**YEAR 12 ASSESSMENT 3 – Extended answer marking key**

**Question 1**

**Part a**

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| --- | --- |
| **Description** | **Marks allocated** |
| Definition of TWI   * Index composed of top trading partners * Weighted according to value of trade | 1  1 |
| Explanation of 3 factors (2m per factor, but diagram required for full marks)  e.g.   * Interest rate differential * Economic growth of trading partners * Commodity prices/Terms of trade * Any other valid factor   Diagram is drawn  Referencing diagram in model in discussion of every factor | 1 - 4  1  1 |

**Part b**

|  |  |
| --- | --- |
| **Description** | **Marks allocated** |
| Impact on sectors   * Services: Exports becomes more competitive, import-competing sector also grows as more people stay in Australia rather than travelling * Manufacturing: Export sector becomes more competitive, revenue increases * Mining: No real affect as demand and supply inelastic * Rural: Demand elastic but supply inelastic. Increased competitiveness due to depreciation of AUD leads to increase in demand. However as supply is inelastic, prices will go up, limited change in quantities, leading to increase in revenue | 1 – 2  1 – 2  1  1 – 2 |
| Macroeconomy:   * Inflation: Demand-pull due to increased national income from increased export revenue and decreased import spending (decreased net exports). Cost-push due to increased price of factors of production. * Unemployment: Increased employment in services and manufacturing sector 🡪 Decreased unemployment rate * Economic growth: Increased economic growth due to increased production and output in services and manufacturing sectors | 1 – 2  1 – 2  1 – 2 |

**Question 2**

**Part a**

|  |  |
| --- | --- |
| **Description** | **Marks allocated** |
| Definition of Exchange rate | 1 |
| Identify that the change is a depreciation | 1 |
| Explanation of 3 factors (2m per factor, but diagram required for full marks)  e.g.   * Interest rate differential * Economic growth of trading partners * Commodity prices/Terms of trade * Any other valid factor   Diagram is drawn  Referencing diagram in model in discussion of every factor | 1 - 4  1  1 |

**Part b**

|  |  |
| --- | --- |
| **Description** | **Marks allocated** |
| Definition of Balance of Payments | 1 |
| Identifying that there are 2 accounts | 1 |
| Impact on Current account:   * Exports become cheaper, imports become more expensive 🡪 Increased export revenue, decreased import spending 🡪 Trade balance increases 🡪 Improvement in CAD * Debt servicing costs increase 🡪 Income outflows increase 🡪 Net Income deteriorates 🡪 Worsens the CAD * AUD value of foreign income increases 🡪 Net income improves 🡪Improves the CAD | 1 – 4  1 – 2  1 – 2 |
| Impact on Financial account   * Cost of investing in Australia decreases 🡪 Increases financial inflow 🡪 Financial account surplus increases 🡪 CAD increases | 1 – 2 |