy from Year 1 to Year 2?
- A. There has been a 10% increase in economic growth and a 6% increase in inflation.
 - B. In real terms, the value of total output has fallen.
 - C. There has been a 26% increase in the cost of goods and services.
 - D. The rate of economic growth is lower than the rate of inflation.
- 7 A migrant worker in Australia frequently sends money to their family overseas. How will the transfer of the funds be recorded in Australia's Balance of Payments?
- A. debit in the Capital Account
 - B. credit in the Current Account
 - C. debit in the Financial Account
 - D. debit in the Current Account
- 8 An increase in income inequality could be caused by a decrease in the
- A. lowest marginal tax rate.
 - B. rate of GST.
 - C. tax-free threshold.
 - D. unemployment rate.

9 The diagram shows the aggregate demand and supply for a hypothetical economy.



Which of the following government strategies would have caused the movement from AS_1 to AS_2 ?

- A. the deregulation of the labour market
- B. a budget deficit
- C. the signing of a bilateral trade agreement
- D. an increase in the official cash rate

10 The table shows data for a hypothetical economy over a two-year period.

	Year 1	Year 2
National income (\$ billion)	600	725
Investment (\$ billion)	65	90

Which of the following statements describes the conditions in this economy?

- A. The marginal propensity to consume (MPC) is 0.75.
- B. There has been a \$125 increase in aggregate demand.
- C. The multiplier in the economy is 4.
- D. The marginal propensity to save (MPS) is 0.2.

11 In a hypothetical economy, the government decides to increase the minimum wage. All other things being equal, which of the following is a rationale for this decision?

- A. to increase international competitiveness of export industries
- B. to increase consumer confidence
- C. to reduce structural unemployment
- D. to reduce the volume of imports

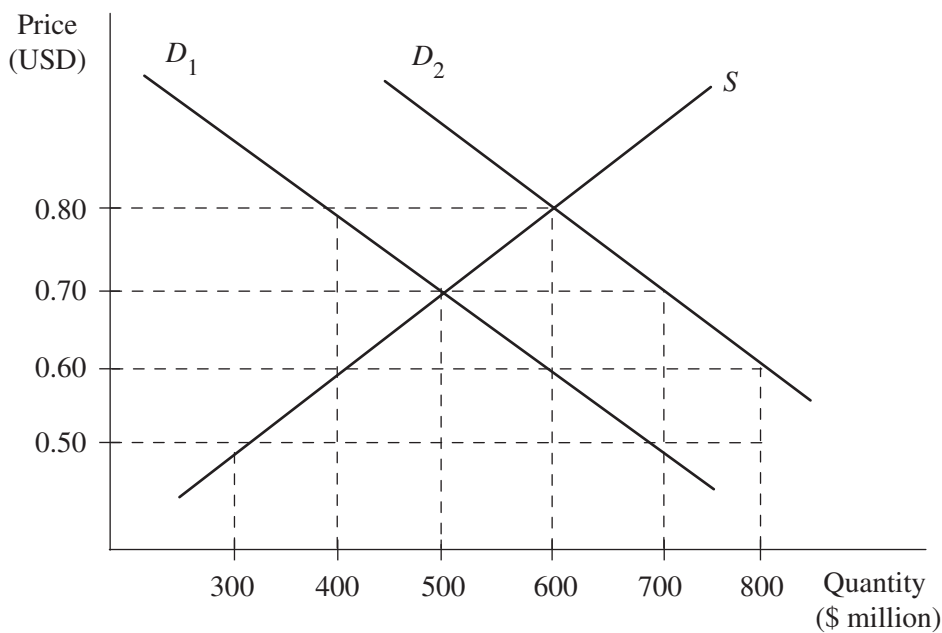
- 12** A decrease in available work hours for casual employees would lead to an increase in the
- underemployment rate.
 - unemployment rate.
 - labour force participation rate.
 - labour force.
- 13** A hypothetical economy has experienced an increase in its net foreign debt. In the short term, which of the following impacts on external stability would this change in foreign debt cause?
- an appreciation of the exchange rate
 - an increase in debits on Primary Income
 - a deterioration in the terms of trade
 - an increase in outflows on the Capital Account
- 14** In a given year, a hypothetical economy records an import price index of 110 and an export price index of 140. In the following year, the import price index is 120 and the export price index is 144. Which of the following describes the change between Year 1 and Year 2?
- The terms of trade has improved.
 - There is an increased volume of imports.
 - The terms of trade has deteriorated.
 - Exporters are earning lower revenues per unit.
- 15** A hypothetical economy has real wage growth of 4% and productivity growth of 5%. What could account for the difference in growth?
- a decrease in income tax rates
 - an increase in the size of the labour force
 - an increase in aggregate demand
 - a decentralisation of wage negotiations
- 16** The table shows data for a hypothetical economy's exchange rates with its three trading partners.

