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

SCSA

ATAR course examination, 2022

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

In words _____

Number of additional
answer booklets used
(if applicable):

Time allowed for this paper
Reading time before commencing work: ten minutes
Working time: three hours

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

1.   The rules for the conduct of the Western Australian external examinations are detailed in the *Year 12 Information Handbook 2022: Part II Examinations*. Sitting this examination implies that you agree to abide by these rules.

2.   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.

3.   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.

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.

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.   Australia experiences improved international competitiveness when there is

        (a)   a higher domestic inflation rate than its trading partners.
        (b)   an appreciation of the Australian dollar.
        (c)   an improvement in labour productivity.
        (d)   higher domestic real wages growth than its trading partners.

2.   Which of the following factors facilitate globalisation?

        (i)   trade liberalisation
        (ii)   improvement in transport and communication services
        (iii)   growth and expansion of multinational corporations
        (iv)   increased tariff protection for domestic firms

        (a)   (i), (ii) and (iv)
        (b)   (ii) and (iii) only
        (c)   (ii) and (iv) only
        (d)   (i), (ii) and (iii)

3.   The following graphs represent the production possibilities for Germany and Italy, and two products: cars and boats.
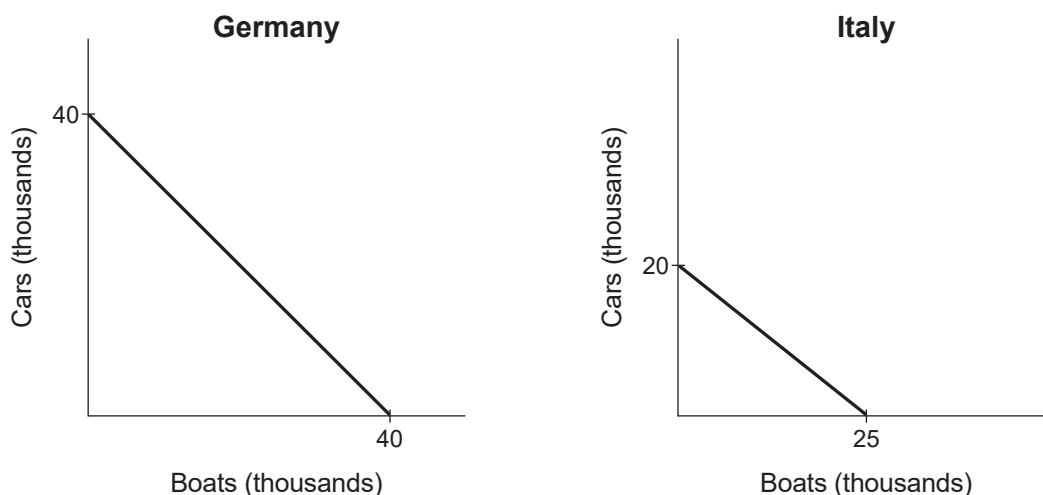
According to the above graphs, which of the following statements is correct?

        (a)   Italy has a comparative advantage in producing boats.
        (b)   Italy has an absolute advantage in producing boats.
        (c)   Germany has a comparative advantage in producing boats.
        (d)   Both countries should produce an equal combination of cars and boats.

See next page

4. Which of the following statements regarding the composition and direction of Australian trade is correct?

   (a) Australia's largest two-way trading partner is the European Union.
   (b) There has been a recent shift in the direction of Australia's trade toward Asia over the last ten years.
   (c) Coal is Australia's largest export commodity.
   (d) Since 2020, tourism has been Australia's largest import category.

5. Which of the following would be recorded as a credit in Australia's current account?

   (a) A New Zealand citizen buys a holiday home in Perth.
   (b) A New Zealand company invests in an Australian mine.
   (c) An Australian company sells wine to New Zealand.
   (d) An Australian mining company pays dividends to its New Zealand shareholders.

6. A financial account surplus would result in

   (a) a decrease in Australia's net foreign liabilities.
   (b) an increase in Australia's net foreign liabilities.
   (c) an increase in Australia's holding of foreign assets.
   (d) a reduction in inward foreign investment into Australia.

