

2017 Trial Examination

STUDENT NUMBER

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ECONOMICS
Unit 1 – Written examination

Reading time: 15 minutes
Writing time: 2 hours

QUESTION & ANSWER BOOK

Structure of book

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	15	15	15
B	7	7	65
		Total	80

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners, rulers.
 - Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.
 - Calculators are NOT permitted in this examination.
- Materials supplied**
- Question and answer book of 16 pages.
 - Extra space is available at the end of this booklet if you require additional paper to complete an answer.
- Instructions**
- Print your name in the space provided on the top of this page.
 - All written responses must be in English.

Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.

SECTION A – Multiple Choice

Instructions for Section A

Answer **all** questions for Section A

Choose the response that is **correct** or **best answers** the question.

A correct answer scores 1 mark, an incorrect answer scores 0 marks.

No marks will be given if more than one answer is completed for any question.

Marks will **not** be deducted for incorrect answers.

Question 1

Which of the following is not an economic resource?

- A. Natural resources.
- B. Human resources.
- C. Capital resources.
- D. Financial resources.

Question 2

Scarce resources in Australia are allocated through:

- A. government policy.
- B. ranking the needs and wants of people.
- C. the interaction of demand and supply in the market.
- D. market research.

Question 3

Which of the following is an accurate definition of opportunity cost?

- A. The monetary value of future choices.
- B. The value of the next best foregone alternative.
- C. The value of resources used in production
- D. The cost of allocating resources using the price mechanism.

Question 4

A person buys a guitar in 2010 for \$1,000. To replace that guitar with a new model would cost \$1,500 but the guitar currently owned is valued at \$500 second hand. The opportunity cost of owning the guitar is?

- A. \$500
- B. \$1,000
- C. \$1,500
- D. \$2,500

Question 5

The opportunity cost of building a new freeway is measured by the

- A. cost to be recouped through tolls
- B. cost of the resources used to build the freeway
- C. wages paid to the construction workers
- D. value of using funds to build a hospital

SECTION A - continued

Question 6

In reference to a production possibility curve, a level of production that falls inside the frontier represents a point where

- A. production is maximised
- B. resources are not used efficiently
- C. a level of production not possible given the current level of technology
- D. a level of production not possible given the level of resources available

Question 7

The basic economic problem of scarcity means that

- A. supply and demand never meet.
- B. there are insufficient resources to satisfy all of societies wants.
- C. scarce resources will end up for sale on the 'black market'.
- D. price movements will determine the allocation of resources.

Question 8

The price mechanism helps to determine the answer to which of the following questions?

- A. What specific types of goods and services should be produced?
- B. What quantity of each specific type of good and service should be produced?
- C. How should the outputs of production and income be distributed amongst individuals?
- D. All of the above.

Question 9

Consumer sovereignty implies

- A. all members of society will have their wants and needs satisfied
- B. suppliers will be price makers
- C. consumers will be free to purchase the goods and services they want
- D. consumer decisions determine the allocation of resources

Question 10

An increase in the price of soft drinks may be explained by

- A. a decrease in the price of ice?
- B. an unsuccessful advertising campaign by soft drink manufacturers
- C. an increase in the cost of sugar
- D. an unusually mild summer

Question 11

Labour intensive production methods involve using mainly

- A. natural resources
- B. capital resources
- C. human resources
- D. financial resources

SECTION A - continued
TURN OVER

Question 12

Consumers want to buy goods and services at as low a price as possible whilst suppliers want to sell as many goods and services at as high a price as possible. This situation is resolved by

- A. government intervention
- B. the production possibility curve
- C. the price mechanism
- D. multinational businesses

Question 13

Which of the following is most likely to lead to an increase in the supply of airline tickets?

- A. An economic downturn resulting in lower disposable incomes
- B. Airline worker productivity falls by 10%
- C. An increase in company tax
- D. Development of a larger plane reduces average seat costs

Question 14

Which of the following is not a flow involved in the two sector circular flow model of the economy?

- A. The flow of resources.
- B. The flow of incomes.
- C. The flow of spending
- D. The flow of spending on imports.

Question 15

Which of the following is not a feature of perfect competition?

- A. Few buyers and sellers
- B. Firms are price takers
- C. Ease of entry and exit to the market
- D. Perfect knowledge of conditions in the market

