



ATAR course examination, 2023

Question/Answer booklet

ECONOMICS

Place one of your candidate identification labels in this box.
Ensure the label is straight and within the lines of this box.

WA student number: In figures

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In words

Time allowed for this paper

Reading time before commencing work: ten minutes
Working time: three hours

Number of additional
answer booklets used
(if applicable):

Materials required/recommended for this paper

To be provided by the supervisor

This Question/Answer booklet
Multiple-choice answer sheet

To be provided by the candidate

Standard items: pens (blue/black preferred), pencils (including coloured), sharpener, correction fluid/tape, eraser, ruler, highlighters

Special items: up to three calculators, which do not have the capacity to create or store programmes or text, are permitted in this ATAR course examination

Important note to candidates

No other items may be taken into the examination room. It is **your** responsibility to ensure that you do not have any unauthorised material. If you have any unauthorised material with you, hand it to the supervisor **before** reading any further.



Structure of this paper

Section	Number of questions available	Number of questions to be answered	Suggested working time (minutes)	Marks available	Percentage of examination
Section One Multiple-choice	24	24	30	24	24
Section Two Data interpretation/ Short answer	3	3	70	36	36
Section Three Extended answer Part A: Unit 3	2	1	40	20	20
Part B: Unit 4	2	1	40	20	20
Total					100

Instructions to candidates

- The rules for the conduct of the Western Australian external examinations are detailed in the *Year 12 Information Handbook 2023: Part II Examinations*. Sitting this examination implies that you agree to abide by these rules.
- Answer the questions according to the following instructions.

Section One: Answer all questions on the separate Multiple-choice answer sheet provided. For each question, shade the box to indicate your answer. Use only a blue or black pen to shade the boxes. Do not use erasable or gel pens. If you make a mistake, place a cross through that square, then shade your new answer. Do not erase or use correction fluid/tape. Marks will not be deducted for incorrect answers. No marks will be given if more than one answer is completed for any question.

Section Two: Answer all questions. Write your answers in this Question/Answer booklet preferably using a blue/black pen. Do not use erasable or gel pens.

Section Three: Consists of two parts, each with two questions. You must answer one question from each part. Tick the box next to each question you are answering. Write your answers in this Question/Answer booklet preferably using a blue/black pen. Do not use erasable or gel pens.
- You must be careful to confine your answers to the specific questions asked and to follow any instructions that are specific to a particular question.
- Supplementary pages for planning/continuing your answers to questions are provided at the end of this Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

See next page

Section One: Multiple-choice**24% (24 Marks)**

This section has **24** questions. Answer **all** questions on the separate Multiple-choice answer sheet provided. For each question, shade the box to indicate your answer. Use only a blue or black pen to shade the boxes. Do not use erasable or gel pens. If you make a mistake, place a cross through that square, then shade your new answer. Do not erase or use correction fluid/tape. Marks will not be deducted for incorrect answers. No marks will be given if more than one answer is completed for any question.

Suggested working time: 30 minutes.