7. Since 2019, a main cyclical reason for Australia's current account outcome is

   (a) high commodity prices.
   (b) a savings-investment gap.
   (c) increased net foreign investment.
   (d) an increase in Australia's net foreign liabilities.

8. In relation to the recent trends in Australia's current account, which of the following is correct? The

   (a) current account balance has moved from deficit to surplus.
   (b) current account balance has moved from surplus to deficit.
   (c) trade balance has moved from surplus to deficit.
   (d) net income balance has been highly volatile.

9. The top four currencies by weight in Australia's trade weighted index (TWI) are

   (a) Chinese yuan, Japanese yen, United States dollar and Singapore dollar.
   (b) United States dollar, Chinese yuan, Japanese yen and United Kingdom pound sterling.
   (c) Chinese yuan, United States dollar, Japanese yen and European euro.
   (d) United States dollar, Japanese yen, Chinese yuan and South Korean won.

See next page

10. An Australian consumer imported a car from the United States and paid AU$40 000.
If the USD/AUD exchange rate was USD 1 = AUD 1.43, the approximate price of this car in USD was

    (a) $57 000.
    (b) $48 000.
    (c) $32 000.
    (d) $28 000.

11. Australia's foreign debt represents mainly the extent to which

    (a)   foreign residents own Australian assets.
    (b)   Australia owns foreign assets.
    (c)   Australia owes the rest of the world.
    (d)   Australian companies borrow from overseas.

12. Which of the following statements about Australia's foreign debt are correct?

    I.   High foreign debt levels can cause a downgrade in Australia's credit rating.
    II.   Government debt is the largest component of Australia's foreign debt.
    III.   A depreciation of the Australian dollar causes an increase in debt service costs.
    IV.   High foreign debt can lead to higher per capita income in Australia.

    (a)   I, II and III.
    (b)   I and IV only.
    (c)   II, III and IV.
    (d)   I, III and IV.

13. Which of the following factors are both characteristics of an economic recovery?

    (a)   relatively high levels of consumption and high domestic interest rates
    (b)   contractionary monetary policy and expansionary fiscal policy
    (c)   low levels of consumer confidence and high levels of cyclical unemployment
    (d)   increased capital investment and improving levels of business confidence

14. An example of a leading economic indicator signaling a recovery is

    (a)   an increase in new employment vacancies.
    (b)   an increase in consumer debt.
    (c)   maximum capacity utilisation.
    (d)   high levels of inflation.

Refer to the diagram below to complete Question 15.

Consumption function
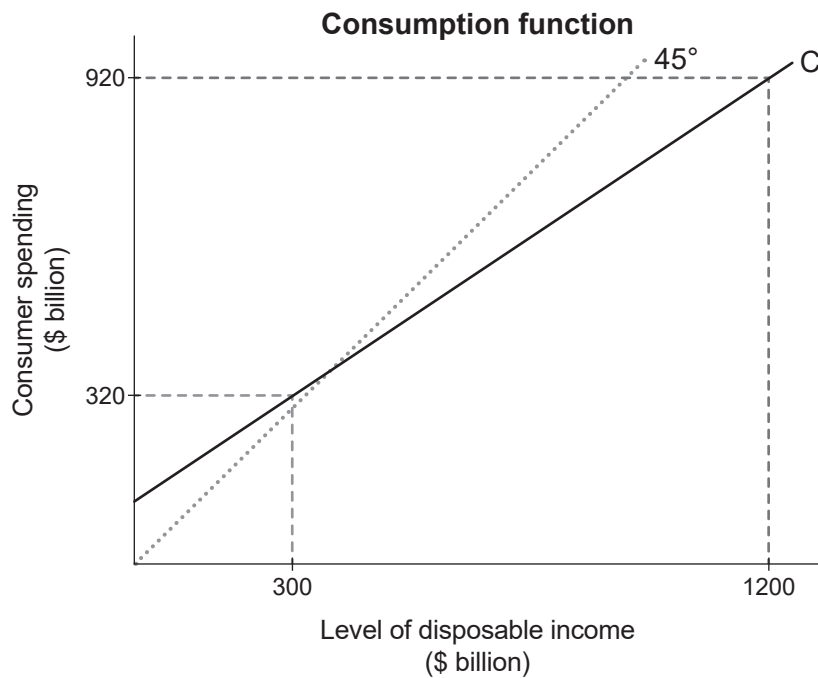
15. Using the data above, the marginal propensity to save (MPS) and the multiplier are approximately

    (a) 0.66 and 1.5 respectively.
    (b) 0.33 and 3 respectively.
    (c) 0.66 and 3 respectively.
    (d) 0.33 and 1.5 respectively.

