**EdWest**

 **Examination 2015**

**Question/Answer Booklet**

**ECONOMICS**

**ATAR YEAR 11**

Student Number: In figures:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
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 In Words: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**Time allowed for this paper**

Reading time before commencing work: ten minutes

Working time for paper: 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, pencils, eraser, correction fluid, ruler, highlighters

Special Items: non-programmable calculators satisfying the conditions set by the School Curriculum and Standards Council for this course.

**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 notes or other items of a non-personal nature in the examination room. 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 exam |
| 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**

1. The rules for the conduct of Western Australian external examinations are details in the Year 12 Information Handbook 2015. 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. If you make a mistake, place a cross through that square, do not erase or use correction fluid, and shade your new answer. 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 answers in this Question/Answer Booklet.

1. You must be careful to confine your responses to the specific questions asked and to follow any instructions that are specific to a particular question.
2. Spare pages are included at the end of this booklet. They can be used for planning your responses and/or as additional space if required to continue an answer.
* Planning: If you use the spare pages for planning, indicate this clearly at the top of the page.
* Continuing an answer If you need to use the pace to continue an answer, indicate in the original answer space where the answer is continued, i.e. give the page number. Fill in the number of the question(s) that you are continuing to answer at the top of the page.

**SECTION ONE—MULTIPLE-CHOICE**

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. If you make a mistake, place a cross through that square, do not erase or use correction fluid, and shade your new answer. Marks will not be deducted for incorrect answers. No marks will be given if more than one answer is completed for any question. Each question is worth **ONE** mark.

Suggested working time for this section is 30 minutes.

1. “The cash rate in Australia in June 2015 should be lowered” according to many economic commentators and journalists. Such a statement is therefore an example of:

(a) A normative statement.

(b) An opinion.

(c) A positive economic statement.

(d) A value judgement.

2. An increase in the cost of one or more of the factors of production would result in:

(a) A contraction in supply.

(b) An extension in supply.

(c) A decrease in supply.

(d) An increase in supply.

1. A good which has a negative income elasticity of demand is:

(a) Luxury.

(b) Inferior.

(c) Essential.

(d) Normal.

1. If the price of a good rises, and total sales revenue increases, then we can say that the:

(a) Price elasticity of demand is inelastic.

(b) Price elasticity of supply is elastic.

(c) Income elasticity of supply is inelastic.

(d) Cross elasticity of demand is elastic.

1. The demand and supply of Capital is part of the:

(a) Factor market.

(b) Product market.

(c) Supermarket.

(d) Secondary market.

6 Economic efficiency in a market occurs when:

(a) Producer surplus is less than consumer surplus.

(b) Total surplus is at a maximum.

(c) The deadweight loss is maximised.

(d) Consumer surplus is less than producer surplus.

7 The significant feature of the monopoly market form is that it:

(a) Produces goods that are highly priced only.

(b) Allows sellers and buyers to freely exit or enter the market.

(c) Is efficient because of the competitive pressure.

(d) Can limit either price or output of a particular product or service.

1. For the circular flow to be in equilibrium:
2. Savings, Taxation and Imports totals must equal Investment, Government Spending and Export receipts.
3. Exports must be equal to taxation.
4. Saving must be equal to imports.
5. Import expenditure must be equal to export receipts

9 If savings are less than investment, and assuming there is no government and no overseas sector, then:

(a) Overall production will fall.

(b) Income, output and expenditure will rise.

(c) Savings will automatically increase to match investment.

(d) There is a neutral effect on the circular flow.

1. If a music lover was willing to pay $350 to go to a concert, but was fortunate to be able to buy a ticket for $150, his consumer surplus would be:

(a) $150

(b) $200

(c) $250

(d) $500

11 Expenditure on consumer durable goods is likely to be lowest during which phase of the business cycle?

(a) Trough.

(b) Upswing.

(c) Boom.

(d) Downswing.

12 The area above the supply curve until you reach the equilibrium price is the:

(a) Total revenue

(b) Consumer surplus.

(c) Total benefits of production.

(d) Producer surplus.

1. Which one of the following is **not** a macroeconomic issue?
2. Firms increasing prices in a particular market.
3. The unemployment rate for the entire economy.
4. The impact of a falling exchange rate in Australia.
5. The economic growth levels across the entire economy.
6. Economic growth is best defined as an increase in the:

(a) Productive capacity of the economy to satisfy more wants.

