![Economics Teachers' Association of Western Australia logo]

YEAR 12 ATAR Course Examination
Question/Answer Booklet

ECONOMICS Unit 3   Semester 1, 2023

Student Name: _____

Student number: ☐☐ ☐☐☐ ☐☐☐

Time allowed for this paper

Reading time before commencing work: ten minutes
Working time for paper: three hours

Materials required/recommended for this paper

To be provided by the supervisor

This Question/Answer Booklet
Multiple-choice answer sheet

To be provided by the candidate

Standard items: pens (blue/black preferred), pencils (including coloured), sharpener, correction fluid/tape, eraser, ruler, highlighters

Special items: up to three calculators, which do not have the capacity to create or store programmes or text, are permitted in this ATAR course examination.

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	Percentage of examination
Section One Multiple-choice	24	24	30	24	24
Section Two Data interpretation/ Short answer	3	3	70	36	36
Section Three Extended answer	3	2	80	40	40
				Total	100

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, 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.

Section Two: Answer all questions. Write your answers in this Question/Answer booklet preferably using a blue/black pen. Do not use erasable or gel pens.

Section Three: Answer two of the three questions. Write your answers in this Question/Answer booklet preferably using a blue/black pen. Do not use erasable or gel pens.

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 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.

Section 1: Multiple Choice 24% (24 Marks)

This section has **24** 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. The three largest global exporters are

    (a)   China, United States, Japan
    (b)   China, United States, Germany
    (c)   United States, China, India
    (d)   United States, China, United Kingdom

2. As a proportion of total world trade, manufactured goods account for approximately

    (a)   25 per cent
    (b)   40 per cent
    (c)   55 per cent
    (d)   70 per cent

3. Which of the following will **not** contribute to the process of globalisation?

    (a)   Increase in international migration
    (b)   Increase in international financial flows
    (c)   Trade policies which are less protectionist
    (d)   Decrease in significance of multinational corporations

4. Which one of the following is **not** a likely effect of trade liberalisation?

    (a)   A decrease in structural unemployment in the short term
    (b)   An incentive for domestic firms to achieve greater efficiency
    (c)   Long-term improvement in material living standards
    (d)   A reduction in costs for firms that use imports in the production process

5. When are countries most likely to specialise and trade with each other?

    (a)   When the cost of transport between them is high
    (b)   When there are large differences in their resource allocations
    (c)   When they have access to the same technology
    (d)   When they have high tariffs and other protective measures

6. Two countries, X and Y, produce cars and cameras. The table shows how many hours it takes them to produce one unit of each.

Country	Cars	Cameras
X	10	2
Y	20	12

What will be the result if country Y doubles its productivity in the output of cameras and both countries produce only one good according to comparative advantage?

(a) Country X will continue to produce cameras.
(b) Country Y will produce cameras instead of cars.
(c) World camera production will rise.
(d) World car production will fall.

7. Which of the following is an economic argument against protection?

(a) There is an increased risk of dumping of foreign products.
(b) Infant industries are shielded from foreign competition.
(c) Unemployment increases in the short term.
(d) Resources are misallocated.

8. Restricting imports

(a) can protect Australian jobs in the protected industry, which increases economic welfare of the country as a whole.
(b) can protect Australian final goods and services in the protected industry and makes consumers better off.
(c) can protect Australian final goods and services in the protected industry and increase economic welfare of the country as a whole.
(d) can protect Australian jobs in the protected industry but will also lead to reductions in Australian output and income.

9. In 2022, Australia's largest export category was

(a) Rural
(b) Minerals/metal ores
(c) Energy
(d) Services

10. Australia's most important export partner is _____ while Australia's most important import partner is _____ .

(a) China; United States
(b) China; China
(c) China; Japan
(d) United States; China

See next page

11. Trade in services is a component of the current account of the balance of payments. What is an example of a trade in services?

