**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 - Elastic  Explain elasticity of orange juice with reference to appropriate factors, e.g.:   * Many close substitutes * Narrow definition * Not addictive   Can also award for defining PED | 1  1-3 |
|  |  |  |
| (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 | 1-2  1-4 |

**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 inflation  Identify and define demand-pull inflation  Give 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 KFAS  Explanation – 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 account  Describe 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)

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| --- | --- |
| Description | Marks |
| Define cross price elasticity  Formula  Describe positive cross-price elasticity   * Substitutes   Describe negative cross-price elasticity   * Complements | 1  1  1  1 |
| Define income elasticity of demand  Formula  Describe positive income elasticity   * Normal goods * Necessities * Luxury goods   Describe negative income elasticity   * Inferior goods | 1  1  1-3  1 |

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 substitutes  Diagram (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 complements  Diagram (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 labelled  Explanation 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 labelled  Explanation 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 examples  Explanation 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)

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| --- | --- |
| Description | Marks |
| Description of unemployment and the unemployment rate  Should 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 benefits  Benefits 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 tax  Use of relevant example, e.g. Income tax  Evaluation against criteria   * Equity * Efficiency * Simplicity   Award any valid discussion | 1-5 |
| Description and explanation of an indirect tax  Use of relevant example, e.g. GST  Evaluation against criteria   * Equity * Efficiency * Simplicity   Award any valid discussion | 1-5 |

Comments: