

**SEMESTER 1 EXAMINATION – 2023**

**QUESTION / ANSWER BOOKLET**

**ECONOMICS**

**Year 11**

Fix student label here



**TIME ALLOWED FOR THIS PAPER**

Reading time before commencing: Ten minutes

Working time for paper: Two and a half hours

**MATERIAL REQUIRED/RECOMMENDED FOR THIS PAPER**

TO BE PROVIDED BY THE SUPERVISOR

This Question/Answer booklet for Section One and Two

Separate Multiple Choice Answer sheet for Section One.

One standard 8 Page Answer booklets (green) for Section Three.

TO BE PROVIDED BY THE CANDIDATE

Standard items: Pens, pencils, eraser or correction fluid, ruler

Special items: A blue/black pen or 2B pencil for the separate Multiple Choice Answer Sheet and a non programmable calculator satisfying the conditions set by the Curriculum Council

**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. Please check carefully, and if you have any unauthorised material with you, hand it to the supervisor **BEFORE** reading any further.

**INSTRUCTIONS TO CANDIDATES**

**Structure of the Paper**



1. The rules for the conduct of WACE Examinations are detailed in the booklet *WACE Handbook*. Sitting this examination implies that you agree to abide by these rules.
2. 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.
3. Supplementary pages for the use of planning/continuing your answer to a question have been provided at the end of this Question/Answer booklet. If you use these pages to continue and answer, indicate at the original answer where the answer is continued i.e. give the page number.

At the end of the examination make sure that your **Name** is on your Examination paper, the separate Answer Booklets and your Multiple Choice Answer Sheet.

***See next page***

**Section 1: Multiple Choice (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

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1. Economics is primarily concerned with the question of how
2. unlimited human needs and wants can be satisfied through the use of limited resources.
3. unlimited factors of production can be best allocated for different uses.
4. limited government funds should be used to achieve specific political and social goals.
5. limited human needs and wants can be satisfied through the use of unlimited resources.
6. The “law of demand” refers to the fact that, when the price of a good rises, ceteris paribus,
7. the demand curve shifts rightward.
8. the demand curve shifts leftward.
9. there is a movement down along the demand curve to a larger quantity demanded.
10. there is a movement up along the demand curve to a smaller quantity demanded.
11. What could **not** cause a shift in an individual’s demand curve for good Z?
12. A change in advertising expenditure on Z
13. A change in the price of Z
14. A change in the individual’s income
15. A change in the individual’s tastes
16. Oil is a close substitute for coal. If the price of oil increases, then
17. the supply curve for coal will shift to the right.
18. the demand curve for coal will shift to the right.
19. the equilibrium price and quantity of coal will not change.
20. the quantity of coal demanded will decline.
21. If apple juice producers expect that the price of apple juice is going to increase next month, this would result in
22. an increase in the demand for apple juice today.
23. a decrease in the supply of apple juice today.
24. an increase in the supply of apple juice today.
25. the equilibrium quantity of apple juice will increase today.
26. In a competitive market, an increase in demand and an increase in supply will mean
27. the effect on price is indeterminate and the effect on quantity is a decrease.
28. the effect on price is indeterminate and the effect on quantity is an increase.
29. the effect on price is an increase and the effect on quantity is indeterminate.
30. the effect on price is a decrease and the effect on quantity is indeterminate.
31. Which of the following statements explains how a price change can remove a surplus in a market?
32. As the price increases, the quantity demanded contracts while the quantity supplied expands
33. As the price increases, the quantity demanded expands while the quantity supplied contracts.
34. As the price decreases, the quantity demanded contracts while the quantity supplied expands.
35. As the price decreases, the quantity demanded expands while the quantity supplied contracts.
36. The price elasticity of demand (Ed) for bottled water is 0.9. What will happen to the quantity demanded for bottled water if its price increases by 10%?
37. Increase by 0.9%
38. Increase by 9%
39. Decrease by 0.9%
40. Decrease by 9%
41. Suppose the price of a ticket to a Taylor Swift concert is $160 and at that price, the quantity of tickets demanded is 17,000. Using the midpoint method, if Taylor raises the price to $200 and the quantity demanded decreases to 16,000, the price elasticity of demand for her concert tickets is
42. 3.67
43. 0.72
44. 0.67
45. 0.27
46. If the aim of an indirect tax is to reduce consumption, which of the following elasticities of demand represents the situation in which the tax will be most effective?
47. Elastic
48. Inelastic
49. Perfectly inelastic
50. Unit elastic
51. If demand is relatively elastic and the supply curve shifts to the right then
52. price falls, quantity increases and total revenue rises.
53. price falls, quantity increases and total revenue falls.
54. price and quantity both fall and total revenue decreases.
55. price falls, quantity increase with total revenue unchanged.
56. Lithium is an essential metal for the production of electric cars. Following a 10% increase in the price of lithium, supplies increase by 15%. This led to a 5% increase in the price of electric cars. What is the price elasticity of supply for lithium?
57. 0.33
58. 0.66
59. 1.50
60. 2.00
61. A firm estimates that the price elasticity of supply of its product is 0.4. Should the firm be concerned by this figure?
62. No, as it implies that the firm will be able to raise revenue by raising price.
63. No, as it suggests there are few substitutes for the product.
64. Yes, as it means that demand for its product is increasing at a slow rate.
65. Yes, as it shows that the firm is not able to adjust supply easily when demand changes.
66. Which market is most likely to associated with market power?

|  |  |  |
| --- | --- | --- |
|  | Barriers to entry | Number of sellers |
| a) | High | Few |
| b) | High | Many |
| c) | Low | Few |
| d) | Low | Many |

1. The table below represents an individual’s demand for an ice cream.

|  |  |
| --- | --- |
| Price $ | Quantity demanded |
| 4.00 | 1 |
| 3.00 | 2 |
| 2.00 | 3 |
| 1.00 | 4 |

If the individual purchases two ice creams for $3.00 each, what is their consumer surplus?

1. $3.00
2. $1.00
3. $2.00
4. $4.00
5. Streaming video providers such as Netflix , Stan and Disney+ usually offer ‘free trial’ periods, after which users are charged a monthly subscription. This illustrates that
6. streaming video is a public good because it has free-access period
7. streaming video is a club good, because it is non-rival in consumption, but excludable
8. streaming video is a merit good, with monthly fees intended to limit free-riders
9. streaming video is rival in consumption, because at least three providers compete in this market
10. A fresh water lake has been polluted due to environmental mismanagement. This occurred because the lake was
11. rival and non-excludable.
12. rival and excludable.
13. non-rival and excludable.
14. non-rival and non-excludable.
15. Which one of the following distinguishes a public good from a private good
	1. only the government can produce public goods.
	2. Public goods are rival, private goods are non- rival in character
	3. Both public and private goods are rival but private goods are excludable
	4. Public goods are non-excludable, private goods are excludable
16. Consumers would prefer the government to place a tax on a good with
17. inelastic demand
18. elastic demand
19. unitary elastic demand
20. elastic supply
21. What would not be classified as an externality?
22. The building of a new housing estate increases traffic congestion.
23. The renovation of older houses increases the attractiveness of neighbouring houses.
24. A rise in smoking increases the number of working days lost due to poor health.
25. The entry of a new firm into an industry reduces the profits of existing firms.

***End of Section One***

***See next page***

**Section Two: Data interpretation/Short response (50 Marks)**

This section contains **FOUR (4)** 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.

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**Question 21 (10 marks)**

This question refers to the table below showing an economy’s production possibilities.

|  |  |  |
| --- | --- | --- |
|  | **Capital Goods** | **Consumer Goods** |
| **A** | 0 | 600 |
| **B** | 20 | 500 |
| **C** | 40 | 380 |
| **D** | 60 | 220 |
| **E** | 80 | 0 |

1. On the diagram below draw the economy’s Production Possibility Frontier (PPF) with capital goods on the vertical axis. (2 marks)
2. State the opportunity cost of moving from point D to point B. (1 mark)

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1. State the opportunity cost of increasing production of capital goods from 40 to 50 units (1 mark)

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1. Outline why this economy cannot produce 60 capital goods and 300 consumption goods

 (1 mark)

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1. Describe why the Production Possibility Frontier (PPF) has (3 marks)
2. a negative slope

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1. a bowed-out shape

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1. If this economy devoted more resources to the production of capital goods, outline the effect on its future economic growth. (2 marks)

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**Question 22 (15 marks)**

This question refers to the edited extract below, from an article by REIWA (Real Estate Institute of WA) on 1st March 2023

**More properties needed as rent prices soar to new record in WA**

As Perth's median rent rose by 15% since 2022, to a record $535 per week in February, REIWA CEO Cath Hart said WA needed 18,000 - 20,000 more rental properties to return to a **balanced market**

REIWA’s CEO, Cath Hart, said the rental market had become extraordinarily tight as tourism, overseas migration and foreign students add to the demand pressure.

On the supply side there has been a large decline in rental properties. According to rental data, in the past two years nearly 19,000 rental properties have been removed from the rental pool as investors exited the market to take advantage of the high selling prices, to use the properties for themselves or in response to rising interest rates. Adding to this is the slowdown in supply of new rental houses coming on to the market, due to rising costs of building materials and the difficulty to get trades.