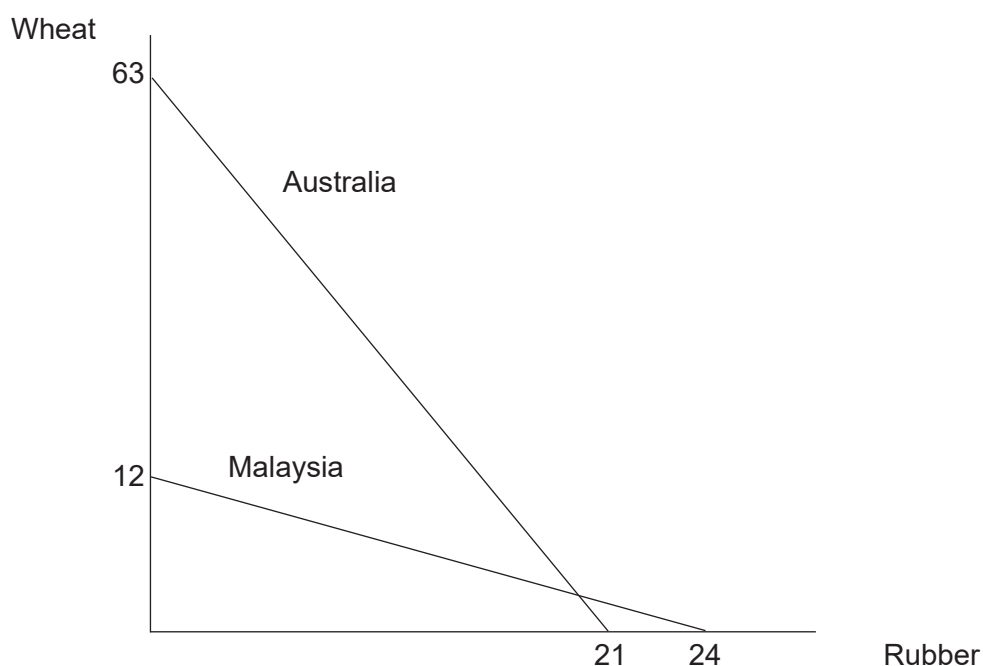
1. Which of the following factors has facilitated growth in the value of Australia's exports in recent years?
 - (a) decreased production costs of manufactured goods
 - (b) an appreciation of the Australian dollar
 - (c) trade liberalisation
 - (d) increased trade barriers

2. Australia's international competitiveness will rise when
 - (a) the value of the Australian dollar appreciates.
 - (b) the domestic inflation rate is higher than that of our major trading partners.
 - (c) labour productivity increases.
 - (d) domestic real wage rates increase.

3. An economic effect of globalisation in Australia has been
 - (a) an appreciation of the Australian dollar.
 - (b) increased inflation.
 - (c) increased cyclical unemployment.
 - (d) the lowering of trade barriers.

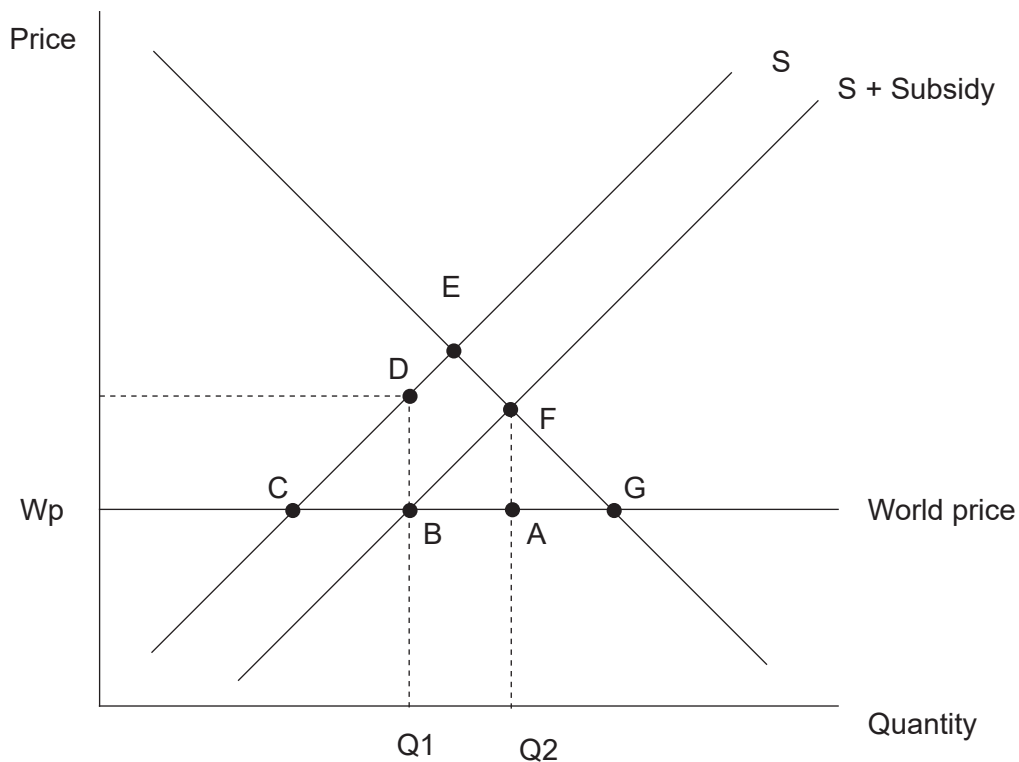
4. Which of the following statements about trade intensity is correct?
 - (a) a high trade intensity ratio leads to increased dependence on foreign investment
 - (b) Australia's trade intensity is low in comparison to China and the USA
 - (c) it measures the total value of imports and exports as a percentage of GDP
 - (d) it indicates the impact of barriers to trade on the Australian economy

