



Government of **Western Australia**
School Curriculum and Standards Authority



ATAR course examination, 2024

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	20	20	30	20	20
Section Two Data interpretation	4	4	90	50	50
Section Three Extended answer Part A: Unit 3	2	1	30	15	15
Part B: Unit 4	2	1	30	15	15
Total					100

Instructions to candidates

- The rules for the conduct of the Western Australian external examinations are detailed in the *Year 12 Information Handbook 2024: 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**20% (20 Marks)**

This section has **20** 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 statements about Australia's trade policy is correct?
- (a) regional trade agreements limit economic growth in countries such as Australia
 - (b) bilateral trade agreements usually contain tariff implementation policies
 - (c) the Australia-United Kingdom Free Trade Agreement (A-UKFTA) is a bilateral free trade agreement
 - (d) bilateral trade agreements involve three or more countries
2. Trade is important to the Australian economy because
- (a) Australia is one of the world's largest exporters, accounting for 20% of global trade.
 - (b) specialisation and trade result in higher levels of consumption and higher living standards.
 - (c) industries that are inefficient will still be profitable.
 - (d) it increases domestic production and decreases the consumption of imported goods.

3. The table below shows the number of labour hours required to produce one unit of cotton and one unit of wool in two countries – India and Australia.

	Wool	Cotton
India	10	15
Australia	20	20

- According to the table above, which of the following statements is correct?
- (a) India has an absolute advantage in producing both wool and cotton.
 - (b) India has a comparative advantage in producing cotton.
 - (c) Australia has a comparative advantage in producing wool.
 - (d) Neither country has a comparative advantage in producing wool or cotton.
4. An argument for protection of domestic industries in Australia is that
- (a) protecting against foreign goods helps to keep prices low.
 - (b) reducing the volume of imports will reduce the costs of production.
 - (c) trading through times of conflict will harm international cooperation.
 - (d) firms need to be protected from countries with lower wage costs.

See next page

5. A quota is a form of protection that
- (a) does not create a deadweight loss as it generates government revenue.
 - (b) results in domestic consumers paying a lower price.
 - (c) provides domestic producers with a grant that lowers the costs of production.
 - (d) imposes quantitative restrictions on imports.

Refer to the table below to answer Question 6.

Current Account	\$
Goods	52 012
Services	-5 895
Net income	-23 574
Capital and Financial Account	
Balance on capital account	-194
Balance on financial account	-17 985

6. According to the table above, which of the following statements is correct?
- (i) the balance on the current account equals \$34 333
 - (ii) net errors and omissions are equal to \$34 333
 - (iii) the balance on the capital and financial account is equal to -\$18 179
 - (iv) the trade balance is equal to \$46 117
- (a) iii and iv only
 - (b) ii, iii and iv
 - (c) i, ii and iii
 - (d) ii and iv only
7. An unfavourable movement in the terms of trade may be the result of
- (a) a decrease in the trade balance.
 - (b) an appreciation of the Australian dollar (AUD).
 - (c) global shortages in major Australian imports.
 - (d) a rise in domestic unemployment.
8. Between 2020 and 2023, the terms of trade experienced a favourable movement. Which component of aggregate expenditure would this initially impact the **most**?
- (a) planned investment
 - (b) government expenditure
 - (c) consumption expenditure
 - (d) net exports

9. The five currencies with the highest weighting in Australia's trade weighted index in 2023/2024 are the
- (a) United States dollar, Japanese yen, European euro, Singapore dollar and Indian rupee.
 - (b) Chinese renminbi, Japanese yen, European euro, United States dollar and Indian rupee.
 - (c) Chinese renminbi, Japanese yen, European euro, United States dollar and South Korean won.
 - (d) United States dollar, Japanese yen, European euro, Indian rupee and Malaysian ringgit.
10. An increase in foreign investment into Australia will result in a
- (a) credit in the financial account and an appreciation of the Australian dollar (AUD).
 - (b) credit in the financial account and a depreciation of the Australian dollar (AUD).
 - (c) debit in the financial account and an appreciation of the Australian dollar (AUD).
 - (d) debit in the financial account and a depreciation of the Australian dollar (AUD).
11. A possible cause of the expansion phase of the business cycle is
- (a) low levels of business confidence.
 - (b) increased levels of business investment.
 - (c) decreasing levels of household spending.
 - (d) increasing levels of unemployment.
12. Which one of the following economic indicators would increase during a contraction in the business cycle?
- (a) share prices
 - (b) unemployment rates
 - (c) production of building materials
 - (d) new business start-ups
13. If the consumption function is $C = 50 + 0.8Y$, an increase in government spending of \$5 million would increase total income by
- (a) \$50 million.
 - (b) \$1.5 million.
 - (c) \$3.5 million.
 - (d) \$25 million.