16. In the Keynesian aggregate expenditure model, macroeconomic equilibrium occurs when

    (a) the balance of payments sums to zero.
    (b) government expenditure equals government revenue.
    (c) inventory levels are constant.
    (d) aggregate demand exceeds aggregate supply.

17. In relation to the aggregate demand/aggregate supply (AD/AS) model, which of the following will shift the AD curve to the left?

    An increase in

    (a) Australian exports to China.
    (b) the cash rate.
    (c) business confidence.
    (d) disposable income.

See next page

18. If the Australian Government's budget is currently in deficit, which of the following could increase this deficit?

    I.   an increase in government infrastructure spending
    II.   an increase in mining company profits
    III.   a decrease in taxation rates for middle-income earners
    IV.   a decrease in the unemployment rate

    (a)   I and II only.
    (b)   I, II and III.
    (c)   I and III only.
    (d)   II, III, and IV.

19. Fiscal policy has a long decision lag compared with monetary policy because

    (a)   economic indicators may be out of date when policy makers analyse data.
    (b)   government proposals must normally be agreed to by both Houses of Parliament.
    (c)   decisions impact household spending and business behaviour with a lag.
    (d)   budgetary decisions require approval from the Reserve Bank of Australia (RBA).

20. Assume the Australian economy is experiencing the following economic conditions:
    •   inflation = 2.0%
    •   economic growth = 1.5%
    •   unemployment = 6.5%.

On the basis of the data, the Reserve Bank of Australia (RBA) would **most** likely

    (a)   leave the cash rate unchanged as price stability is its main objective.
    (b)   increase the cash rate to reduce the level of aggregate demand.
    (c)   sell government bonds to the public to increase liquidity in the financial sector.
    (d)   reduce the cash rate to increase the level of aggregate demand.

21. A weakness of monetary policy compared with fiscal policy is that it

    (a)   tends to be relatively ineffective during a recession.
    (b)   has a long implementation lag.
    (c)   can have a powerful effect on the level of spending in the economy.
    (d)   is not effective in controlling high levels of inflation.

22. Which of the following causes of structural change can be attributed directly to government policy?

    (a)   changes in consumer preferences
    (b)   lower levels of tariff protection
    (c)   higher levels of GDP per capita
    (d)   changes in mining technology

23. Multifactor productivity **best** refers to the

    (a) increase in human capital from migration.
    (b) growth in output produced using a given amount of inputs.
    (c) improvements only in human resource practices.
    (d) increases in competition from the entry of new firms.

24. Which of the following outlines a difference between labour productivity and multifactor productivity?

    (a) Multifactor productivity is easier to measure than labour productivity.
    (b) New capital equipment will only increase multifactor productivity.
    (c) Labour productivity is more closely related to workers' wages than multifactor productivity.
    (d) Only multifactor productivity improves with technology.

End of Section One

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 edited extract below, which is from an article by James Fell and published on 15 February 2022.

Australia's Future Agricultural Trade Advantage

Australia's first Free Trade Agreement (FTA), with New Zealand, entered into force in 1983. Australia has since concluded 14 FTAs between 2003 and 2020. Three-quarters of Australia's agricultural trade in 2020–21 was destined for Australia's FTA partners.

In some agreements, the agreed outcomes are sufficient to allow Australian exports to maintain their competitiveness in the partner market. This is evident in the case of Australian cheese exports to Japan. The negotiated outcomes for cheese in the Japan-Australia Economic Partnership Agreement (JAEPA), which entered into force in 2015, did not result in an increase in cheese exports. Between 2016 and 2020, a number of international competitors also achieved market access wins in Japan. However, Australia's improved access to a larger quota with lower tariffs helped maintain the competitiveness of Australia's cheese exports to Japan.

Shifts in power will reshape relationships, as global competitors pursue their economic interests. This means that Australian exporters could face risks and uncertainty, highlighting the importance of cementing and enhancing the global rules-based trading system.

