



ATAR course examination, 2021

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	4	2	80	40	40
Total					100

Instructions to candidates

- The rules for the conduct of the Western Australian external examinations are detailed in the *Year 12 Information Handbook 2021: Part II Examinations*. Sitting this examination implies that you agree to abide by these rules.
- Write your answers in this Question/Answer booklet preferably using a blue/black pen. Do not use erasable or gel pens.
- 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.

Sections Two and Three: Write your answers in this Question/Answer booklet.

- 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. The largest category of world merchandise exports is
 - (a) fuels and mining products.
 - (b) agricultural products.
 - (c) education and tourism services.
 - (d) manufactured products.

2. One of the economic effects of globalisation is that it
 - (a) creates jobs in the short term through structural change.
 - (b) eliminates the principle of comparative advantage.
 - (c) places downward pressure on the domestic price level.
 - (d) reduces volatility in global financial markets.

3. Australia's international competitiveness will **most** likely increase if
 - (a) the Australian dollar appreciates relative to our trading partners' currencies.
 - (b) the Australian Government spends more on ports and railroads.
 - (c) Australian workers' wages increase faster than their productivity.
 - (d) Gross Domestic Product (GDP) growth is higher in Australia than in other countries.

4. As a percentage of GDP, Australia's total imports plus total exports, is approximately
 - (a) 75%.
 - (b) 45%.
 - (c) 25%.
 - (d) 5%.

5. The table below shows the production possibilities of coal and iron ore in two countries.

	Coal (tonnes)		Iron ore (tonnes)
Country A	50	or	100
Country B	80	or	320

According to the above table, country

- (a) B has a comparative advantage in producing coal.
 (b) A has an absolute advantage in producing iron ore.
 (c) B has a comparative advantage in producing iron ore.
 (d) A has a comparative advantage in producing iron ore.
6. A subsidy is a
- (a) direct payment to producers by government to reduce the market price of a good or service.
 (b) direct payment to producers on an imported good or service to reduce the cost of imports.
 (c) tax imposed on an exported good or service to reduce the cost of exports.
 (d) direct payment to producers by government to reduce the costs of domestic production.
7. In recent years, which of the following factors has had the **largest** effect on Australia's terms of trade?
- (a) the price of Australian commodity exports
 (b) the supply of Australian commodity exports
 (c) the price of Australian commodity imports
 (d) the value of the Australian dollar
8. Which of the following statements about the trade weighted index (TWI) are correct?
- I. it is used to measure the value of the A\$ against a basket of currencies
 II. it reflects global economic conditions
 III. there are currently 10 currencies in the Australian TWI
 IV. it gives the highest weighting to Australia's largest trading partner
- (a) I, II and III.
 (b) I, II and IV.
 (c) II, III and IV.
 (d) I, III and IV.
9. Given the exchange rate of AUD 1 = EURO 0.65, what is the approximate cost of a 2500 EURO European holiday in AUD?
- (a) \$3846
 (b) \$3125
 (c) \$1625
 (d) \$6250

See next page

10. Australia's total net foreign liability is
- (a) public sector debt plus foreign ownership of Australian assets.
 - (b) total foreign investment in Australia plus repatriation of profits.
 - (c) foreign debt plus total foreign investment in Australia.
 - (d) net foreign debt liabilities plus net foreign equity liabilities.
11. An increase in direct foreign investment in Australian agriculture would be recorded in Australia's balance of payments as a credit in the
- (a) current account.
 - (b) capital account.
 - (c) financial account.
 - (d) national savings account.
12. Which of the following factors is **not** a determinant of the value of the Australian dollar?
- (a) balance of payments
 - (b) activities of currency speculators
 - (c) Reserve Bank of Australia intervention
 - (d) relative inflation rates
13. Assuming an economy's real GDP is currently \$1000bn and the marginal propensity to consume (MPC) is 0.75, an increase in government spending of \$50bn will result in a new equilibrium level of spending equal to
- (a) \$1100bn.
 - (b) \$1150bn.
 - (c) \$1200bn.
 - (d) \$1250bn.
14. In the aggregate expenditure (AE) model, the AE line is **most** likely to shift downward when the
- (a) Reserve Bank of Australia lowers the cash rate.
 - (b) level of business investment decreases due to reduced confidence.
 - (c) current account of Australia is in deficit.
 - (d) level of imports of goods and services falls.
15. An increase in real wages will
- (a) shift the aggregate supply (AS) curve to the right.
 - (b) shift the AS curve to the left.
 - (c) increase real GDP and create jobs.
 - (d) reduce the price level.

16. If Australians buy goods from India,
- (a) Australia's aggregate demand (AD) curve will shift to the right.
 - (b) India's AD curve will shift to the right.
 - (c) Australia's aggregate supply (AS) curve will shift to the right.
 - (d) India's AS curve will shift to the right.
17. Australia's economic objective of price stability is **most** compatible with the
- (a) balanced budget objective.
 - (b) equitable distribution of income objective.
 - (c) sustainable economic growth objective.
 - (d) efficient resource allocation objective.
18. One of the weaknesses of fiscal policy is that it
- (a) has significant implementation delays.
 - (b) requires approval from the Reserve Bank of Australia (RBA).
 - (c) has limited impacts on consumer spending.
 - (d) cannot be directed to specific sectors of the economy.
19. During a recession, which of the following is an example of an automatic stabiliser?
- (a) a reduction in personal income tax rates
 - (b) a reduction in the goods and services tax (GST) rate
 - (c) a decrease in income tax revenue
 - (d) an increase in infrastructure spending
20. If the Australian Government's budget is currently in deficit, spending more than it raises in taxes may
- (a) lead to a budget surplus.
 - (b) cause a balanced budget.
 - (c) create an increase in government savings.
 - (d) lead to an increase in government borrowing.
21. If the Australian Government is operating a budget surplus, it is **most** likely that
- (a) unemployment is high, inflation is low and retail sales are weak.
 - (b) retail sales are strong, inflation is high and the unemployment rate is high.
 - (c) retail sales are weak, inflation is low and GDP growth is high.
 - (d) interest rates are high, unemployment is low and the trade balance is in deficit.

22. A strength of monetary policy is that it
- (a) can have an impact on the exchange rate.
 - (b) can be targeted to specific sectors of the economy.
 - (c) is more effective in a recession than fiscal policy.
 - (d) is the only policy that can control inflation.
23. Which of the following is **not** a cause of structural change?
- (a) a change in consumer tastes
 - (b) an increase in GDP per capita
 - (c) an increase in innovation by firms
 - (d) a subsidy to domestic firms
24. Which of the following statements about employment across various sectors in Australia is correct?
- (a) Services as a percentage of employment has increased.
 - (b) Mining and agriculture as a percentage of employment has increased.
 - (c) Manufacturing and agriculture as a percentage of employment has increased.
 - (d) Employment in mining and manufacturing is growing at a slower rate than agriculture.

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.

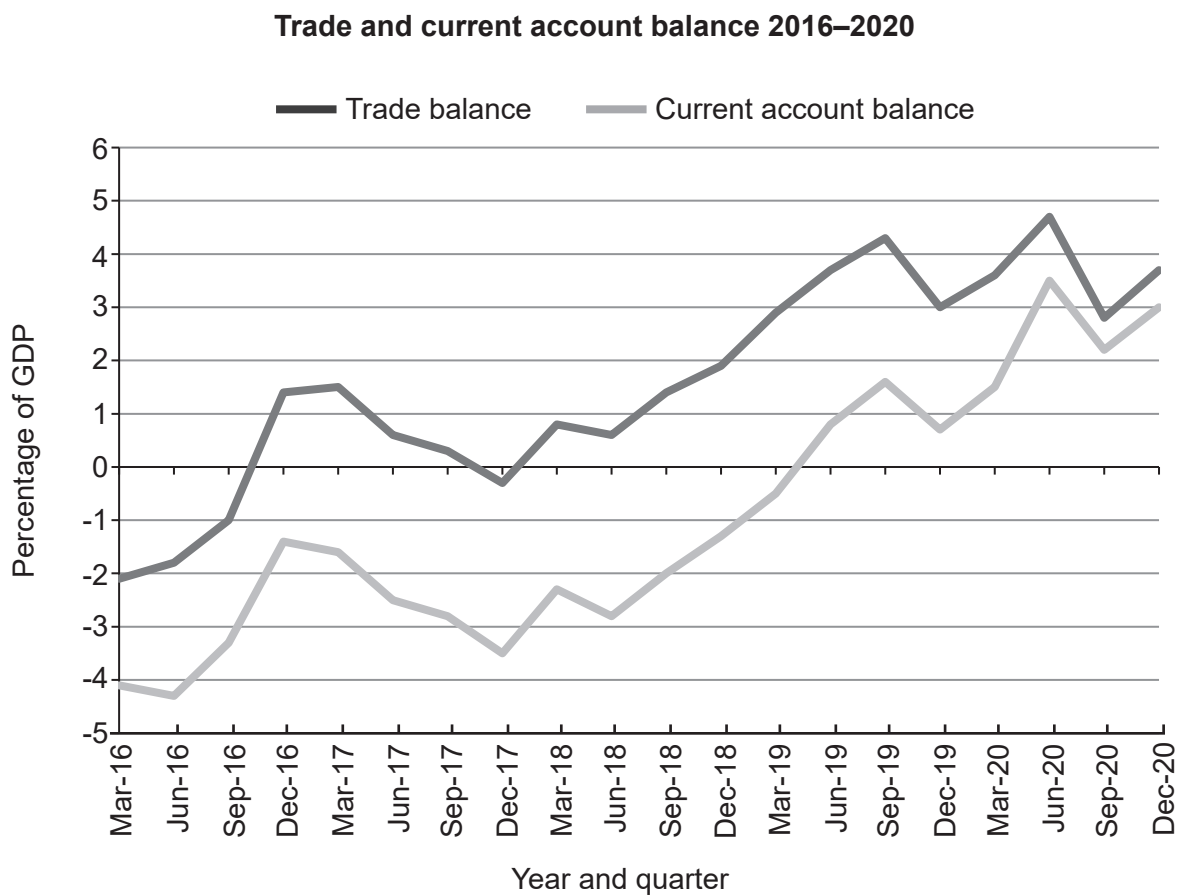
Supplementary pages for planning/continuing your answers to questions are provided at the end of this Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