14. Which of the following would occur when actual Gross Domestic Product (GDP) is above potential GDP?
- (i) an increase in company profits
 - (ii) low or no cyclical unemployment
 - (iii) a fall in the labour force participation rate
 - (iv) a reduction in foreign investment
- (a) i and ii only
 - (b) i and iv only
 - (c) i, ii and iii
 - (d) i, ii and iv
15. While the planned budget outcome for 2022/23 was a deficit of \$78b, the actual outcome was a deficit of \$22.1b. The reason for the difference was **most** likely to be
- (a) reduced company tax receipts.
 - (b) higher than expected unemployment data.
 - (c) higher than expected commodity prices.
 - (d) lower than expected economic growth data.
16. A strength of fiscal policy is
- (a) its ability to have a rapid effect on economic activity during a boom.
 - (b) that automatic stabilisers can stimulate spending during a boom.
 - (c) the short decision and recognition lag as a result of the political process.
 - (d) the directness of the policy in terms of targeting specific industries and initiatives.
17. All of the following are economic policy objectives of the Reserve Bank of Australia (RBA) except for
- (a) the stability of the currency.
 - (b) the maintenance of full employment.
 - (c) a sustainable foreign debt to GDP ratio.
 - (d) the economic prosperity and welfare of the people of Australia.
18. Which of the following **best** describes the impact of contractionary monetary policy?
- (a) interest rates increase and borrowing and spending decrease
 - (b) interest rates decrease and borrowing and spending decrease
 - (c) interest rates increase and borrowing and spending increase
 - (d) interest rates decrease and borrowing and spending increase

19. A weakness of monetary policy is that
- (a) it has a large decision lag as it is a direct policy impacting sectors differently.
 - (b) it is not effective when economic activity is low, as consumers are pessimistic.
 - (c) the Reserve Bank of Australia (RBA) is not independent from the government so it aligns with the budget.
 - (d) there are long implementation lags, as the RBA does not meet regularly.
20. Which of the following will cause the long-run aggregate supply (LRAS) curve to shift to the left?
- (a) a loosening of Australia's permanent visa rules
 - (b) a decrease in the participation rate due to an ageing population
 - (c) a fall in the price of inputs such as oil
 - (d) an increase in labour productivity due to technological improvements

End of Section One

Section Two: Data interpretation**50% (50 Marks)**

This section contains **four** 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: 90 minutes.

Question 21**(12 marks)**

This question refers to the edited extract below, which was published by the *Sydney Morning Herald* on 21 November 2023.

The Australian dollar is weak, except in this desirable destination

Australian visitors to the United Kingdom and the Eurozone will probably notice their funds are feeling more stretched than usual, with the Australian dollar trading against the pound and euro at levels substantially lower than a year ago. Many things – from a regular-sized cappuccino in London to petrol in Rome – are particularly expensive for Australian travellers.

The Australian dollar is worth about 52 pence from about 56 pence a year ago after reaching 60 pence, briefly, in September 2022. Against the euro in November 2023, it is buying about 60 euro cents, from 65 euro cents 12 months ago. As recently as August 2022, the Australian dollar briefly reached almost 70 euro cents.

The Australian dollar is also weak against the US dollar, trading at about US66¢, although that is in line with levels a year ago. Five years ago, the Australian dollar was buying about US73¢. Michael Judge, head of Australia and New Zealand at OFX, a global money transfer company, says it is relative interest rates that are the biggest factor behind currency exchange rates right now. Interest rates are important drivers of exchange rates as higher interest rates in one country, compared to others, can attract more global investors, which can help strengthen the country's currency.

The relatively high interest rates in the United States have increased demand for US dollars by international investors, which has lifted the value of the US dollar against most other currencies. While Australian interest rates have also been rising, they are below that of not only the United States, but also of the United Kingdom and the Eurozone, which is a factor in our dollar's weakness against the pound, euro and US dollar.

Craig James, the chief economist at CommSec, says Japan is one of the few destinations among those favoured by Australian travellers where the Australian dollar is 'looking pretty good'. The Australian dollar is buying about 97 yen from 94 yen a year ago. Five years ago, it was buying about 82 yen. Eating out in Tokyo is much less expensive for Australian travellers, as are public transport and hotel accommodation.

See next page

- (a) (i) Using information from the article, calculate the price in Australian dollars of a handbag costing 150 euro in November 2023. (1 mark)

- (ii) State the main reason behind currency exchange rates at the time the article was written. (1 mark)

- (b) Describe **two** factors that affect the value of the Australian dollar (AUD). (4 marks)

One: _____

Two: _____

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Question 21 (continued)

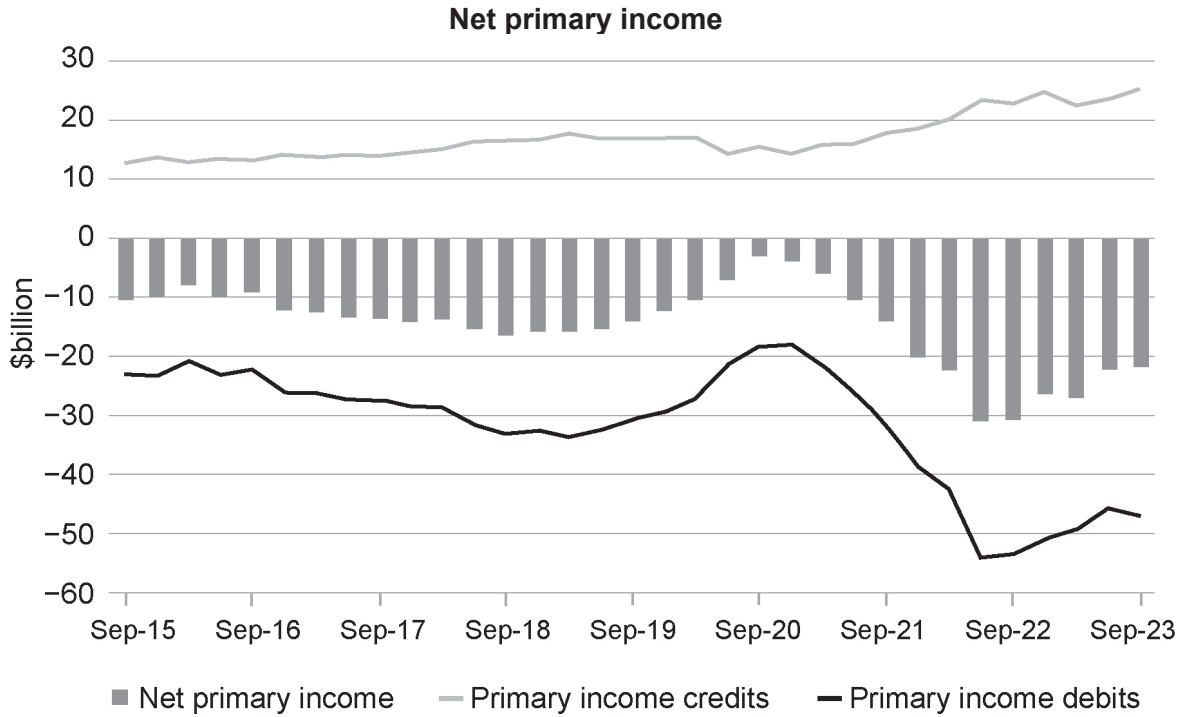
- (c) Using a demand and supply model, demonstrate a depreciation of the AUD and describe **two** effects of this exchange rate movement. (6 marks)

<p>Model</p>

Question 22

(13 marks)

This question refers to the graph below, which shows Australia's net primary income balance.



(a) (i) State the value of primary income debits in September 2023. (1 mark)

(ii) Identify the year that had the highest net primary income balance. (1 mark)

(b) Describe the concept of Australia's balance of payments. (2 marks)

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Question 22 (continued)

- (c) Using an example, describe the double entry system of recording transactions in Australia's balance of payments. (3 marks)

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- (d) Explain a reason for Australia's current account balance in terms of **one** factor influencing the trade balance and **one** factor influencing the income balance. (6 marks)

Trade balance: _____

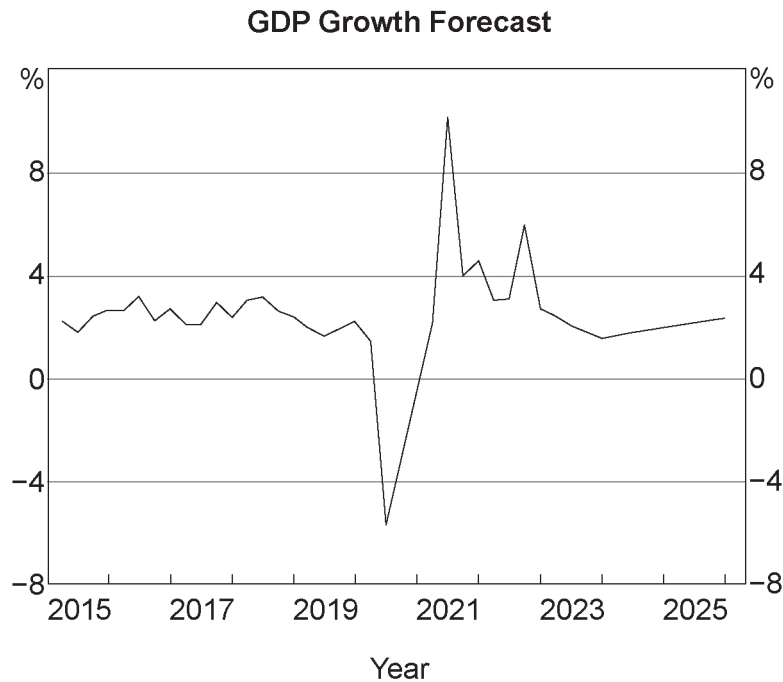
Income balance: _____

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Question 23

(12 marks)

This question refers to the graph below, which shows Australia's forecast Gross Domestic Product (GDP) growth rates and an extract from the Reserve Bank of Australia (RBA) speeches published on 13 November 2023.

**Extract from RBA speeches**

Australia's GDP growth rate is expected to be below trend over the year ahead. This is mainly because of subdued growth in household consumption as cost-of-living pressures, higher interest rates and higher tax payable all continue to weigh on disposable incomes for a time.

That said, demand has proved more resilient than we expected a few months ago. Public and business investment have been strong of late, supported by a large pipeline of construction and public infrastructure work. And a rapid rebound in the number of international students and tourists has contributed to robust growth in overall consumer spending domestically.

Further ahead, growth is forecast to pick up gradually towards trend. This is expected to be driven by a pick-up in consumption growth as the pressures on households' budgets from inflation fade and household wealth is supported by higher prices in the established housing market. The unemployment rate is forecast to increase to around 4¼ per cent in 2025.

See next page

- (a) (i) With reference to the graph, state the forecast GDP growth rate for Australia for 2025. (1 mark)