    (a) Development aid for foreign countries
    (b) Export revenue from primary commodities
    (c) Income from foreign tourists
    (d) Income from overseas investments

12. Which of the following is recorded as a debit item in the current account of the Australian Balance of Payments?

    (a) Australian financial aid to developing countries
    (b) The purchase by Australians of equities in an overseas company
    (c) Dividend payments from an overseas company to Australian shareholders
    (d) The purchase of equities in an Australian company by an overseas company

13. Which of the following is most likely to cause a decrease in Australia's current account balance?

    (a) A decrease in national savings
    (b) A decrease in Australian overseas aid
    (c) An increase in commodity prices
    (d) An increase in the number of overseas students studying in Australia

14. What is an accurate statement about possible causes **or** consequences of a decrease in a country's terms of trade?

    (a) It will result from an increase in consumers' incomes in its major trading partners.
    (b) It will result from a fall in the demand for its exports.
    (c) It will result in a decrease in interest rates by its major trading partners.
    (d) It will result in an improvement in its balance of trade.

15. A weak global economy and strong domestic spending have combined to produce a significant fall in the trade balance. Based on this information, we would expect that the Australian dollar would

    (a) appreciate as a result of the strong domestic spending leading to an increase in aggregate demand.
    (b) depreciate since currency speculators would have bought the Australian dollar while it was relatively cheap.
    (c) appreciate as the Reserve Bank of Australia would tighten monetary policy in order to reduce the size of the trade deficit.
    (d) depreciate since increased import spending and decreased spending on Australian exports would decrease the demand for Australian currency.

See next page

16. The most likely effect of a fall in commodity prices would be

    (a) a favourable movement in Australia's terms of trade and a depreciation of the Australian dollar.
    (b) an unfavourable movement in Australia's terms of trade and a depreciation of the Australian dollar.
    (c) a favourable movement in Australia's terms of trade and an appreciation of the Australian dollar.
    (d) an unfavourable movement in Australia's terms of trade and an appreciation of the Australian dollar.

17. The table shows components of the Balance of Payments for a hypothetical economy.

Balance of payments components	$ billion
Balance on goods and services	10
Net primary income	-20
Net secondary income	-5
Balance on capital account	1
Balance on financial account	?

    What is the balance on the Financial Account?

    (a) A deficit of $14 billion
    (b) A deficit of $16 billion
    (c) A surplus of $14 billion
    (d) A surplus of $16 billion

18. If the value of the Australian dollar appreciated over a 12-month period, which of the following might result from this movement?

    (a) An increase in direct foreign investment
    (b) An increase in the price of imported component parts
    (c) A decrease in Australian living standards
    (d) A decrease in the demand for Australian exports

19. The table shows the exchange rate of the Australian dollar ($A) expressed as units of foreign currency per $A.

Year	Euro per $A1	$US per $A1	Yen per $A1
1	0.55	0.75	94
2	0.58	0.71	98

    If these were the only currencies in Australia's trade weighted index (TWI) then between year 1 and year 2

    (a) Australia's TWI would remain constant given the USD is the more dominant currency.
    (b) Australia's TWI would decrease.
    (c) Australia's TWI would increase.
    (d) There is insufficient data to determine the effect on the TWI.

See next page

20. Consider a change in the exchange rate from US$1 = A$1.30 to US$1 = A$1.40. The most likely cause of this change is

    (a) a reduction in interest rates in Australia.
    (b) higher inflation in the United States than in Australia.
    (c) a rise in commodity prices.
    (d) strong productivity growth in Australia.

21. If Australia records a financial account deficit, then

    (a) Australia's foreign assets will decrease.
    (b) Australia's foreign liabilities will increase.
    (c) Australia's trade balance will decrease.
    (d) Australia's net foreign liabilities will decrease.

22. Which of the following statements regarding Australia's net foreign liabilities is correct?

    (a) Foreign equity is preferred to foreign debt because it is more flexible.
    (b) Australia's net foreign liabilities as a percent of GDP have decreased.
    (c) Foreign debt does not require an income payment.
    (d) Most of Australia's net foreign liabilities are in the form of net foreign equity.