To this end, moves to shore up certainty and predictability in the global trading system are important. This includes not only maintenance of global trading norms, but reform of World Trade Organization (WTO) rules on trade and domestic support limiting or reducing the adverse effects of competitors' agricultural subsidies.

(a) (i) Identify a form of protection referred to in the article. (1 mark)

(ii) With reference to the article, identify the proportion of Australia's agricultural exports that were exported to its FTA partners in 2020–2021. (1 mark)

See next page

Question 25 (continued)

(b)   Describe **two** ways in which organisations such as the World Trade Organization (WTO) can influence world trade. (4 marks)

One: _____

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Two: _____

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(c)   Using an appropriate model, illustrate and explain the effects of a subsidy on domestic production, imports and market efficiency. (6 marks)

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Model

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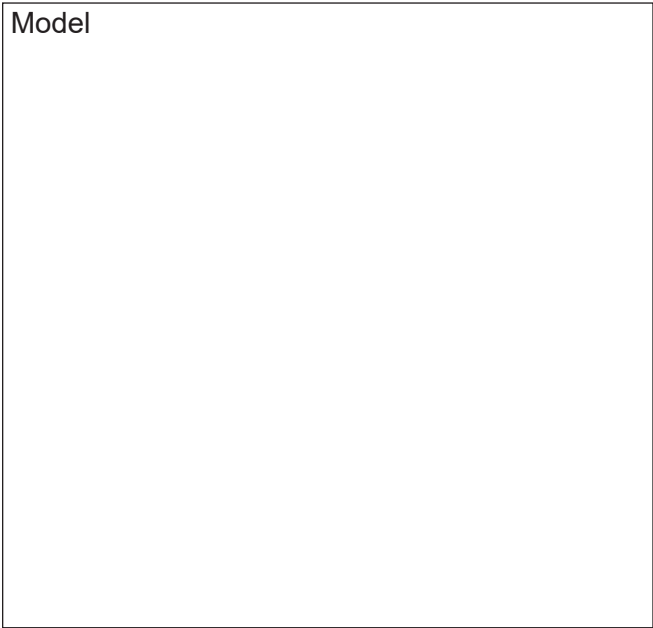
Question 26 (12 marks)

This question refers to the graph below which shows the exchange rate between the Australian dollar (AUD) and the United States dollar (USD).

AUD/USD exchange rate
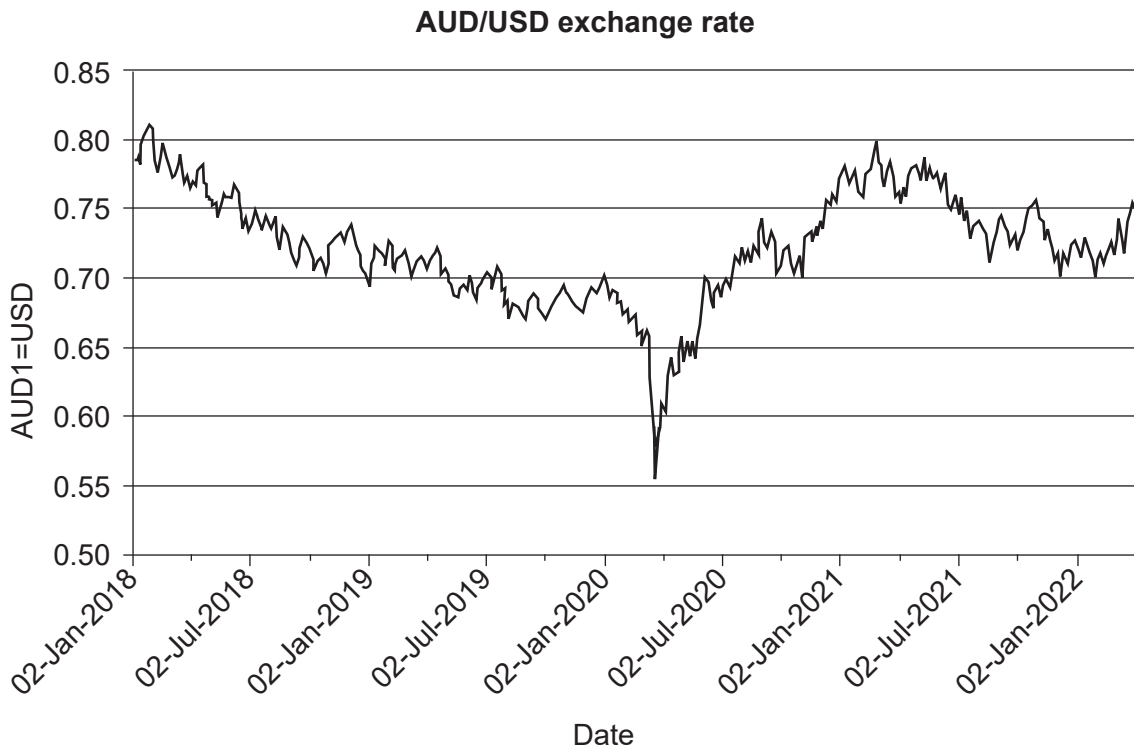
(a) (i) Identify how much the AUD depreciated from its peak in January 2018 to its lowest point in 2020. (1 mark)