“This reduction in supply of rental properties combined with a continually growing population is driving WA’s rental price hike’

**Source -** [**More properties needed as rents soar to new record (reiwa.com.au)**](https://reiwa.com.au/news/more-properties-needed-as-rents-soar-to-new-record/)

1. Explain what a ‘balanced market’ refers to ? (1 mark)

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1. Using the article, outline **one** demandfactor and **one** supplyfactor causing rental prices to rise in the Perth market. (2 marks)

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1. Use the demand/supply (D/S) model to demonstrate and explain how the **change in supply conditions** has caused prices to rise in the rental market. (4 marks)

Model

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1. To ease pressure in the rental market, the government is considering introducing a price ceiling. Use the demand/supply (D/S) model to demonstrate and explain the impact of a price ceiling on rent on consumers, producers (landlords) and market efficiency. (6 marks)

Model

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1. Outline **two** issues with the use of a government imposed price ceiling to ease prices in the rental market (2 marks)

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**Question 23 (12 marks)**

Australian Competition and Consumer Commission Chair Rod Sims sees the role of the ACCC in the community as being very effective as companies are aware that they may be investigated and prosecuted if they embark on any anti-competitive behaviour.

**“**The ACCC receives around 200,000 enquiries and complaints a year. We usually investigate over 500 matters, and we take about 30-40 cases to court each year. Many receive large fines and are instructed, by law to change their illegal and anti-competitive business practices.

Under the Competition and Consumer Act 2010, a business with a substantial degree of market power is prohibited from engaging in conduct that has the purpose, effect or likely effect of substantially lessening competition in a market. Where this takes place, it is called a ‘misuse of market power’.

It is not unlawful to have, or to seek to obtain, substantial market power. For example, a business may seek to grow its position in a market and win customers at the expense of its rivals by being more innovative and offering the better products or services. This is part of the competitive process. However, once a business has substantial market power the law places certain restrictions on the businesses’ actions to ensure this power is not misused.

1. Outline what ’misuse of market power’ refers to (1 mark)

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1. Outline **three** characteristics of a monopoly business structure that give it substantial market power (3 marks)

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1. Using examples, explain **two** types of anti-competitive behaviour that may be investigated by the ACCC. (4 marks)

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1. Use the demand/supply (D/S) model to show and explain how significant market power can result in market inefficiency. (4 marks)

Model

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**Question 24 (13 marks)**

This question refers to the following information:

**A Perth cement company found guilty of causing pollution**

*The government has welcomed a guilty verdict handed down to a local cement company for causing pollution and unreasonable odour, an issue that has plagued local residents for many years. The company was found guilty of six counts of breaching the Environmental Protection Act. Each of the charges the company faces carries a maximum fine of $125,000. But many residents believe that the government should set the penalties at a much higher level or even force the closure of the cement plant. It is a balancing act – weighing up the environmental cost against the benefits the cement company provides.*

1. State the type of market failure referred to in the extract? (1 mark)

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1. List **two** private costs associated with the cement company (1 mark)

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1. Describe **two** external costs associated with the cement company. (2 marks)

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***See next page***

1. Use the demand/supply (D/S) model to explain the impact of the market failure on the cement market. Identify the private cost, the external cost, the social cost and the deadweight loss (DWL) on your model. (6 marks)

Model

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1. Explain how the use of a tax would correct the market failure associated with the Cement company (3 marks)

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**Section Three: Extended response (15 Marks)**

Section Three consists of **two**questions – answer **ONE** question.

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

Indicate the question you will answer by ticking the box next to the question.

Complete this extended answer response in the green writing booklet provided. Write the question number on the front of the booklet.

Suggested working time: 30 minutes.

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 **Question 25 (15 marks)**

1. Explain the meaning of price elasticity of demand and, using diagrams, distinguish between price elastic and price inelastic demand. (5 marks)
2. Discuss **three** factors that would cause the demand for a good to be relatively price elastic.

(6 marks)

1. Using an example, explain how a firm can use price discrimination to increase their revenue. (4 marks)

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**OR**

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 **Question 26** **(15 marks)**

1. State **three** characteristics of a market economy. (3 marks)
2. Using the concepts of producer and consumer surplus and a demand/supply (D/S) model, show and explain why markets are most efficient at equilibrium (6 marks)
3. Using a demand/supply (D/S) model, explain how a subsidy imposed by the government will affect consumers, producers and market efficiency (6 marks)

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***End of questions***

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