	<i>Year 1</i>	<i>Year 2</i>
<i>USD (United States)</i>	0.60	0.52
<i>EUR (Europe)</i>	0.85	0.85
<i>JPY (Japan)</i>	75	78
<i>Trade weighted index</i>	106	98

Which of the following describes this economy's trade relationships?

- The United States is the economy's major trading partner.
- The economy's exports were cheaper in Japan in Year 2 than in Year 1.
- The overall cost of imported goods has fallen in the economy.
- European countries will demand fewer goods from the economy.

- 17** An imported good has an increase in the tariff that consequently increases the price of the good in the domestic economy by 20%. This leads to a decrease in imports by 5%. Which of the following describes the market for the imported good in the economy after the increased tariff?
- A. Local producers are less able to compete with foreign producers.
 - B. Consumer demand for the imported good has fallen by more than 5%.
 - C. The government has experienced a decrease in revenue.
 - D. The demand for the imported good is relatively inelastic.
- 18** Which of the following is a market-based policy to reduce air pollution in an industry?
- A. selling tradeable rights to pollute to firms in the industry
 - B. banning production for the particular industry
 - C. signing an international agreement to limit emissions
 - D. providing subsidies to producers to introduce low-emission production methods
- 19** The diagram shows the currency of a hypothetical economy that fixes its exchange rate.



- An increase in exports has caused an increase in demand for the economy's currency from D_1 to D_2 . What would the economy's government need to do to ensure the exchange rate is at 0.60 USD?
- A. buy \$200 million of local currency on world markets
 - B. buy \$400 million of local currency on world markets
 - C. sell \$300 million of local currency on world markets
 - D. sell \$400 million of local currency on world markets
- 20** How can a government transfer the marginal social cost of the production of a good to consumers?
- A. restrict output of the good
 - B. impose an excise duty on the sale of the good
 - C. allow increased imports of the good into the economy
 - D. increase GST

HSC Year 12 Economics

Section II Answer Booklet

SECTION II

40 marks

Attempt Questions 21–24

Allow about 1 hour and 15 minutes for this section

Instructions

- Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.
 - Extra writing space is provided at the back of this booklet. If you use this space, clearly indicate which question you are answering.
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Please turn over

Question 21 (10 marks)

- (a) Distinguish between *direction of trade* and *composition of trade*. 2

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The table shows data for a hypothetical economy.

	Year 1	Year 2
<i>Net goods (\$ billion)</i>	6	-1
<i>Net services (\$ billion)</i>	4	1
<i>Primary Income (\$ billion)</i>	-12	-16
<i>Secondary Income (\$ billion)</i>	-2	-2

- (b) Explain TWO possible changes in the domestic economy that could have influenced the Current Account balance of this economy between Year 1 and Year 2. In your answer, refer to the data provided. 4

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Question 21 continues on page 9

Question 21 (continued)

- (c) Explain how an increase in the level of net foreign liabilities would affect the value of the Current Account in the hypothetical economy. **4**

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End of Question 21

Question 22 (10 marks)

- (a) Explain the term *official cash rate*. **2**

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- (b) Describe ONE effect that a change in the cash rate would cause on the level of investment in an economy. **3**

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Question 22 continues on page 11

Question 22 (continued)

- (c) Explain how expansionary monetary policy affects the exchange rate by influencing supply and demand for the Australian dollar. **5**

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End of Question 22

Question 23 (10 marks)

A hypothetical economy is experiencing high economic growth and issues with ecologically sustainable development.

- (a) Outline ONE negative externality caused by economic growth in an urban area. 2