(b) Exclusive usage of non-renewable resources in an economy.

(c) Taxation receipts collected by the government in an economy.

(d) Credit available to consumers in an economy.

15. A movement and redistribution of income away from the wealthiest 25 per cent of individuals toward the poorest 25 per cent of individuals in an economy will:

(a) Expand the Lorenz Curve outward.

(b) Shrink the Lorenz Curve inward.

(c) Cause a movement up along the Lorenz Curve.

(d) Cause in a movement down along the Lorenz Curve.

16. Real GDP per capita as a measure of economic welfare does not take into account:

(a) Increases in the rate of inflation.

(b) Increases in the country’s population.

(c) Changes in the output level of the economy.

(d) Changes in the redistribution of income in the economy.

17 According to the data in the table below, in which year was the annual inflation rate 4.5%?

|  |  |
| --- | --- |
| **Year** | **CPI** |
| 1 | 112 |
| 2 | 117 |
| 3 | 125 |
| 4 | 130 |

(a) Year 1.

(b) Year 2.

(c) Year 3.

(d) Year 4.

**Question 18** relates to the following data for a hypothetical country.

|  |  |  |
| --- | --- | --- |
| Year | 1 | 2 |
| Real GDP | 1 000 750 | 1 020 720 |

18. The economic growth from year 1 to year 2 was:

(a) 1.02%.

(b) 1.01%.

(c) 10.19%.

(d) 2.00%.

19. Which of the following continental regions is Australia’s most significant export market according to balance of trade figures?

(a) Africa.

(b) Asia.

(c) Europe.

(d) South America.

20 Demand inflation is:

(a) Associated with excessive supply cost increases.

(b) Associated with the downswing conditions on the business cycle.

(c) When the increased costs of production are passed onto consumers.

(d) When “too much money is chasing too few goods.”

21 If government expenditure is less than government revenue, then the budget is:

(a) Balanced.

(b) In deficit.

(c) In surplus.

(d) Not able to be determined from the information provided.

22. Which of the following statements is true of cyclical unemployment?

(a) It results from the introduction of technology leaving a task that is no longer required.

(b) It results from a downturn in economic activity.

(c) It results from a worker changing from one job to the other.

(d) It results from the youth not being able to find work.

23 Which of the following is an acceptable reason for the government’s role in a modified market economy?

(a) Provision of expensive luxury goods and services to members of the government.

(b) Ensure consumers and producers have a fair vote on pricing policy.

(c) To stop rises in the prices of all goods and services.

(d) To provide some merit goods at reduced prices in order to encourage fair use by consumers.

1. An example of a lagging economic indicator is the:
2. Inflation rate.
3. Predicted movements in the ASX 200.
4. Business confidence.
5. Commercial property sales.

**END OF SECTION ONE**

**SECTION TWO — DATA INTERPRETATION/SHORT ANSWER**

Marks available for this section: 36

This section has **three (3)** questions. Answer all questions. Write your answers in the space provided.

Spare pages are included at the end of this booklet. They can be used for planning your responses and/or as additional space if required to continue an answer.

* Planning: If you use the spare pages for planning, indicate this clearly at the top of the page.
* Continuing an answer: If you need to use the space to continue and answer, indicate in the original answer space where the answer is continued, i.e. give the page number. Fill in the number of the question(s) that you are continuing to answer at the top of the page.

Suggested working time for this section is 70 minutes.

**Question 25**

This question is based on the Labour Force and Employment data for Australia over the period 2010-2011 to 2013-14.

***[12 marks]***

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Unemployed Persons(000’s) | Labour Force(000’s) | Civil. Population aged 15 years and over(000’s) |
| 2009-2010 | 606.6 | 11822.7 | 18099.7 |
| 2010-2011 | 596.0 | 12022.4 | 18245.9 |
| 2011-2012 | 623.0 | 12161.1 | 18325.8 |
| 2012-2013 | 683.0 | 12212.2 | 18616.5 |
| 2013-2014 | 789.0 | 12328.1 | 19054.2 |

1. (i) What is the definition of unemployment?

*[1 mark]*

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1. Calculate participation rate in 2010-2011 and 2013-2014.