Questions 5 and 6 refer to the production possibility frontier (PPF) model below for Australia and Malaysia for wheat and rubber.



5. According to the model,
- Australia has an absolute advantage in wheat and a comparative advantage in rubber.
 - Malaysia has an absolute and comparative advantage in the production of rubber.
 - Australia has an absolute advantage in the production of wheat and rubber.
 - Malaysia has an absolute advantage in rubber and a comparative advantage in wheat.
6. The terms of trade that would allow both countries to engage in international trade is
- Australia receives one unit of rubber for one unit of wheat.
 - Malaysia receives 0.5 units of wheat for one unit of rubber.
 - Australia receives two units of rubber for one unit of wheat.
 - Malaysia receives 0.5 units of wheat for two units of rubber.
7. The imposition of a tariff on food imported into Australia will result in
- lower domestic food prices and greater choice of food options in Australia.
 - a reallocation of resources towards more competitive unprotected industries.
 - an increase in domestic food production and rising employment levels in this sector.
 - a decrease in government revenue.

8. This question refers to the diagram below, which shows the demand and supply for solar energy panels in Australia and the effects of a subsidy on the domestic market.



The deadweight loss created by the subsidy is equal to the area

- (a) ABF.
 (b) BCD.
 (c) BDEF.
 (d) BFG.
9. Australia's top five two-way trading partners in 2022 were
- (a) China, USA, United Kingdom, South Korea, Japan.
 (b) China, Japan, South Korea, USA, Singapore.
 (c) Japan, China, United Kingdom, USA, South Korea.
 (d) China, Japan, South Korea, India, USA.
10. Qantas purchased three Airbus A380 aircraft from France that required an overseas loan. The loan and the purchase of the aircraft would be recorded in the balance of payments as a
- (a) credit in the financial account and a credit in the current account.
 (b) debit in the financial account and a credit in the current account.
 (c) debit in the financial account and a debit in the current account.
 (d) credit in the financial account and a debit in the current account.

See next page

11. Foreign liabilities increase when
- (a) Australian firms borrow from overseas financial institutions.
 - (b) Australian firms engage in direct investment abroad.
 - (c) Australian firms engage in portfolio investment abroad.
 - (d) the Australian dollar (AUD) appreciates.
12. Which of the following statements about foreign direct investment (FDI) into Australia are correct?
- I. FDI brings new technology that increases the efficiency of Australian firms
 - II. FDI contributes to improved infrastructure
 - III. FDI contributes to Australia's financial account surplus
 - IV. FDI reduces employment resulting in decreased taxation revenue
- (a) I and II only
 - (b) I, II and III
 - (c) I and IV only
 - (d) I, III and IV
13. Low inflation, rising unemployment and high savings rates are characteristics of which phase of the business cycle?
- (a) contraction
 - (b) trough
 - (c) expansion
 - (d) boom
14. _____ are a leading indicator of economic activity, while _____ are considered to be a lagging indicator.
- (a) Share prices; unemployment rates
 - (b) Building approvals; retail sales
 - (c) Bankruptcies; job advertisements
 - (d) New business start-ups; motor vehicle sales
15. According to the aggregate expenditure (AE) model, when the level of income is below equilibrium, then the inventory levels of firms are
- (a) rising, which causes production to decrease.
 - (b) falling, which causes production to decrease.
 - (c) rising, which causes production to increase.
 - (d) falling, which causes production to increase.