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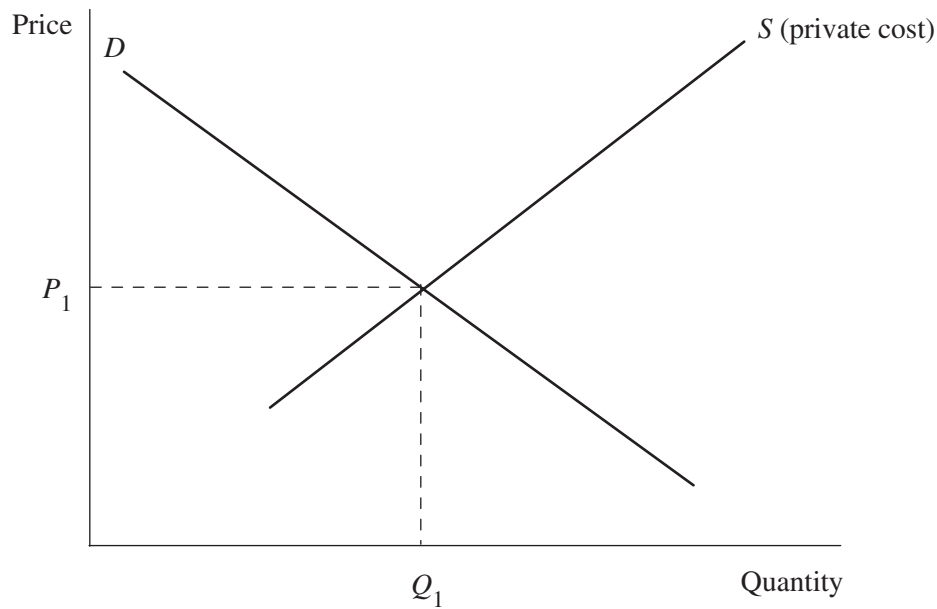
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- (b) The hypothetical economy's government wants to reduce the impact of disposable plastic bags on the environment by placing an excise duty on their sale. 2

The diagram shows the demand and supply curve for disposable plastic bags in this hypothetical economy.



On the diagram, draw a new demand and/or supply curve to show the effect that the imposition of the excise duty will have on the price and quantity of disposable plastic bags.

Question 23 continues on page 13

Question 23 (continued)

- (c) Explain why public goods are subject to depletion. 2

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- (d) Discuss ONE cost and ONE benefit of international agreements in improving environmental sustainability in the Australian economy. 4

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End of Question 23

Question 24 (10 marks)

- (a) Distinguish between *economic growth* and *economic development*. **2**

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- (b) Explain how the World Bank supports the economic development of developing nations. **2**

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Question 24 continues on page 15

Question 24 (continued)

- (c) Discuss the costs and benefits of globalisation for the level of economic development in a country other than Australia.

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End of Question 24

Section II extra writing space

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SECTION III

20 marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Answer the question in the Sections III and IV Writing Booklet. Extra writing booklets are available.

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.

Please turn over

Question 25 (20 marks)

Assess the effectiveness of domestic and global trade liberalisation on Australia's level of economic activity. In your answer, refer to the information provided.

Australia has a long history of undertaking economic reforms aimed at realising a more flexible and resilient economy. The floating of the dollar, the deregulation of financial markets, the broadening of the tax base and corporatisation of government businesses, to name just a few reforms, have produced an economy that is better placed to take advantage of emerging opportunities and to weather global economic storms.

An integral part of the reform agenda has been the sustained liberalisation of trade barriers and reduced industry protection. Throughout the 1970s, 80s, 90s and over the last decade, Australia has embarked upon unilateral, bilateral and multilateral trade liberalisation.

Source: Reproduced from the Department of Foreign Affairs and Trade website. *Australian trade liberalisation: Analysis of the economic impacts*. Accessed March 2022. <https://www.dfat.gov.au/about-us/publications/trade-investment/Pages/cie-report-on-australian-trade-liberalisation>. Licensed under CC BY 4.0, <https://creativecommons.org/licenses/by-nd/4.0/>.

<i>Rank</i>	<i>Economy</i>	<i>2019 (AUD billion)</i>	<i>2020 (AUD billion)</i>	<i>Share of trade in 2020 (%)</i>
1	China	251.3	244.8	30.7
2	United States	81.0	72.9	9.1
3	Japan	86.7	66.5	8.3
4	Korea	41.3	34.8	4.4
5	United Kingdom	38.6	31.8	4.0
6	Singapore	33.2	27.0	3.4
7	India	29.2	24.4	3.1
8	New Zealand	31.1	23.7	3.0
9	Germany	22.9	21.2	2.7
10	Thailand	23.1	19.6	2.5

