

**YEAR 11 ATAR Course Examination**

**Question/Answer Booklet**

**ECONOMICS Unit 1**

**Semester 1 2020**

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**Student number:**

**Time allowed for this paper**

Reading time before commencing work: ten minutes

Working time for paper: two hours

**Materials required/recommended for this paper**

***To be provided by the supervisor***

This Question/Answer Booklet

Multiple-choice Answer Sheet

One separate booklet for your extended answer

***To be provided by the candidate***

Standard items: pens (blue/black preferred), pencils (including coloured), sharpener,

correction fluid/tape, eraser, ruler, highlighters

Special items: non-programmable calculators approved for use in the WACE examinations

**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 |
| Section One  Multiple-choice | 18 | 18 | 25 | 18 |
| Section Two  Data interpretation / Short answer | 2 | 2 | 50 | 24 |
| Section Three  Extended answer | 2 | 1 | 45 | 20 |
|  |  |  | **Total:** | 62 |

**Instructions to candidates**

1. Answer the questions according to the following instructions.

**Section One:** Answer all questions on the separate Multiple-choice answer sheet provided. For each question, either place a cross over the correct answer or shade in the correct answer. Use only a blue or black pen. If you make a mistake, place a cross through that square, then select 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:** Write your answers in this Question/Answer Booklet.

**Section Three:** Write your answer in the ***separate booklet***.

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 an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

***See next page***

**Section 1: Multiple-choice (18 Marks)**

This section has **18** questions. Answer **all** questions on the separate Multiple-choice answer sheet provided. For each question, either place a cross over the correct answer or shade in the correct answer. Use only a blue or black pen to shade the boxes. If you make a mistake, place a cross through that square, then select 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: 25 minutes

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1. An economic good is
2. One which has an opportunity cost.
3. Also defined as a factor of production.
4. One which increases economic efficiency.
5. The opposite of a public good.
6. A market economic system
7. Usually responds to changes in demand and supply.
8. Keeps prices stable.
9. Ensures enough goods for all.
10. Ensures equality of income distribution.
11. The diagram below depicts two production possibility curves YX and YZ.



The shift of the curve from YX to YZ could have been caused by:

1. More resources being allocated to the production of computers.
2. Labour shortages in the textile industry.
3. Shifts in the pattern of demand as between computers and textiles.
4. Improved technology in the computer industry.
5. Which of the following statements about opportunity cost is TRUE?
6. Opportunity cost is equal to implicit costs plus explicit costs.
7. Opportunity cost only measures direct monetary costs.
8. Opportunity cost accounts for alternative uses of resources such as time and money.
9. I
10. III only
11. I and III only
12. I, II and III
13. Which of the following is a reason for a downward sloping demand curve?
14. As price falls, a person switches away from rival products towards the product.
15. As price falls, a person’s willingness and ability to buy the product will decline.
16. As price rises, a person becomes less sensitive to price changes.
17. As price rises, a person’s opportunity cost of purchasing the product falls.
18. The effect of a rise in the price of coffee on the market for tea will be to
19. Shift the demand curve left and decrease the equilibrium price.
20. Shift the demand curve right and increase the equilibrium price.
21. Shift the supply curve left and increase the equilibrium price.
22. Shift the supply curve right and decrease the equilibrium price.
23. The diagram below shows the market for fresh fish



The shift of the supply curve from S to S1 is most likely to have resulted from

1. An increase in wages in the fishing industry
2. Improved technology in the fishing industry
3. An increased preference for fish by consumers
4. A fall in consumer incomes
5. The diagram below indicates the demand for and supply of beef.



Given the point X is the initial equilibrium position, what would be the new equilibrium position following a health scare concerning the safety of beef consumption and a subsequent government policy of slaughtering cattle?

1. Point S
2. Point T
3. Point U
4. Point V
5. In which situation is the demand for a product said to be price elastic?
6. A fall in price increases quantity demanded.
7. A fall in price increases consumer expenditure on the product.
8. A rise in price increases consumer expenditure on the product.
9. A rise in price reduces quantity demanded.
10. The table shows the demand for chocolates at two different prices. What is the price elasticity of demand when the price falls from $5.00 to $4.50?

|  |  |
| --- | --- |
| Price | Quantity demanded |
| $5.00 | 400 |
| $4.50 | 480 |

1. 0.5
2. 0.67
3. 1.5
4. 2
5. A product has a price elasticity of supply of 2.0. A change in price causes the quantity supplied to change from 100 units to 120 units. What is the percentage change in price?
6. A fall of 10%
7. A fall of 40%
8. A rise of 10%
9. A rise of 40%
10. What causes an inelastic market supply curve for an agricultural crop such as wheat?
11. A government decision to import crops at times of shortage.
12. An efficient use of fertilisers causing crop production to rise.
13. The storage of excess production for future sale.
14. The very long time required to produce additional output.
15. The cross elasticity of demand of good A with respect to good B is positive. The cross elasticity of demand for good B with respect to C is negative. The income elasticity of demand of all three goods is positive. It therefore follows that
16. A and B are substitutes
17. B and C are complements
18. A, B and C are normal goods
19. I only
20. I and II only
21. II and III only
22. I, II and III
23. Which of the following is an example of market failure?
24. Atmospheric pollution in cities due to emissions from cars.
25. Free entry for children to an art gallery.
26. The requirement of payment for entry to gyms.
27. The inability of some football supporters to afford tickets to watch games.
28. Cigarette smoking generates negative consumption externalities. This means that
29. The private benefit from smoking includes the consumption externalities.
30. There is underconsumption of smoking.
31. The social benefit from smoking is less than the private benefit.
32. The social optimum level of smoking is zero.
33. A government intends to introduce a minimum price for rice, a maximum price for heating oil and a tax on chewing gum. Who, in each market, is meant to benefit from these policies?