16. The strength of the multiplier is determined by
- (a) the impact of interest rates on the level of disposable income.
 - (b) the proportion of extra income spent within the economy.
 - (c) the level of business and consumer confidence.
 - (d) global economic conditions.
17. If the Australian economy is operating at a point of \$100 million below equilibrium, then restoring macroeconomic equilibrium will require
- (a) an increase in government spending of \$20 million if the marginal propensity to save is equal to 0.4.
 - (b) a decrease in government spending of \$20 million if the marginal propensity to save is equal to 0.4.
 - (c) an increase in government spending of \$20 million if the marginal propensity to save is equal to 0.2.
 - (d) a decrease in government spending of \$20 million if the marginal propensity to save is equal to 0.2.
18. According to the aggregate demand/aggregate supply (AD/AS) model, a fall in a nation's productivity level will shift the
- (a) aggregate supply (AS) curve to the right.
 - (b) aggregate supply (AS) curve to the left.
 - (c) aggregate demand (AD) curve to the right.
 - (d) aggregate demand (AD) curve to the left.
19. Time lags can slow down the economic response of policy initiatives and can be categorised as having either inside or outside lags. The difference between the two is inside lags refer to
- (a) effect lags while outside lags refer to implementation and recognition lags.
 - (b) recognition and implementation lags while outside lags refer to effect lags.
 - (c) recognition and effect lags while outside lags refer to implementation lags.
 - (d) implementation and effect lags while outside lags refer to recognition lags.
20. Which of the following are incompatible economic objectives?
- (a) economic growth and equitable distribution of income
 - (b) price stability and efficient allocation of resources
 - (c) economic growth and full employment
 - (d) efficient allocation of resources and economic growth

21. When an actual budget deficit exceeds the planned budget deficit, this may be due to
- (a) a change in government resulting in a change in fiscal policy objectives.
 - (b) economic growth exceeding expectations, resulting in greater tax revenue.
 - (c) an improvement in the terms of trade index, resulting in greater tax revenue.
 - (d) increases in the unemployment rate, resulting in greater welfare spending.
22. In 2022/2023, the monetary policy stance adopted by the Reserve Bank of Australia (RBA) was due to
- (a) a slowdown in world economic growth and low domestic wage growth.
 - (b) inflationary pressure due to increasing costs of production and supply chain disruptions.
 - (c) the decreased cost of borrowing funds, impacting investment and spending.
 - (d) the decreased disposable incomes of households and firms.
23. Which of the following is **most** likely to contribute to growth in Australia's renewable energy market?
- (a) a fall in incomes of Australia's closest trading partners
 - (b) increased trade protection for the renewable energy industry
 - (c) government funding to increase innovation and productivity in the energy sector
 - (d) allowing cheaper renewable energy products from overseas
24. A reason for the decline in productivity growth levels in Australia over the last 10 years is
- (a) faster than expected rates of technical progress and innovation.
 - (b) rising rates of economic growth.
 - (c) increased capital deepening.
 - (d) increased globalisation, causing structural change.

End of Section One

See next page

Section Two: Data interpretation/Short answer**36% (36 Marks)**

This section contains **three** questions. Answer **all** questions. Write your answers in the spaces provided.

Supplementary pages for planning/continuing your answers to questions are provided at the end of this Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

Suggested working time: 70 minutes.

Question 25**(12 marks)**

This question refers to the table below, which shows Australia's terms of trade data from 2016 to 2022.