23. Which of the following is likely to increase the level of Australia's foreign debt?

    (a) An increase in the government's budget balance
    (b) An increase in the domestic savings rate
    (c) An increase in the domestic investment rate
    (d) An increase in the financial account deficit

24. The most important source of foreign direct investment into Australia is

    (a) United States
    (b) China
    (c) Japan
    (d) United Kingdom

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End of Section One

See next page

YEAR 12 ATAR ECONOMICS

SECTION 1: Multiple Choice Answer Sheet

Student Name: _____

Student number:

SECTION 1: MULTIPLE CHOICE

(Either place a cross over the correct answer or shade in the correct answer)

1	A	B	C	D
2	A	B	C	D
3	A	B	C	D
4	A	B	C	D
5	A	B	C	D
6	A	B	C	D
7	A	B	C	D
8	A	B	C	D
9	A	B	C	D
10	A	B	C	D
11	A	B	C	D
12	A	B	C	D

13	A	B	C	D
14	A	B	C	D
15	A	B	C	D
16	A	B	C	D
17	A	B	C	D
18	A	B	C	D
19	A	B	C	D
20	A	B	C	D
21	A	B	C	D
22	A	B	C	D
23	A	B	C	D
24	A	B	C	D

Section Two: Data interpretation/Short response 36% (36 Marks)

This section contains **three (3)** 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: 70 minutes.

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Question 25 (12 marks)

This question refers to the following edited extract DFAT.

The *Australia-India Economic Cooperation and Trade Agreement (ECTA)*

This trade agreement will deliver new market access opportunities for Australian businesses and consumers from 29 December 2022. India has a population of over 1.4 billion people and is one of the world's fastest growing major economies. India has now overtaken the United States to become Australia's fourth-largest export market.

ECTA is a ground-breaking agreement that brings Australia and India's economies closer together. From 29 December, tariffs on 85 per cent of Australia's exports to India will be eliminated. The agreement will create enormous trade diversification opportunities for Australian producers and service providers. In addition, 96 per cent of imports from India will now be tariff free, rising to 100 per cent in four years. ECTA will save Australian exporters around $2 billion a year in tariffs, while consumers and business will save around $500 million in tariffs on imports of finished goods, and inputs to our manufacturing sector.

(a)   After China, identify Australia's 2nd and 3rd largest export partners.   (2 marks)

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(b)   Outline **three** benefits to Australia of a trade agreement with India.   (3 marks)

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See next page

(c) The diagram below shows the effect of a tariff placed on electronic goods imported from India. Refer to the graph to answer the following questions.
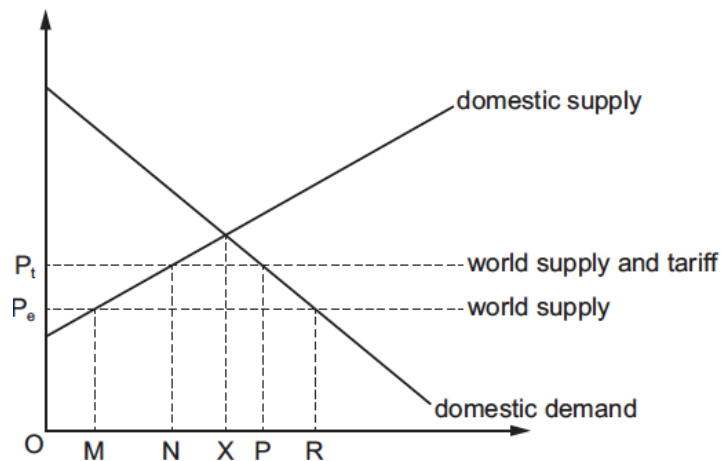

i. Refer to the model to identify the effect on domestic consumption, domestic production and imports of removing the tariff. (3 marks)

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ii. Illustrate and explain the effect of removing the tariff on economic efficiency – refer to the changes in both consumer and producer surplus. (4 marks)

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See next page

Question 26 (12 marks)

This question refers to the graph below showing Australia's current account balance.