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| --- | --- | --- | --- |
|  | Market for rice | Market for heating oil | Market for chewing gum |
| (a) | consumers | government | producers |
| (b) | government | producers | government |
| (c) | producers | producers | consumers |
| (d) | producers | consumers | government |

1. In a market economy, a private producer is unlikely to provide street lighting because
2. There would be little demand for street lighting.
3. It would be too costly to produce such a service.
4. Not all consumers could afford to pay for such a service.
5. It would be difficult to exclude non-payers from enjoying the benefits of the service.
6. Which of the following is a characteristic of a merit good?
7. It is always provided free to consumers.
8. It could be provided by the free market, but not in sufficient quantities.
9. It tends to generate negative externalities, so governments restrict its consumption.
10. Once the good has been supplied to one consumer, there is no additional cost in supplying it to others.

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***End of Section One***

***See next page***

**Section Two: Data interpretation/Short answer (24 Marks)**

This section contains **two (2)** questions. Answer **all** questions. Write your answers in the

spaces provided.

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 an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

Suggested working time: 50 minutes.

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**Question 19 (12 marks)**

Figures from the Australian Institute of Petroleum, quoted by CommSec, show the national average price of unleaded petrol last week fell to 98.3 cents per litre. Metropolitan prices fell to an average of 94.9 cents, while regional prices dropped to 105.1 cents a litre. Wholesale fuel prices have been dropping even more, into the low-80s - the lowest levels in around two decades.

That means the retail petrol margin — the difference between what the retailer pays for fuel and the pump price the motorist pays — is now at a record high of 24.6 cents according to CommSec.

For many years, Geoff Trotter has run petrol-price-monitoring company FuelTrac and he feels Australian motorists are being uniquely gouged by the big fuel companies.

However, while many motorists may view the record retail profit margins as straight out price gouging, service station owners say they are simply trying to stay afloat during the COVID-19 disruption.

Adapted from: https://www.abc.net.au/news/2020-05-05/fuel-prices-vary-dramatically-but-not-all-price-gouging/12212838

*n.b. Price gouging refers to the act of setting a price for a product that is higher than what is considered fair.*

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| (a) | State the retail petrol margin as described in the excerpt. | ( 1 mark ) |
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| (b) | State and explain the price elasticity of demand of petrol. | ( 3 marks ) |
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| (c) | Explain the relationship between price elasticity of demand and total revenue. | ( 3 marks ) |
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| (d) | Demonstrate and explain the impact of price-gouging in the petrol market on equity and efficiency. | | ( 5 marks ) |
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**Question 20 (12 marks)**

**London’s financial lifeline for Transport System**

The U.K. government is providing Transport for London, or TfL, the organization that oversees London’s transit system, with a £1 billion grant aimed at helping commuters travel safely. The grant agreed by the government will allow public transport in London to increase services and allow passengers to practice social distancing. But ministers have stressed the importance of avoiding crowding on public transport once the lockdown is eased on Wednesday.

Independent watchdog Transport Focus is calling for reassurances for passengers as three in five (62%) say they wouldn’t feel comfortable using public transport unless social distancing is in place.

Adapated from: https://www.theguardian.com/uk-news/2020/may/14/london-faces-bus-and-train-cuts-without-urgent-funding

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| (a) | State the amount of the grant that will be provided by the UK government for public transport in London. | ( 1 mark ) |
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| (b) | Explain how the COVID-19 crisis has affected the market for public transport. | ( 1 mark ) |
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| (c) | Demonstrate and explain how market failure arises within the public transport market. | | ( 4 marks ) |
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| (d) | Using examples, explain how the government may intervene in a market that is experiencing market failure. | ( 6 marks ) |
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***End of Section Two***

***See next page***

**Section Three: Extended answer (20 Marks)**

This section contains **two (2)** questions. Answer **one (1)** question. Write the answers in the **separate extended answer booklet provided** and number your answer clearly.

Suggested working time: 45 minutes.

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**Question 21** **(20 marks)**

1. Define the law of demand and explain the factors affecting demand. (10 marks)
2. Explain and demonstrate the impact of a tax on cigarettes and luxury goods. (10 marks)

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**Question 22** **(20 marks)**

1. Define the law of supply and explain the factors affecting supply. (10 marks)
2. Explain and demonstrate the impact of taxes and subsidies on equity and efficiency.

(10 marks)

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***End of questions***

**Supplementary writing pages**

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