Year	Export price index (2011 = 100)	Import price index (2011 = 100)	Terms of trade index
2016	91.2	103.3	88.2
2017	91.1	103.5	88
2018	98.9	110.3	89.6
2019	111.5	113.2	98.4
2020	108.3	109.2	99.1
2021	138	112.1	123.1
2022	182.3	131.5	

- (a) (i) Calculate Australia's terms of trade index for 2022. (1 mark)

- (ii) Identify the year in which Australia's terms of trade experienced its most favourable movement. (1 mark)

Question 25 (continued)

- (b) Outline **two** reasons for the trend in the terms of trade index since 2018. (4 marks)

One: _____

Two: _____

- (c) Explain **two** impacts on Australia's economic activity of the change in the terms of trade index since 2018. (6 marks)

One: _____

Two: _____

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Question 26

(12 marks)

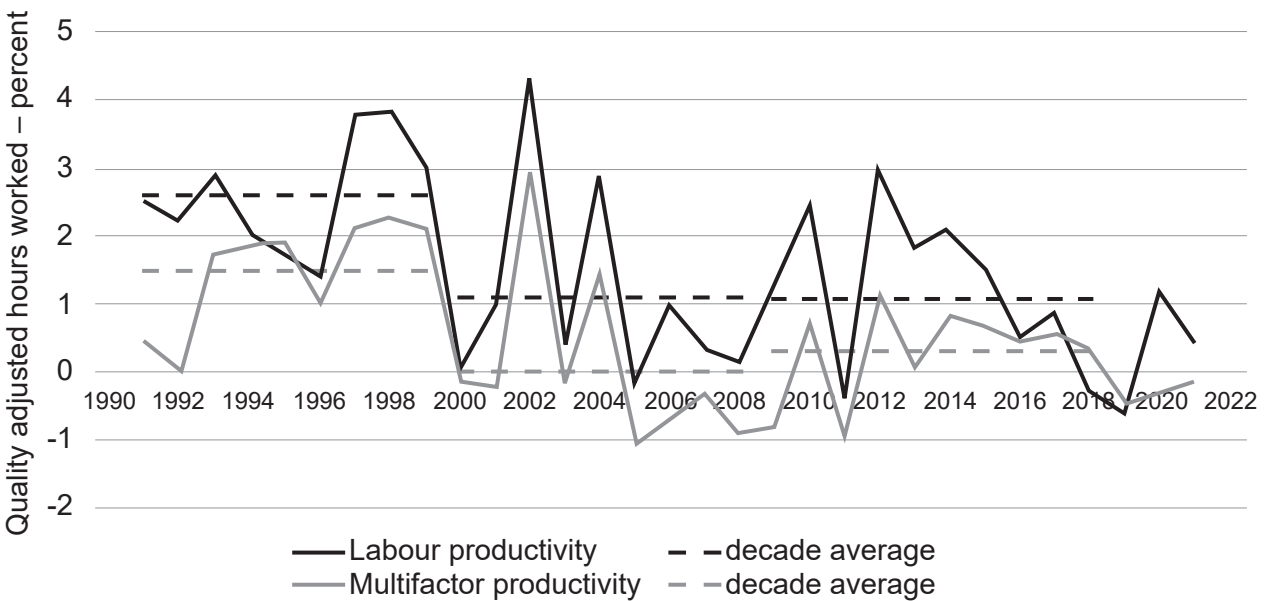
This question refers to an adapted submission to the Productivity Commission produced by the Australian Chamber of Commerce and Industry and published in March 2022 and the graph below, which shows Market Sector Productivity Growth in Australia from 1991–2021.

Productivity Commission Review of Australia’s Productivity Performance and International Competitiveness.

Internationally comparable indicators of productivity are useful for assessing a country’s economic performance and competitiveness. Australia’s relatively low productivity growth, particularly in recent times, places it as only a middle ranking country in terms of productivity. Australia’s labour productivity ranks 16th in the OECD, at US\$61.50, measured on a GDP per hours worked basis. While this is slightly above the OECD average of US\$58.90, Australia ranks behind most comparable nations, including France, the United States, Germany and the United Kingdom. Similarly, Australia’s multifactor productivity growth of 7.4% over the past two decades was below the OECD average of 8.8% and lagged behind the productivity growth of many comparable countries.

Some of the reasons why Australia’s productivity growth rates and hence competitiveness is declining include lower levels of business investment, low investment in research and development (R&D), slow uptake of digital technology and skill and labour shortages.