Source: ABS
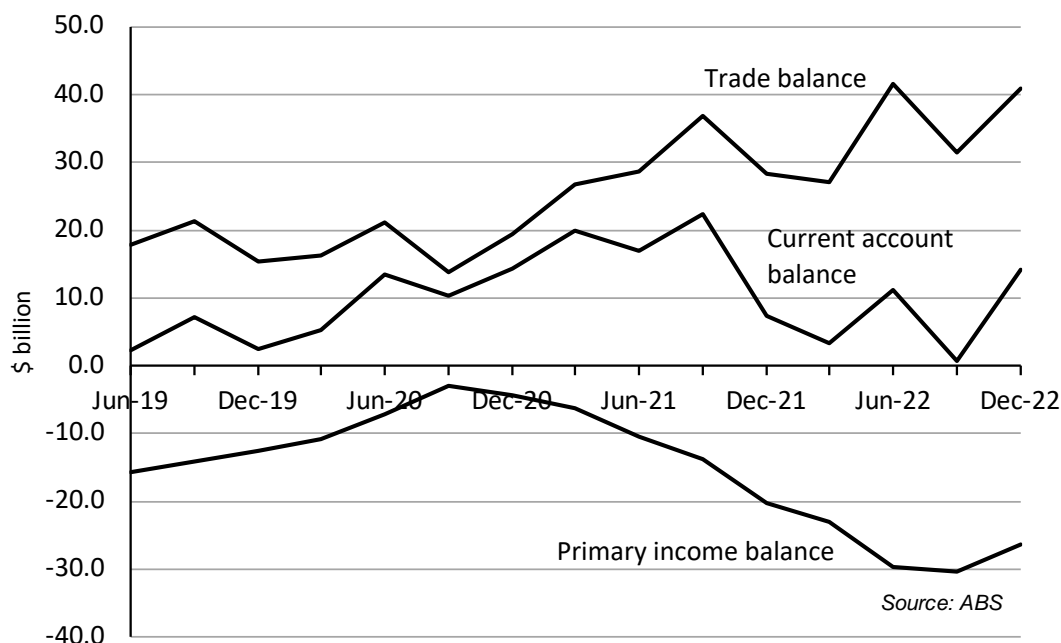
Australia's current account surplus increased by $13.4 billion to $14.1 billion (seasonally adjusted, current prices) in the December quarter 2022. Australia's net foreign equity increased $6.7 billion to an asset position of $306.1 billion. Australia's net foreign debt increased by $3.6 billion to a liability position of $1,162.8 billion.

(a) i   Identify the quarter Australia record a trade deficit. (1 mark)

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(a) ii   Calculate the value of Australia's net foreign liabilities in Dec 2022: (1 mark)

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(b)   Identify the trend in the trade balance between Dec 2020 and Dec 2022 and
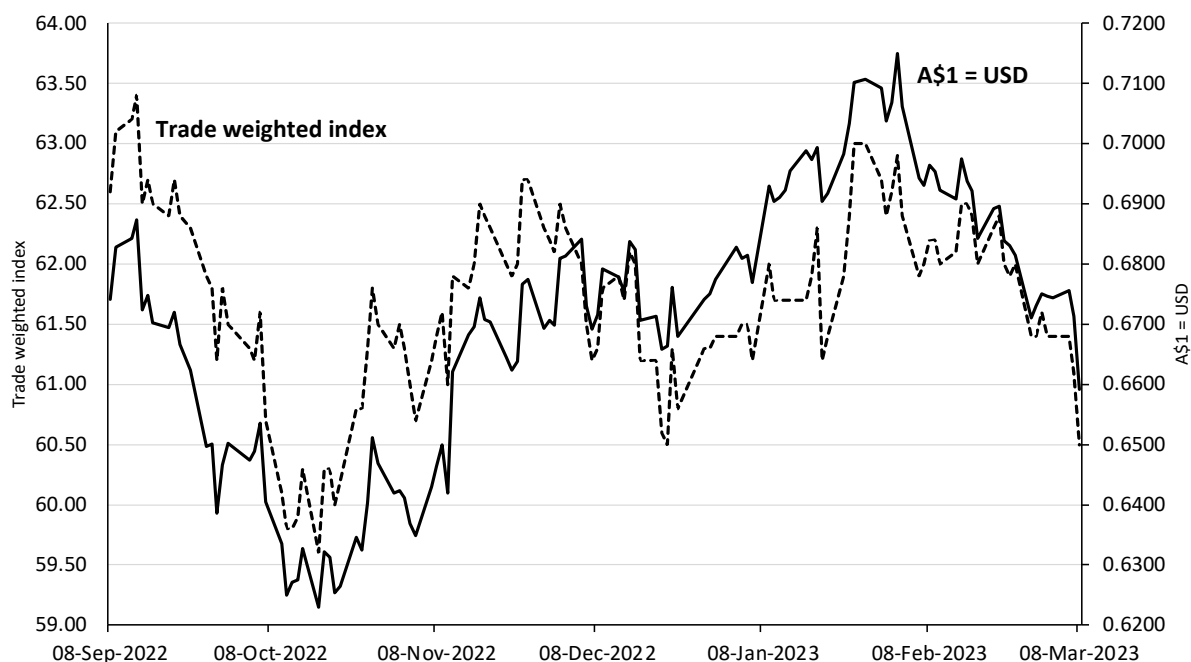   explain **two** reasons for this trend. (5 marks)

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(c)   Explain how a decrease in Australia's net foreign liabilities could impact the current account balance. (5 marks)

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See next page

Question 27 (12 marks)

This question refers to the graph below showing Australia's exchange rate.

(a)   Determine the lowest value and the highest value of the AUD/USD exchange rate:

i.   Lowest value   _____   (1 mark)

ii.   Highest value   _____   (1 mark)

iii.   Calculate the percentage change in the AUD/USD between these values: (1 mark)

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iv.   Identify a reason for the change in the AUD/USD between Oct 2022 and Feb 2023.
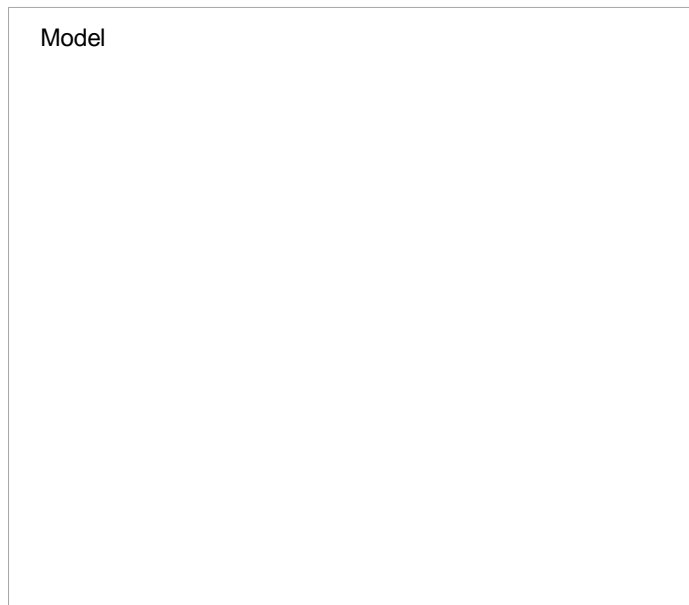
(1 mark)

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(b)   Identify the time period on the graph when the Australian TWI decreased but the AUD appreciated against the USD. Explain how this could happen.   (3 marks)

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(c)   The AUD depreciated during February-March 2023 despite high commodity prices. Using demand and supply model, illustrate and explain what might have caused this movement in the value of the Australian dollar.

(5 marks)

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	Model
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End of Section Two

Section Three: Extended response 40% (40 Marks)

This section contains **three (3)** questions. Answer **two (2)** questions. Write your answers in the lined pages provided and number your answers clearly.

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: 80 minutes.

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Question 28 (20 marks)

(a) Explain the concept of globalisation and discuss the role of the World Trade Organisation (WTO) in facilitating globalisation. (8 marks)

(b) Discuss **three** negative and **three** positive effects of globalisation. (12 marks)

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Question 29 (20 marks)

(a) Explain the concept of the terms of trade and how each of the following events would affect Australia's terms of trade:

- An increase in global oil prices

- A global recession

- A global drought (12 marks)

(b) Discuss **two** positive and **two** negative effects of a rise in Australia's terms of trade.

(8 marks)

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Question 30 (20 marks)

(a) Explain why Australia has a net foreign liability position and distinguish between the two main types of foreign liability. (8 marks)

(b) Discuss the effects of foreign direct investment into Australia on each of the following:

- Australia's macroeconomy

- The balance of payments

(12 marks)

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End of Questions

Question number: _____

Question number: _____

Question number: _____

Question number: _____

Question number: _____

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Supplementary page

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