Suggested working time: 70 minutes.

Question 25

(12 marks)

This question refers to the graph below which shows Australia’s balance of payments data.



(a) (i) What was Australia’s highest recorded trade balance over the period 2016 to 2020? (1 mark)

(ii) In which year and quarter did Australia record its first current account surplus? (1 mark)

See next page

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- (b) Identify the trend in the current account balance from 2018 to 2020 and describe **two** economic reasons for this. (5 marks)

Trend: _____

One: _____

Two: _____

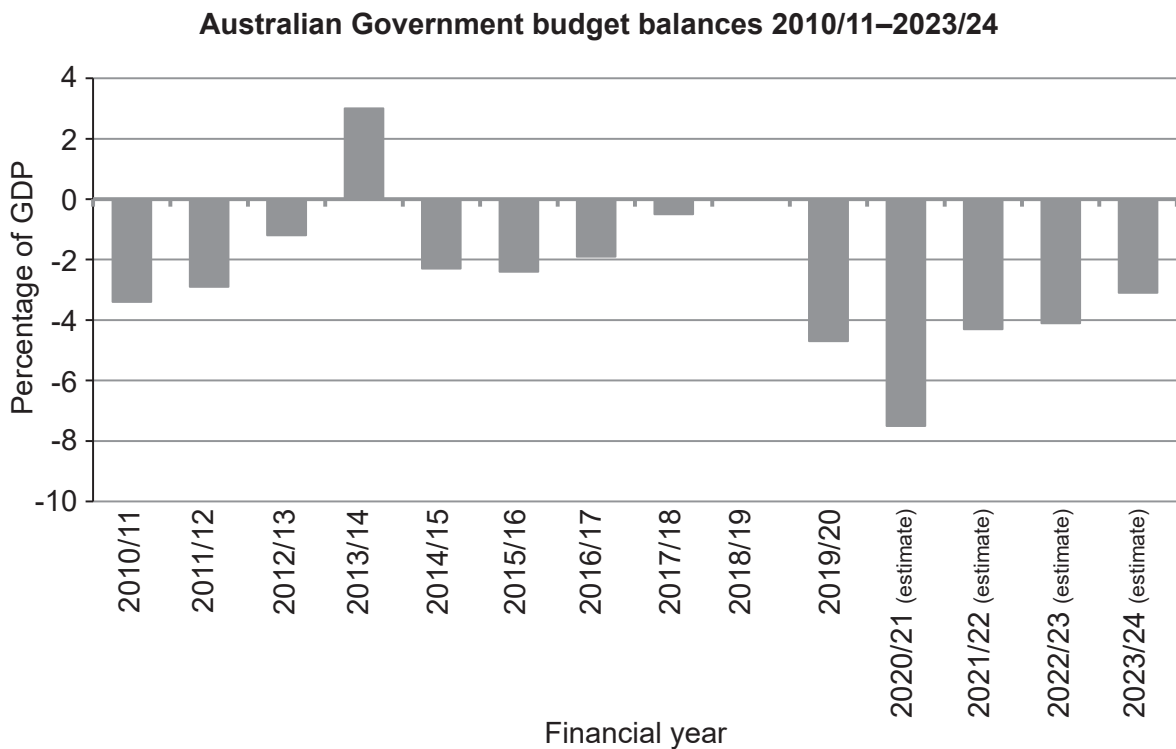
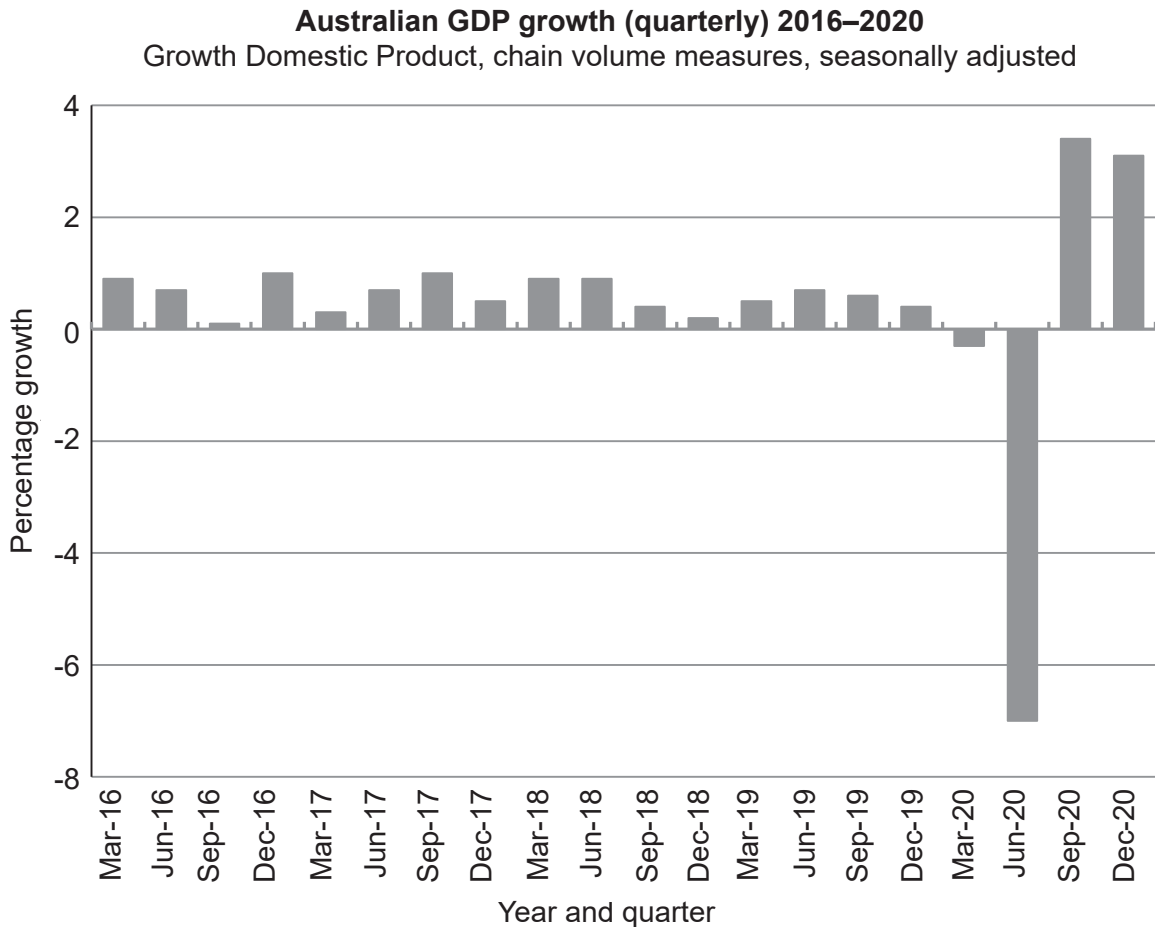
- (c) Explain why a fluctuating current account balance is **not** considered to be of concern to policy makers. (5 marks)

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Question 26

(12 marks)

This question refers to the two graphs below, which show Australia’s GDP growth (quarterly) and the Australian Government’s budget balance (annual).



See next page

(a) (i) What was the size of the contraction in GDP in the June quarter of 2020? (1 mark)

(ii) What is the size of the Australian Government's estimated budget deficit in 2020/21? (1 mark)

(b) Using the aggregate demand/aggregate supply (AD/AS) model, demonstrate and outline **two** intended effects of the estimated Australian Government budget deficits from 2020/21 onward. (4 marks)

Model

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Question 26 (continued)

- (c) Describe **three** reasons why these estimated Australian Government budget deficits may have a limited effect on economic activity. (6 marks)

One: _____

Two: _____

Three: _____

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Question 27

(12 marks)

This question refers to the edited extract below, which is from an article by Matthew Doran and published on 15 November, 2020.