Australian market sector productivity growth



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(a) (i) According to the extract, identify **one** possible reason for Australia’s declining productivity and competitiveness. (1 mark)

(ii) State the trend in labour productivity growth between 2018 and 2021. (1 mark)

See next page

Question 26 (continued)

- (b) Other than labour productivity, outline **two** factors that influence Australia's international competitiveness. (4 marks)

One: _____

Two: _____

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Question 27**(12 marks)**

This question refers to the edited extracts below from two separate articles by the Macquarie Group and the Commonwealth Bank respectively, published on 26 October 2022.

Extract 1: A budget that reflects the times

The Albanese Government has delivered a cautious budget, consistent with the need to keep fiscal expenditure expansionary but with the intention of limiting any additional inflationary pressures.

Treasury is now forecasting a more difficult outlook for the Australian economy. It expects GDP growth to decline to only 1.5% in 2023/24, unemployment to rise by 0.75% and for inflation to remain at higher levels throughout the next three years.

The primary focus of the budget is to address cost of living pressures. Despite higher tax revenues (which total \$A144.6 bn over the four years to 2025/26), the government has opted to hold on to some of the savings and pursue family-oriented policies that align with the RBA's goal of bringing inflation back down to its target 2–3% range.

Against a backdrop where economic growth is slowing, but where the fiscal position remains strong, the budget prioritises four key areas with targeted spending addressing: 1) the cost of living (tax cuts and social security); 2) parental and childcare support; 3) infrastructure; and 4) health, education, and community services. Companies that are exposed to the housing sector also stand to gain due to the government's ambitious goal of building around 200,000 affordable homes per year for the next 5 years starting in mid-2024.

Extract 2: Federal Budget 'resetting for an uncertain future': CBA economists

The federal government's 2022/23 Budget — the first handed down by Treasurer Jim Chalmers — includes measures to address childcare and parental leave, housing and sustainability.

'For 2022/23 the Budget deficit is now forecast at \$A36.9 bn, 1.5 per cent of GDP, but little has changed from the 2021/22 budget deficit of \$A32 bn, 1.4 per cent of GDP. As such, this represents little change in the overall fiscal position from 2021/22 to 2022/23'.

The report's authors also write: 'The Government has downgraded the outlook for global [economic] growth (from 3.2 per cent in 2022 to 2.1 per cent in 2023*). The Budget notes that, "high inflation is sapping momentum and global growth is slowing by more than expected, with some major economies stalling or contracting. Higher global interest rates have increased the risk of recession across all major advanced economies, and the outlook for China has weakened." We very much agree.'

See next page

- (a) (i) State the forecast growth rate for the Australian economy for 2023/2024. (1 mark)

- (ii) State the value of the Australian Government's expected budget deficit for 2022/2023. (1 mark)

- (b) With reference to **three** pieces of evidence from the extracts, identify and account for the fiscal stance of the 2022/2023 Federal Budget. (4 marks)

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Section Three: Extended answer**40% (40 Marks)**

Section Three consists of **two** parts, Part A: Unit 3 and Part B: Unit 4.

Part A: Unit 3 consists of Questions 28 and 29. Part B: Unit 4 consists of Questions 30 and 31. Answer **one** question from Part A: Unit 3 and **one** question from Part B: Unit 4.

Supplementary pages for planning/continuing your answers to questions are provided at the end of this Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

Suggested working time: 80 minutes.

Part A: Unit 3**20% (20 Marks)**

Choose **either** Question 28 **or** Question 29.

Indicate the question you will answer by ticking the box next to the question. Write your answer on pages 19 to 23. When you have completed Part A: Unit 3, turn to page 24.

Suggested working time: 40 minutes.

 Question 28 **(20 marks)**

'The Australia-United Kingdom free trade agreement (A-UKFTA), signed virtually on 17 December 2021, is a gold standard trade agreement that represents a once in a generation deal for Australia and a historic movement in our relationship with the United Kingdom'.