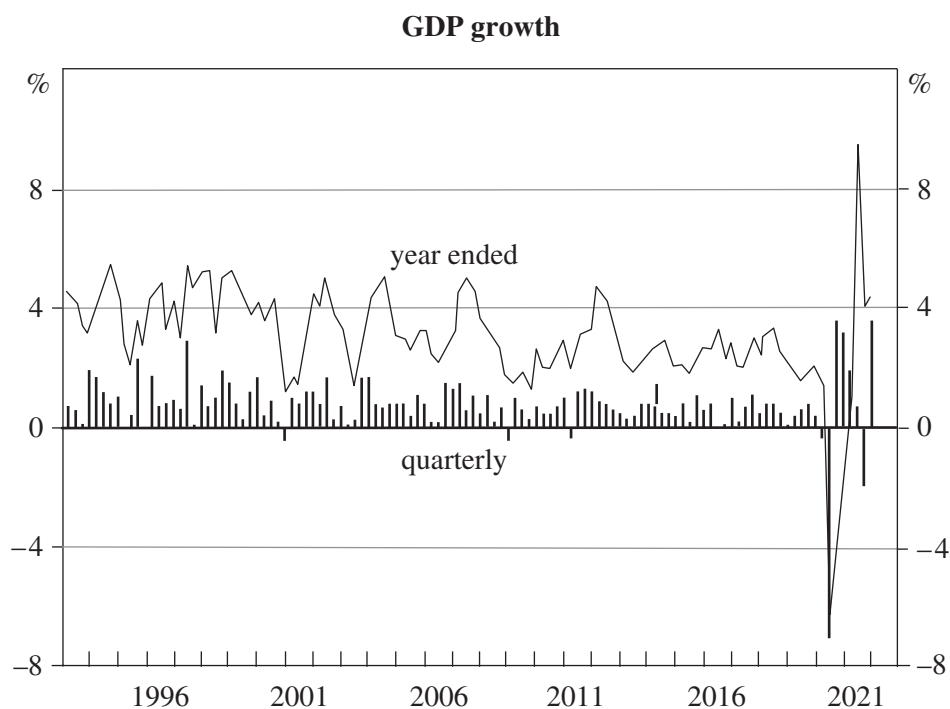
OR

Question 26 (20 marks)

Assess the impact of fiscal policy on Australia's short- and long-term economic growth. In your answer, refer to the information provided.

Fiscal policy has played a key role in supporting economic activity in advanced economies during the COVID-19 pandemic, with the shock to private demand smoothed by a strong countercyclical fiscal response. In the early stages of the pandemic, transfer payments to households were the main focus of this fiscal support. By bolstering household incomes, these transfers prevented a larger than otherwise contraction in private consumption, and enabled a faster recovery.

Source: Adapted from the Reserve Bank of Australia 2020. *Statement on monetary policy – August 2020*, 'Box B: Fiscal policy support for the recovery phase in advanced Economies'. Accessed March 2022. <https://www.rba.gov.au/publications/smp/2020/aug/box-b-fiscal-policy-support-for-the-recovery-phase-in-advanced-economies.html>. Licensed under CC BY 4.0, <https://creativecommons.org/licenses/by-nd/4.0/>.



Source: Based on the Reserve Bank of Australia 2022. *Chart pack – Australian growth*, 'GDP Growth'. Accessed April 2022. <https://www.rba.gov.au/chart-pack/au-growth.html>. Licensed under CC BY 4.0, <https://creativecommons.org/licenses/by-nd/4.0/>. Data from the Australian Bureau of Statistics.

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 Sections III and IV Writing Booklet. Extra writing booklets are available.

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)

To what extent does microeconomic reform influence price stability and external stability in the Australian economy?

OR

Question 28 (20 marks)

Discuss the cyclical and structural factors that influence the level of unemployment and income in the Australian economy.

End of paper



Trial Examination 2022

HSC Year 12 Economics

Sections III and IV Writing Booklet

Instructions

- Answer BOTH sections

- Answer ONE question from Section III on pages 2–8
- Write the question number for Section III in the space provided on page 2
- If you need more space for Section III, ask for an extra writing booklet

- Answer ONE question from Section IV on pages 10–16
- Write the question number for Section IV in the space provided on page 10
- If you need more space for Section IV, ask for an extra writing booklet
- Write using black pen

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End of Section III

Turn over for Section IV

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A large rectangular box containing 25 horizontal lines for writing, suitable for the examination sections III and IV.

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Neap Trial Examination 2022

HSC Year 12 Economics

DIRECTIONS:

Write your name in the space provided.

Write your student number in the boxes provided below. Then, in the columns of digits below each box, fill in the oval which has the same number as you have written in the box. Fill in **one** oval only in each column.

Read each question and its suggested answers. Select the alternative A, B, C, or D that best answers the question. Fill in the response oval completely, using blue or black pen. Mark only **one** oval per question.

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 this by writing the word *correct* and draw an arrow as follows.

A B C D

correct
↓

STUDENT NAME: _____

STUDENT NUMBER:

①	①	①	①	①	①	①	①	①
②	②	②	②	②	②	②	②	②
③	③	③	③	③	③	③	③	③
④	④	④	④	④	④	④	④	④
⑤	⑤	⑤	⑤	⑤	⑤	⑤	⑤	⑤
⑥	⑥	⑥	⑥	⑥	⑥	⑥	⑥	⑥
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⑩	⑩	⑩	⑩	⑩	⑩	⑩	⑩	⑩

SECTION I MULTIPLE-CHOICE ANSWER SHEET

1. A B C D
2. A B C D
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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

**STUDENTS SHOULD NOW CONTINUE
WITH SECTIONS II-IV**