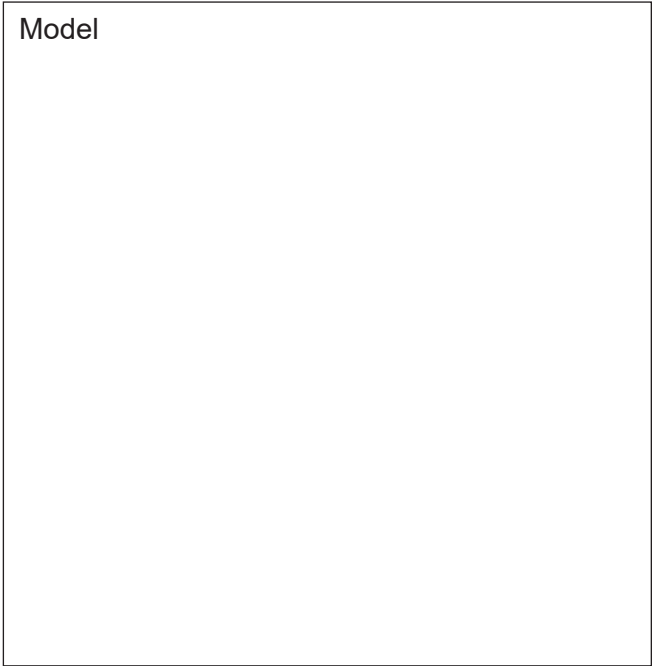
- (ii) According to the extract, state the reason why growth is forecast to increase towards trend by 2025. (1 mark)

- (b) With specific reference to the data, identify and account for **one** trend in Australia's macroeconomic performance since 2019. (4 marks)

Question 23 (continued)

- (c) Using an aggregate expenditure (AE) model, demonstrate and analyse the impact of expected strong growth in autonomous consumption spending on the equilibrium level of income and output. (6 marks)

Model



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Question 24

(13 marks)

This question refers to the edited article below, which was published in *The Guardian* on 23 November 2023.

The past financial year was brutal for household incomes – and it seems the recovery isn't coming anytime soon.

Household disposable income fell 5.1% across the country in 2022–23, meaning our living standards have been smashed. The triple threat of falling real wages, rising prices of necessities and soaring mortgage repayments has seen people's living standards plummet in the past two years.

Real household disposable income is effectively our living standards, and they have been smashed. And worse, the news from the Reserve Bank of Australia (RBA) suggests it will take a while to repair the damage. Before 2020, real household disposable income was growing pretty steadily. During 2020–2021, massive stimulus kept not just the economy going but also households. That has now been unwound but we're not back to where we'd have expected to be – we're in a worse place.

The RBA's November statement suggested that we are unlikely to get back to pre-2020 trend levels until well beyond 2025. In June 2023, per capita income was about 2% below where the pre-2020 trend would have been.

Across the nation, the per capita level of social assistance benefits fell \$965 in 2022–23. But while this was to be expected as the economy recovered, the second and bigger hit in the past year to household income has been interest rates rises.

In 2022–23, the ratio of household interest paid on dwellings relative to household disposable income went from 3.1% to 6.1%. That is a massive shock to the system.

- (a) (i) According to the article, state **two** reasons for the decline in Australian living standards over the last **two** years. (2 marks)

One: _____

Two: _____

- (ii) Using information from the article, calculate the increase in the ratio of household interest paid on dwellings relative to household income in 2022–23. (1 mark)

Question 24 (continued)

- (b) Describe **two** circumstances under which the RBA may change the monetary policy stance. (4 marks)