Australia signs Regional Comprehensive Economic Partnership, the world's largest trade deal.

The largest trade deal in history has been signed, with 15 countries including Australia agreeing to the trade deal covering 30 per cent of the global economy. Leaders agreed to the terms on the Regional Comprehensive Economic Partnership (RCEP) at the Association of South-East Asian Nations (ASEAN) summit in Bangkok last year. The countries involved are Australia, China, Japan, South Korea, New Zealand and the 10 members of ASEAN, including Indonesia and Vietnam.

Senator Birmingham said, "The real benefits are two-fold – one is our farmers and exporters, will get a more common set of rules across all nations. The other is our services export industry will get new access across financial, banking, aged care, health care, education and other service industries, such as the provision of architectural, engineering or planning services."

The focus of RCEP is on standardising trade rules across countries, making it easier for people to do business. India has been negotiating during the eight years of talks, before pulling out last year. "That diminishes some of the value for Australia, as India would've been the one RCEP partner with whom we did not previously have any type of free trade agreement," Senator Birmingham said. "However, the value of RCEP is still there." The deal also does not include the United States, despite the country having US\$2 trillion (A\$2.7 trillion) in trade with the countries which are involved.

- (a) (i) List **one** benefit for Australian exporters from belonging to the RCEP. (1 mark)

- (ii) According to the article, which **two** countries are currently **not** members of RCEP? (1 mark)

- (b) Describe **two** arguments for trade liberalisation. (4 marks)

One: _____

Two: _____

See next page

Question 27 (continued)

- (c) Using a demand and supply model, illustrate and explain the effects on consumers and producers of a country imposing a tariff on an imported good. (6 marks)

Consumers: _____

Producers: _____

Model	_____

End of Section Two

See next page

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

This section contains **four** questions. Answer **two** questions. Write your answers in the lined pages provided and number your answers clearly.

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.

Question 28**(20 marks)**

- (a) Explain the term 'globalisation' and describe **four** factors that have influenced the extent of globalisation in recent years. (10 marks)
- (b) Discuss the economic effects of globalisation on the Australian economy. (10 marks)

Question 29**(20 marks)**

The value of the Australian dollar has risen from \$0.57US in March 2020 to \$0.77US in April 2021.

- (a) Using the demand and supply model, illustrate and explain **two** factors that caused this movement in the Australian dollar. (10 marks)
- (b) Analyse the effects of this movement in the exchange rate on the Australian business sector. (10 marks)

Question 30**(20 marks)**

- (a) Describe **three** causes of structural change and, using the AD/AS model, explain the relationship between structural change and economic growth. (12 marks)
- (b) Explain the term 'productivity' and describe **three** recent Australian Government policies designed to promote productivity. (8 marks)

Question 31**(20 marks)**

- (a) With reference to the transmission mechanism, explain how the Reserve Bank of Australia uses monetary policy to affect the level of economic activity. (8 marks)
- (b) Using the aggregate expenditure model, identify **three** intended effects of the contemporary monetary policy stance on the Australian economy and discuss the factors likely to limit its effectiveness. (12 marks)

End of questions

Question number: _____

Lined area for writing an answer.

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Question number: _____

A series of horizontal lines for writing, starting from the top of the page and extending down to the bottom. The lines are evenly spaced and cover the main body of the page.

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Question number: _____

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ACKNOWLEDGEMENTS

- Question 25(a)(b)** Adapted from: Australian Bureau of Statistics (ABS). (2021). *Australia's current account balance as per cent of nominal GDP* [Graph]. Retrieved May, 2021, from <https://www.rba.gov.au/chart-pack/images/balance-payments/current-account-balance.svg>
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- Question 26(a)** Adapted from: Australian Bureau of Statistics (ABS). (2020). *Gross domestic product, chain volume measures, seasonally adjusted* [Graph]. Retrieved May, 2021, from <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release>
Used under a Creative Commons Attribution 4.0 International licence.
- Adapted from: Australian Treasury. (2021). *Budget 2021-22: Budget paper 1, Statement 3, Fiscal strategy and outlook, table 3.1* [Graph]. Retrieved May, 2021, from https://budget.gov.au/2021-22/content/bp1/download/bp1_bs3.pdf
Used under a Creative Commons BY Attribution 3.0 Australia licence.
- Question 27** Adapted from: Doran, M. (2016). *Australia signs Regional Comprehensive Economic Partnership, the world's largest trade deal*. Retrieved May, 2021, from <https://www.abc.net.au/news/2020-11-15/australia-joins-signing-of-worlds-largest-trade-deal/12885666>

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