END OF SECTION A

SECTION B – Short Answer Questions

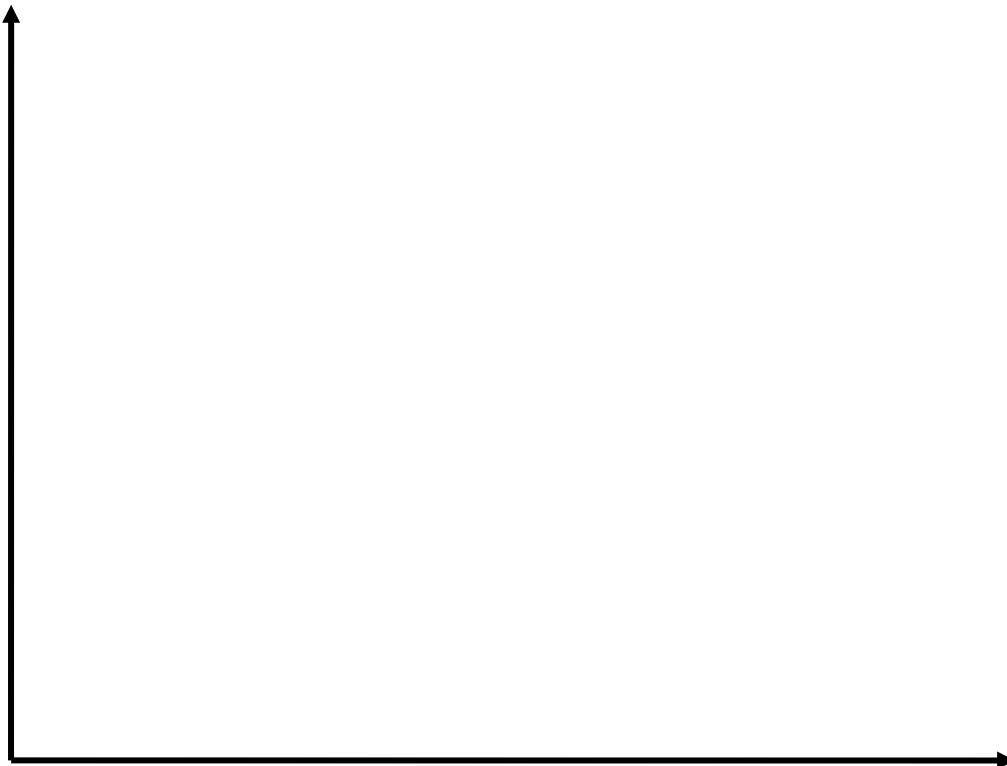
Instructions for Section B
 Answer **all** questions in the spaces provided.

Question 1

Use the data in the following table and answer the questions that follow:

Price per DVD \$	Quantity Demanded (millions)	Quantity Supplied (millions)
50	3	40
35	12	30
25	16	20
15	25	15
10	30	12
5	40	3

- a. Using the axis below label and draw the demand and supply curves for DVDs.



4 marks

SECTION B – Question 1 – continued
TURN OVER

b. What is the equilibrium price?

_____ 1 mark

c. What is the equilibrium quantity traded?

_____ 1 mark

d. Explain what is meant by the term equilibrium.

_____ 2 marks

e. Explain what would occur if the price was set at \$10 for these DVDs.

_____ 2 marks

f. Explain what would occur if the price of the DVDs was set at \$30.

_____ 2 marks

SECTION B – Question 1 - continued

g. Explain what is shown by a demand schedule

2 marks

Question 2

a. The demand for a good or service can affect the position of a demand curve. For each of the following factors, explain the effect on a demand curve for avocados:

- An increase in disposable income

- A decrease in the price of a substitute fruit

SECTION B – Question 2 – continued
TURN OVER

- An increase in interest rates

3 x 2 = 6 marks

- b.** Distinguish between a shift in the demand curve for a product and a movement along the demand curve for a product.

2 marks

SECTION B – continued

Question 3

a. The supply of a good or service can be affected by a number of factors. For each of the following factors, explain the effect on a supply curve for wheat:

- A severe drought

- An increase in interest rates

- The development of a strain of wheat that increases the yield per hectare

3 x 2 = 6 marks

SECTION B – Question 3 – continued
TURN OVER

- b.** Distinguish between a shift in the supply curve for a product and a movement along the supply curve for a product.

2 marks

Question 4

- a.** Identify the two sectors in the Australian economy that own the productive resources.

1 + 1 = 2 marks

- b.** Explain what is meant by the allocation of resources.

2 marks

SECTION B – Question 4 - continued

c. Explain what is meant by the term 'market system'.

2 marks

d. Distinguish between the market power of monopoly and the market power of a perfectly competitive market system.

3 marks

SECTION B – continued
TURN OVER

Question 5

Define the following terms and explain how they may influence the economic decisions of consumers:

- i. Utility maximisation

- ii. budget constraints

2 x 4 = 8 marks

SECTION B – continued

Question 6

- a. Distinguish between positive and normative economics.

3 marks

- b. Describe the two sector model of the economy.

SECTION B – Question 6 – continued
TURN OVER

4 marks

c. Distinguish between material and non-material living standards.

3 marks

Question 7

a. Describe the traditional viewpoint of businesses in the economy.

3 marks

SECTION B – Question 7 - continued

b. Evaluate two of the changing goals of businesses within the economy.

5 marks

END OF QUESTION AND ANSWER BOOK

Extra space for responses