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(ii) Calculate the approximate percentage change in the exchange rate from its lowest level in 2020 to its peak in 2021. (1 mark)

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(b) Outline **two** possible causes of the depreciation of the AUD in 2021. (4 marks)

One: _____

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Two: _____

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See next page

(c)   Using the aggregate demand/aggregate supply (AD/AS) model, explain how a depreciation of the AUD is likely to affect consumers **and** the business sector of the Australian economy.   (6 marks)

Model

Question 27 **(12 marks)**

The economic indicators in the table below refer to a hypothetical economy.

	2020	**2021**	**2022**
Change in real GDP	1.2%	1.4%	1.8%
Consumer price index	3%	4%	1.9%
Unemployment rate	7.5%	5.5%	5.1%
Balance on goods and services	$60bn	$80bn	$120bn
Net income balance	$20bn	–$25bn	–$30bn
Cash rate	0.5%	0.25%	0.25%

(a) (i) Identify the phase of the business cycle the economy experienced between 2020 and 2022. (1 mark)

_____

(ii) Calculate the current account balance for 2022. (1 mark)

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(b) Describe **two** possible causes of the phase of the business cycle identified in part (a)(i) above. (4 marks)

One: _____

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Two: _____

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Assume that the economic indicators for 2022 shown in the table on page 14 applied to the Australian economy.

(c) Using the aggregate expenditure (AE) model, demonstrate the likely stance the Reserve Bank of Australia would adopt in order to influence economic activity, and explain the impact of this stance. (6 marks)

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Model

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End of Section Two

See next page

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 17 to 21. When you have completed Part A: Unit 3, turn to page 22.

Suggested working time: 40 minutes.

☐ **Question 28** **(20 marks)**

(a) Explain the meaning of the 'terms of trade' and describe **four** factors that may influence Australia's terms of trade. (10 marks)

(b) Describe the contemporary trend in Australia's terms of trade and explain **four** impacts of this trend on the level of economic activity. (10 marks)

or

☐ **Question 29** **(20 marks)**

(a) Describe the concept of 'foreign liabilities' and explain the influence of foreign liabilities on Australia's current account. (8 marks)

(b) Discuss **three** ways in which foreign investment has affected the Australian economy in recent years. (12 marks)

Question number: _____

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 economic policy objectives of the Australian Government and describe the extent to which these may conflict with **or** complement each other. (10 marks)

(b) Outline the **two** methods used to measure productivity and, using an aggregate demand/aggregate supply (AD/AS) model, illustrate and explain the impact of productivity growth on the achievement of any **three** economic objectives. (10 marks)

or

☐ **Question 31** **(20 marks)**

(a) Explain the meaning of a 'budget deficit' and describe **three** methods the Australian Government can use to finance a budget deficit. (8 marks)

(b) Using the aggregate expenditure (AE) model, explain the short and long-term implications of the contemporary fiscal policy measures adopted by the Australian Government. (12 marks)

End of questions

Question number: _____

Supplementary page

Question number: _____

ECONOMICS

Supplementary page

Supplementary page

Question number: _____

Supplementary page

Question number: _____

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Supplementary page

Question number: _____

ACKNOWLEDGEMENTS