**EdWest**

**Examination 2015**

**MARKING GUIDE**

**ECONOMICS**

**ATAR YEAR 11**

**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 response | 4 | 2 | 80 | 40 | 40 | |
| Total | 100 |

**SECTION ONE—MULTIPLE-CHOICE**

Each question is worth **ONE** mark.

1. **A**
2. **C**
3. **B**
4. **A**
5. **A**
6. **B**
7. **D**
8. **A**
9. **B**
10. **B**
11. **A**
12. **D**
13. **A**
14. **A**
15. **B**
16. **D**
17. **B**
18. **D**
19. **B**
20. **D**
21. **C**
22. **B**
23. **D**
24. **A**

**END OF SECTION ONE**

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

Marks available for this section: 36 marks

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

**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]*

*Definition of unemployment:* Willing and able to work, but cannot find a job*.*

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

*[3 marks]*

Participation rate for 2010-2011 is: **12022.4/18245.9 x100= 63.2%**

Participation rate for 2013-2014 is: **12328.1/19054.2 x100= 64.7%**

**(1 mark for correct formula, 1 mark for each correct answer.)**

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

*[4 marks]*

The unemployment rate was 5.8% in 2011/12 and then started rising again.

This increased to 6.4% in 2013 - 2014. (**1 mark for this observation/calculation)**

Reward answers that explain:

* The initial Global Financial Crisis effects on the world economy. An end to the mining boom and a shift towards construction projects in Australia. A “softness” towards the commodities market in terms of exports for Australia.
* A downturn in production in many industries, especially mining in Australia. Our major trading partners of Japan and China are showing a downturn in business activity which
* Poor sales, a lack of business confidence which is prevalent in many industry sectors

**(3 marks for these or any other reasonable response)**

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

*[4 marks]*

* Mostly cyclical unemployment and this is reflected in the downturn in business activity as shown in the Real GDP falling over time. (Business cycle)

**(1 mark)**

* Some frictional unemployment as those working in industries (for example mining) lose employment and look elsewhere for work or attempt retraining.

**(1 mark)**

* Not much structural unemployment at this point in time, but his may change with the construction industry and the inevitable retraining in some sectors.

. **(1 mark)**

* Hard Core and seasonal unemployment levels generally will be stable and not significantly changing in the time period given

**(1 mark)**

**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 | - | **$125.00** |
| $4.50 | 40 | 6 | **$180.00** |
| $4.00 | 55 | (i) **3.4** | **$220.00** |
| $3.50 | 60 | (ii) **0.7** | **$210.00** |

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 mark for the correct formula and 1 mark each off correct answer. *55– 40)/40 ÷ (450-400)/450 = 3.4 Elastic***

***(60-55)/55 ÷ (400-350)/400 = 0.7 relatively elastic***

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:*

***TR = P x Q***  *(***1 mark for correct formula and 1 mark for all 4 calcs correct***.)*

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

*Rising total revenue corresponds with rising price elasticity of demand along with falling prices. (1 mark)*

*Falling total revenue corresponds with falling price elasticity of demand along with falling prices. (1 mark)*

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

Price elasticity of demand, is the extent that the demand for a good or service changes with a change in price. (1 mark)

Factors affecting price elasticity are:

* Necessity (e.g. milk, bread) relatively price inelastic as needed despite increase,
* Availability of substitute goods (e.g. cuts of meat) if a good can be replaced by a cheaper substitute, then price elasticity of demand is elastic.
* portion of income they consume (fridge vs matches) Even if price of matches changes by 100%, because they don’t take up a large part of disposable income
* Whether habit forming e.g. cigarettes. Because addictive, consumer will purchase regardless of price as have no choice in purchasing it.

*At least three of these must be described, with an example.*

**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).

*[3 marks]*

See the table above in **bold. (1 mark for each correct answer)**

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*/income* section of the current account.

**½ mark for each correct response**

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

*[4 marks]*

* This would result in a lower CAD due to less import as a result of lower spending by Australian consumers and producers.
* Anything that points to an increase of any other component of current account (i.e. services, or secondary income sections) from overseas.