- (a) Outline the concept of free trade agreements and describe **three** arguments for trade liberalisation. (8 marks)
- (b) Using demand and supply models, demonstrate and explain how consumers and producers benefit from specialisation and trade. (12 marks)

or

 Question 29 **(20 marks)**

Since 2019, Australia has persistently achieved current account surpluses in the Balance of Payments.

- (a) Outline the concept of the current account balance and describe **four** cyclical reasons for the current account surpluses since 2019. (10 marks)
- (b) Using a demand and supply model, demonstrate and explain the impact of falling commodity prices on the value of the Australian dollar (AUD) and explain the impact of this change on Australian consumers. (10 marks)

See next page

Part B: Unit 4

20% (20 Marks)

Choose **either** Question 30 **or** Question 31.

Indicate the question you will answer by ticking the box next to the question. Write your answer on the pages provided.

Suggested working time: 40 minutes.

Question 30 (20 marks)

- (a) Outline the concept of monetary policy and describe **three** circumstances under which the Reserve Bank of Australia (RBA) may change the cash rate to achieve its macroeconomic objectives. (8 marks)
- (b) Using an aggregate expenditure (AE) model, analyse the impact of rising interest rates on output and expenditure in the Australian economy. (12 marks)

or

Question 31 (20 marks)

- (a) Define 'structural change' and explain **three** recent causes of structural change in the Australian economy. (10 marks)
- (b) Using an aggregate demand/aggregate supply (AD/AS) model, describe **two** positive and **two** negative effects of structural change on economic growth and employment in the Australian economy. (10 marks)

End of questions

ACKNOWLEDGEMENTS

- Question 25** Table data from: Australian Bureau of Statistics (2022). *Import Price Index by SITC, Index Numbers and Percentage Changes (Tables 1, 3 and 12)*. Retrieved May, 2023, from <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/international-trade-price-indexes-australia/dec-2022#data-downloads>
Used under a Creative Commons Attribution 4.0 International licence.
- Table data from: Australian Bureau of Statistics (2022). *Export Price Index by SITC, Index Numbers and Percentage Changes (Tables 7 and 9)*. Retrieved May, 2023, from <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/international-trade-price-indexes-australia/dec-2022#data-downloads>
Used under a Creative Commons Attribution 4.0 International licence.
- Question 26** Graph adapted from: Australian Chamber of Commerce and Industry. (2022). Market sector productivity growth - quality adjusted hours worked basis (Chart 1.) [Graph]. *Productivity Commission Review of Australia's Productivity Performance: March 2022* (p. 9). Retrieved May, 2023, from <https://www.australianchamber.com.au/wp-content/uploads/2022/03/ACCI-Submission-to-Productivity-Commission-review-of-Australias-productivity-performance.pdf>
Question text adapted from: Australian Chamber of Commerce and Industry. (2022). *Productivity Commission Review of Australia's Productivity Performance: March 2022* (pp. 10 & 12). Retrieved May, 2023, from <https://www.australianchamber.com.au/wp-content/uploads/2022/03/ACCI-Submission-to-Productivity-Commission-review-of-Australias-productivity-performance.pdf>
- Question 27** Extract 1 adapted from: Macquarie Group. (2022, October 25). *Federal Budget October 2022: What it means for the market*. Retrieved May, 2023, from <https://www.macquarie.com.au/advisers/federal-budget-oct-2022/markets.html>
Extract 1 (Paragraph 3, text in brackets) and Extract 2 (excluding paragraph 3 text in brackets) from: Downing, S. (2022). *Federal Budget 'Resetting for an Uncertain Future': CBA Economists*. Retrieved May, 2023, from <https://www.commbank.com.au/articles/newsroom/2022/10/federal-budget-recap.html>
- Question 28** First paragraph adapted from: Department of Foreign Affairs and Trade. (n.d.). *Australia-United Kingdom Free Trade Agreement*. Retrieved May, 2023, from <https://www.dfat.gov.au/trade/agreements/not-yet-in-force/aukfta>
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