**YEAR 11 Semester 2 Examination MARKING GUIDE**

**Section 1: Multi-choice (Total marks: 24)**

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

**Section 2: Data interpretation/Short Answer (Total marks: 36)**

**Question 25**

|  |  |  |
| --- | --- | --- |
|  | Description | Marks |
| (a) | Definition – Demand refers to the quantity that consumers are willing and able to purchase at each price point | 1 |
|  |  |  |
| (b) | More than 20% \*Need to be precise | 1 |
|  |  |  |
| (c) | State PED - ElasticExplain elasticity of orange juice with reference to appropriate factors, e.g.:* Many close substitutes
* Narrow definition
* Not addictive

Can also award for defining PED | 11-3 |
|  |  |  |
| (d) | Diagram – accurately drawn and labelled* Elastic D curve

Explanation:* Increase in demand due to health concerns
* Decrease in supply due to transport restrictions
* Price will increase
* Change in quantity is uncertain
 | 1-21-4 |

**Question 26**

|  |  |  |
| --- | --- | --- |
|  | Description | Marks |
| (a) | Decreased from 3.3% to -6.3%Need to have data figures and % sign | 1 |
|  |  |  |
| (b) | Trough/Recession/Downswing | 1 |
|  |  |  |
| (c) | Any valid response., e.g.* Overseas economic growth
* Domestic economic growth
* Government policies like FTAs or tariffs

Need minimum of 2 factors | 1-4 |
|  |  |  |
| (d) | Identify and define cost-push inflationIdentify and define demand-pull inflationGive examples to demonstrate demand-pull and cost-push inflation.* At least one example should be given for each type
 | 1-6 |

**Question 27**

|  |  |  |
| --- | --- | --- |
|  | Description | Marks |
| (a) | Around 30% | 1 |
|  |  |  |
| (b) | State top trading partners: China, US, Japan etc.Description:* Export of commodities
* Import of manufactured products
 | 1-2 |
|  |  |  |
| (c) | State that CA and KFA balance to zero, i.e. if there is a CAD, there will be a KFASExplanation – any valid points, e.g.:* Double-entry system
* Floating exchange rate, which means that demand of AUD has to equal supply of AUD
 | 1-4 |
|  |  |  |
| (d) | Define financial accountDescribe components of financial account:* Direct investment
* Portfolio investment
* Other investment
* Reserve assets
 | 1-5 |

**Section 3: Extended Answer responses (Total marks: 40)**

**Question 28** **(20 marks)**

1. Using examples, explain cross price elasticity of demand and income elasticity of demand. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Define cross price elasticityFormulaDescribe positive cross-price elasticity* Substitutes

Describe negative cross-price elasticity* Complements
 | 1111 |
| Define income elasticity of demandFormulaDescribe positive income elasticity* Normal goods
* Necessities
* Luxury goods

Describe negative income elasticity* Inferior goods
 | 111-31 |

1. Using demand and supply analysis, explain the impact of an increase in the price of tea on the market for both coffee and sugar. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| **Impact on coffee market:** Identify that coffee and tea are substitutesDiagram (correctly labelled and showing the shift)State and explain the impact* Rightward shift of demand curve
* Quantity demanded for coffee will increase
* Price of coffee will increase
 | 1-5 |
| **Impact on sugar market:** Identify that sugar and tea are complementsDiagram (correctly labelled and showing the shift)State and explain the impact* Leftward shift of demand curve
* Quantity demanded for sugar will decrease
* Price of sugar will decrease
 | 1-5 |

**Question 29** **(20 marks)**

1. Demonstrate and explain how positive and negative externalities can lead to market failure. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Define market failure (Link inefficiency with market failure) | 1 |
| Definition of externalities | 1 |
| **Explanation of positive externalities*** Definition

Diagram(s) correctly drawn and labelledExplanation of how market failure is created* Reference to social cost/benefit and private cost/benefit
* Underproduction/underconsumption
* Creation of deadweight loss
 | 1-5 |
| **Explanation of negative externalities*** Definition

Diagram(s) correctly drawn and labelledExplanation of how market failure is created* Reference to social cost/benefit and private cost/benefit
* Overproduction/overconsumption
* Creation of deadweight loss
 | 1-5 |

1. Using examples, discuss the market failure associated with common property resources and the government policy options to correct it. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Definition of common property resources with examplesExplanation of how market failure is created* Rival and non-excludable
* Overconsumption

Must mention ‘tragedy of the commons’ | 1-5 |
| Description of government policy options – Any valid discussion, e.g.* Fishing licenses
* Size restrictions
* Restricted fishing zones
* Carbon licensing
 | 1-5 |

Comments:

**Question 30** **(20 marks)**

1. Describe how the unemployment rate is calculated and explain the limitations of the official unemployment rate. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Description of unemployment and the unemployment rateShould include the following:* Definition of labour force
* Definition of unemployed and employed
* Formula for unemployment rate
 | 1-5 |
| Description of the limitations – Any valid discussion, e.g.:* Excludes those who are underemployed
* Only uses 1 hour a week of work as the minimum requirement
* Unemployment is lagging
 | 1-6 |

Comments:

1. Explain the costs and benefits of economic growth. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Define economic growth | 1 |
| Description of the costs and benefitsBenefits include:* Higher standards of living
* More goods and services being produced
* Higher income levels
* Lower unemployment

Costs include:* Demand-pull inflation
* Structural unemployment
* Social dislocation
* Increasing income inequality

Award any valid discussion. Must have at least one benefit and one cost. | 1-9 |

Comments:

**Question 31** **(20 marks)**

1. Using examples, distinguish between proportional, regressive and progressive types of taxation. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Define taxation | 1 |
| Explain proportional taxation* Define and describe: Where the tax rate remains the same as income increases
* Describe example: Company tax
 | 1-3 |
| Explain regressive taxation* Define and describe: Where the tax rate decreases as income increases
* Describe example: GST
 | 1-3 |
| Explain progressive taxation* Define and describe: Where the tax rate increases as income increases
* Describe example: Income tax
 | 1-3 |

1. Using examples, explain how direct and indirect taxes measure against the criteria of equity, efficiency and simplicity. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Description and explanation of a direct taxUse of relevant example, e.g. Income taxEvaluation against criteria* Equity
* Efficiency
* Simplicity

Award any valid discussion | 1-5 |
| Description and explanation of an indirect taxUse of relevant example, e.g. GSTEvaluation against criteria* Equity
* Efficiency
* Simplicity

Award any valid discussion | 1-5 |

Comments: