

**2017 Trial Examination**

**STUDENT NUMBER**

Figures


Words

Letter

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**ECONOMICS**  
**Unit 2 – 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	9	9	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 17 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 questions**

**Instructions for Section A**

Answer **all** questions.

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

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

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**

The level of economic activity refers to

- A. all production and expenditure by businesses
- B. any activity by individuals, businesses and government that generates production, income, employment and expenditure
- C. consumption and expenditure on goods and services by households
- D. the activities of the government in the economy

**Question 2**

Which of the following is not used as an indicator of changes in non-material living standards?

- A. The crime rate
- B. The quantity of goods and services a person is able to buy
- C. The level of greenhouse gas emissions
- D. The rate of urban sprawl

**Question 3**

Which of the following is not an example of an indicator of non-material living standards?

- A. The crime rate
- B. Urban sprawl
- C. Traffic congestion
- D. Unemployment levels

**Question 4**

Efficiency in the allocation of resources means

- A. producing a fairer and more equitable distribution of income and wealth.
- B. avoiding fluctuations in the level of economic activity.
- C. achieving full employment of productive resources, price stability and sustainable economic growth simultaneously.
- D. achieving an arrangement of productive resources that will maximise the satisfaction of consumer wants.

**Question 5**

Which of the following is not a demand factor influencing the level of economic activity?

- A. The level of business confidence
- B. The level of household disposable income
- C. The level of government expenditure on roads, ports and railways
- D. The level of productivity of the labour force

**SECTION A - continued**

**Question 6**

Which combination of the following factors is most likely to lead to an increase in the level of economic activity?

- i. An increase in government welfare payments
- ii. A decrease in personal income tax rates
- iii. An increase in the exchange rate
- iv. An increase in interest rates

- A. Factors i and ii
- B. Factors ii and iii
- C. Factors iii and iv
- D. Factors ii and iv

**Question 7**

Which of the following aggregate supply factors would tend to slow down economic activity?

- A. A reduction in interest rates on business loans and overdrafts
- B. A fall in the real unit labour costs
- C. A rise in the cost of imported raw materials used by local businesses
- D. A rise in the participation rate

**Question 8**

Which of the following would increase efficiency in resource allocation?

- A. Increase in company tax rates
- B. Increase in personal income tax rates
- C. Increase in participation rate
- D. Increase in wages for those in the higher income quintiles

**Question 9**

An increase in the marginal rate of tax paid on high incomes combined with an increase in the rate of unemployment benefits is likely to have which of the following effects on the economy's Gini coefficient?

- A. increase
- B. decrease
- C. no change
- D. make the Gini coefficient equal to 1

**Question 10**

The Australian government's goal of equity in the distribution of income means

- A. the elimination of relative poverty
- B. that everyone should have the means to access basic goods and services
- C. total equality in dividing incomes
- D. that everyone should have the highest standard of living

**SECTION A - continued  
TURN OVER**

**Question 11**

Income such as wages, profits and interest that is received as a result of participating in the production process is known as

- A. gross income
- B. disposable income
- C. social wage income
- D. market income

**Question 12**

Which statement about the Henderson Poverty Line is incorrect?

- A. The Henderson Poverty Line is based on an index of per capita household disposable income.
- B. The Henderson Poverty Line uses an equivalence scale to measure the relative needs of income units of differing size and composition.
- C. The Henderson Poverty Line is an absolute measure of poverty.
- D. The Henderson Poverty Line is based on benchmark income, which is the disposable income required to support the basic needs of a family of two adults and two dependent children.

**Question 13**

Economic globalisation involves

- A. multinational and transnational companies.
- B. the movement of money capital and production between countries.
- C. a move towards the creation of a single international market for particular goods and services.
- D. all of the above features.

**Question 14**

The effect of globalisation on inflation in Australia has been

- A. a significant fall in inflation during the 1990's
- B. inflation has not changed due to globalisation
- C. significant increase in inflation during the 1990's
- D. inflation has remained steady at 1.8% during the last decade

**Question 15**

Which budget initiative could be used to improve equity in the distribution of income in the Australian economy?

- A. Increase in personal income tax cuts
- B. Increase in budget surplus to \$21.7 billion
- C. Means testing of the baby bonus
- D. Growth in real spending will be 1.1 percent, the lowest in nine years.

**END OF SECTION A**

**SECTION B – Written responses**

**Instructions for Section B**

Answer **all** questions in the spaces provided.

**Question 1**

**a.** Define economic growth.

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2 marks

**b.** Define sustainable development.

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2 marks

**SECTION B – Question 1 – continued  
TURN OVER**

- c. Define living standards and distinguish between material and non-material living standards.

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6 marks



**Question 3**

Explain what is meant by Aggregate Demand and explain the various components of Aggregate Demand

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8 marks  
**SECTION B – continued**



**Question 4**

Describe two benefits of economic growth.

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8 marks

**Question 5**

Explain the trade-off between economic prosperity and environmental sustainability.

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3 marks

**Question 6**

a. Distinguish between absolute and relative poverty.

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2 marks

**SECTION B – Question 6 – continued**

**b.** Explain the meaning of equity in the distribution of income

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2 marks

**c.** Explain the Henderson Poverty Line as a measure of poverty in Australia.

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3 marks

**SECTION B – Question 6 – continued**  
**TURN OVER**

d. Explain the effect of poverty on material and non-material living standards.

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3 marks

**Question 7**

a. Explain what is meant by the allocation of resources.

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2 marks

**b.** Distinguish between allocative and technical efficiency.

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**c.** Explain one benefit of achieving allocative efficiency.

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2 marks

**SECTION B – continued  
TURN OVER**

**Question 8**

- a. With the use of an example of each, distinguish between earned and unearned income.

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3 marks

- b. Explain what is meant by disposable income and how the government attempts to achieve some degree of equity in disposable incomes.

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3 marks

**Question 9**

**a.** Distinguish between local markets and global markets.

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4 marks

**SECTION B – Question 9 – continued  
TURN OVER**

- b. During the semester you have studied a global economic issue. Define the issue you have studied and explain the perspectives of two relevant stakeholders to that issue.

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6 marks  
Total 65 marks

**END OF QUESTION AND ANSWER BOOK**



**Extra space for responses**

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