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

*[4 marks]*

* Exports become cheaper, so more exports.
* Conversely Imports become more expensive.
* CAD could become lower as a result of this, depending on scale of consumer reduction in import expenditure.
* The actual result on how much change in imports and export.

**SECTION THREE - EXTENDED ANSWER QUESTIONS**

**Marks available for this section: 20**

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 45 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]*

|  |  |
| --- | --- |
| 28a | * Economic growth is defined and explained with an example provided.   **(2 marks)**   * Data and/or knowledge of a fall in business activity and therefore economic growth in countries such as China and Japan will impact on the Australian economy in a negative way as they are major trading partners for Australia   **(3 marks)**   * Must have the trade cycle/ business cycle model fully labelled   **(3 marks)** and explained **(4 marks)** with the phases of peak/boom, downswing/downturn, upswing/upturn and trough for full marks. Emphasis is on the **downswing** to reflect current 2015 business activity. |
| 28 b | * Definition of the three types of economic indicators with reference to time and availability of data collected and how this is use in analysis of the business cycle**.**   **(6 marks)**   * Explanation of an economic downturn in relation to a fall in business activity and shown as a downswing/downturn in the business cycle, due to our close connection with Japan and China as trading partners. Full reference to effects on Australian exports and imports for full marks.   **2 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]*

|  |  |
| --- | --- |
| **29 (a)** | * Define the concept of interdependence in the Australian economy at the Circular Flow of Income and expenditure level.   **(1 marks**   * Explanation and illustration (drawn model) of the income and expenditure expanded circular flow model   (**3 marks)**   * Explanation of the role of the consumer (households) and the producer (firm). Reward students who provide examples   **(1 mark)** |
| **29 (b)** | * Explanation of saving, taxation and Imports as leakages and the levels of these altering equilibrium in the circular flow model.   **(3 marks)**   * Explanation of investment, government spending and exports as leakages and the levels of these altering equilibrium in the circular flow model**.**   **(3 marks)**   * Concept of equilibrium levels achieved when leakages equal injections.   **(2 marks)** |
| **29(c)** | * Injections alter equilibrium and boost economic activity in the circular flow model if they are greater than leakages. **(3 marks)** * Output, expenditure and Income would increase and flow through the economy until a new equilibrium is attained.   **(4 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]*

|  |  |
| --- | --- |
| 30 a | * Unemployment is defined and explained with an example provided.   **(1 marks)**  Data and knowledge of   * cyclical, * frictional and * Structural unemployment as the main types of unemployment.   (**6 marks** – must include examples)   * Note Reward students will refer to Hard Core or permanently unemployed and seasonal unemployment, which exist, but generally do not change significantly each year as a percentage.   (1 mark)     * Definition of full employment as approximately 5% and close to zero cyclical components should be mentioned. As per textbook youth and hidden unemployment may be covered /explained**. (2 marks)** |
| 30 b | * Business cycle is mentioned, drawn and explained in terms of phases and with examples and data. A downturn phase shows this type of unemployment.   **(4marks)**   * Explanation of an economic downturn in relation to a fall in business activity. Governments try to minimise these effects through economic stabilisers such as unemployment benefits and training schemes for the unemployed. Reasons for government policy relate to their role in macroeconomic management and a concern for welfare**. (6 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]

|  |  |
| --- | --- |
| 31 | * Price effects on demand and supply.   (expansion for a price fall and contraction for a price rise)  Students to reference assumptions of the model ceteris paribus  **(4 marks)**   * Price changes demonstrated along with expansion and contraction and clearly labeled on a demand and supply graph. **(2 marks)** * Non-price factors, such as tastes, advertising in the case of demand and price of inputs or other goods resulting in shifts (increase and decease) of demand and supply curves respectively.   **(2 marks)**   * Explanation detailing differences * Definition of market equilibrium.   **(2marks)**   * Surplus and shortage conditions explained   **(2 marks)**   * Graphs used to demonstrate the conditions. Correctly labeled etc.   **(2 marks)**   * Outline of the price mechanism, in which prices will be adjusted up in the case of a shortage and lowered for a surplus to clear   **(4 marks)**   * Conclusion. **(2 marks)** |

**END OF MARKING GUIDE**