*[3 marks]*

*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

1. Account for and outline reasons why for the unemployment rates rose from 2012 to 2014.

*[4 marks]*

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1. What types of unemployment would have occurred in the economy from 2012 to 2014?

*[4 marks]*

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**Question 26**

The following schedule shows the quantity demanded at different price levels for a popular “energy drink” ***[11 marks]***

|  |  |  |  |
| --- | --- | --- | --- |
| **Price** | **Demand (Q)** | **Price Elasticity of Demand** | **Total Revenue** |
| $5.00 | 25 | - |  |
| $4.50 | 40 | 6 |  |
| $4.00 | 55 | (i) |  |
| $3.50 | 60 | (ii) |  |

1. Calculate using the “point method” formula for the price elasticity of demand, and complete the price elasticity of demand column at (i) and (ii).

*[3 marks]*

 *Show your workings in this space.*

1. Calculate the level of total revenue received by the firm at each price level and complete the “Total Revenue” column of the table above.

*[2 mark]*

 *Show your workings in this space:*

1. State the relationship between the price elasticity of demand and the changes in total revenue shown in the table. *[2 marks]*

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1. Outline the factors that determine the price elasticity of demand. *[4 marks]*

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**Question 27**

This question is based on the table below showing the Current Account balances over the past two years for a hypothetical economy ***[13 marks]***

|  |  |  |
| --- | --- | --- |
| **Current Account $’s B** | **Year to March 2014** | **Year to March 2013** |
| Exports | $3.60 B | $6.40 B |
| Imports | $4.10 B | $5.50 B |
| Net Goods Balance | -$0.50 B | -$0.90 B |
| Services Balance | (i) | -$2.70 B |
| Balance on Goods & Services | -$2.70 B | -$3.60 B |
| Net Income & Transfers | -$7.50 B | (ii) |
| Current Account Balance | (iii) | -$14.10 |

1. Calculate the missing figures in the table above, (i), (ii) and (iii).

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 *[3 marks]*

1. Choose (circle) the correct option to complete these sentences:

Shipping costs and insurance on products would be recorded as a *credit/ debit* in the *services/income* section of the current account, while sales of mobile phones from Japan into Australia, would be recorded as a *credit/debit* in the merchandise*/services*  section of the current account.

*[2 marks]*

1. Explain how the following series of economic events would impact on Australia’s current account balance:
2. An economic downturn occurs in the Australian economy.

*[4 marks]*

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1. The value of the Australian dollar (AUD) falls from $0.95 US to $0.78c US.

*[4 marks]*

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End of Section Two-Data Interpretation / Short Answer

**SECTION THREE - EXTENDED ANSWER QUESTIONS**

**Marks available for this section: 40**

This section contains **four (4)** questions. You must answer **two (2)** questions. Write your answers in the space provided and clearly number your answers.

Spare pages are included at the end of this booklet. They can be used for planning your responses and /or as additional space if required to continue an answer.

* Planning: if you use the extra pages for planning, indicate this clearly at the top of the page.
* Continuing an answer: If you need to use the space to continue an answer, indicate in the original answer space where the answer is continued, i.e. give the page number. Fill in the number of the question(s) that you are continuing to answer at the top of the page.

Suggested working time for this section is **80 minutes**.

**Question 28**

1. Explain how weakening economic growth in countries like China and Japan could impact on the business cycle in Australia

*[12 marks]*

1. How would the leading, lagging and coincidental economic indicators show that an economic downturn was likely in the near future?

*[8 marks]*

**Question 29**

1. Explain the meaning of the concept “interdependence of households and firms” in the complete five-sector circular flow of income and expenditure model. *[5 marks]*
2. Describe the leakages and injections that occur in the complete five-sector circular flow of income and expenditure model. *[8 marks]*
3. Outline the changes that would occur to the equilibrium in an economy if the level of injections was greater than the level of leakages.  *[7 marks]*

**Question 30**

1. Using examples to illustrate your answer outline and explain the types of unemployment evident in Australia.

*[10 marks}*

1. What actions can a Government put in place to minimise the effects of cyclical unemployment on the economy? Give reasons why a government would do this.

*[10 marks]*

**Question 31**

Distinguish between the non-price factors, and the price factors that affect the demand and supply of goods and services. Use an appropriate economic model to support your response. How do markets operate to resolve shortages and surpluses?

[20 marks]

**END OF QUESTIONS**

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