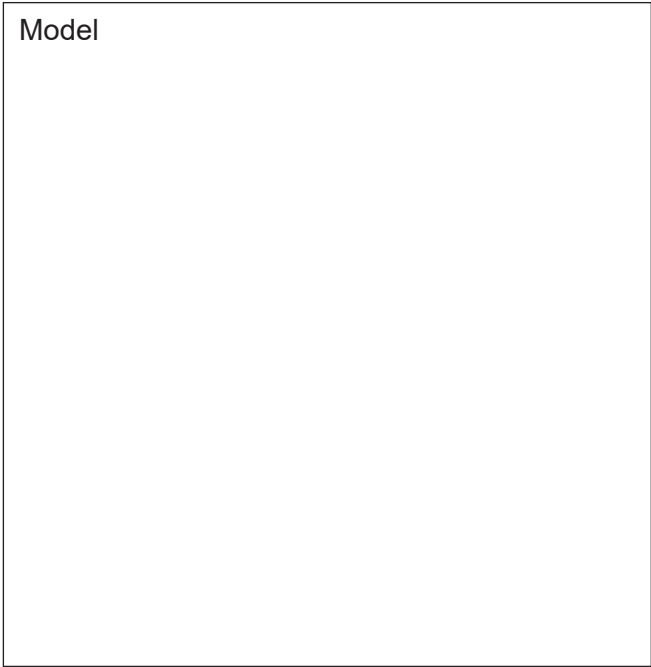
One: _____

Two: _____

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- (c) Define 'conventional monetary policy' and using an aggregate demand/aggregate supply (AD/AS) model, explain how conventional expansionary monetary policy impacts the level of economic activity through the asset prices and wealth channel. (6 marks)

Model



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End of Section Two

See next page

Section Three: Extended answer**30% (30 Marks)**

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

Part A: Unit 3 consists of Questions 25 and 26. Part B: Unit 4 consists of Questions 27 and 28. 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: 60 minutes.

Part A: Unit 3**15% (15 Marks)**

Choose **either** Question 25 **or** Question 26.

Indicate the question you will answer by ticking the box next to the question. Write your answer on pages 21–25. When you have completed Part A: Unit 3, turn to page 26.

Suggested working time: 30 minutes.

Question 25**(15 marks)**

Using an appropriate model, analyse the impact of a tariff on trade, market efficiency and the macroeconomy.

or

Question 26**(15 marks)**

Using examples, outline the concept of Australia's foreign assets, foreign liabilities and international investment position and explain **one** cost and **two** benefits of foreign investment in Australia.

See next page

Part B: Unit 4

15% (15 Marks)

Choose **either** Question 27 **or** Question 28.

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

Suggested working time: 30 minutes.

Question 27**(15 marks)**

Explain the impact of expansionary fiscal policy and increasing government debt on the level of economic activity in Australia, and outline the methods of financing a budget deficit.

In your response include:

- an appropriate economic model
- impact of expansionary fiscal policy
- **two** impacts of increasing government debt
- **two** methods of financing a budget deficit.

or

Question 28**(15 marks)**

Describe the factors affecting labour productivity, and demonstrate and explain the impacts of increasing labour productivity in Australia.

In your response include:

- a definition of labour productivity
- **three** factors affecting labour productivity
- **two** impacts of increasing labour productivity in Australia
- an aggregate production function.

End of questions

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ACKNOWLEDGEMENTS

- Question 21** Adapted from: Collett, J. (2023, November 21). The Aussie Dollar is Weak, Except in This Desirable Destination. *The Sydney Morning Herald*. Retrieved April, 2024, from <https://www.smh.com.au/money/saving/the-aussie-dollar-is-weak-except-for-in-this-desirable-destination-20231116-p5eklj.html>
- Question 22** Australian Bureau of Statistics. (2024). *Net Primary Income (a)* [Graph]. Retrieved April, 2024, from <https://www.abs.gov.au/statistics/economy/international-trade/balance-payments-and-international-investment-position-australia/latest-release>
Used under a Creative Commons Attribution 4.0 International licence.
- Question 23** Adapted from: Reserve Bank of Australia. (2023). *GDP Growth Forecast* (Graph 3)*. Retrieved April, 2024, from <https://www.rba.gov.au/speeches/2023/sp-ag-2023-11-13.html>
Used under a Creative Commons Attribution 4.0 International licence.
Extract 1 adapted from: Kohler, M. (2023). *The Outlook for the Australian Economy* [Speech]. Retrieved April, 2024, from <https://www.rba.gov.au/speeches/2023/sp-ag-2023-11-13.html>
Used under a Creative Commons Attribution 4.0 International licence.
- Question 24** Adapted from: Jericho, G. (2023, November 23). The Past Financial Year was Brutal for Household Incomes – and it Seems the Recovery Isn't Coming Anytime Soon. *The Guardian*. Retrieved April, 2024, from <https://www.theguardian.com/business/grogonomics/2023/nov/23/the-past-financial-year-was-brutal-for-household-incomes-and-it-seems-the-recovery-isnt-coming-anytime-soon>

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Published by the School Curriculum and Standards Authority of Western Australia
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