



Economics Teachers' Association of Western Australia

YEAR 11 ATAR Course Examination Question/Answer Booklet

ECONOMICS Unit 1 2023

Student Name: _____

Student number:

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Time allowed for this paper

Reading time before commencing work: ten minutes
Working time for paper: two hours 30 minutes

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 exam
Section One: Multiple-choice	20	20	30	20	24
Section Two: Data interpretation/ Short response	4	4	90	50	59
Section Three: Extended response	2	1	30	15	17
Total					100

Instructions to candidates

1. Answer the questions according to the following instructions.

Section One: Answer all **20** 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 FOUR** 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 **ONE** of the two 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.

See next page

Section 1: Multiple Choice**(20 Marks)**

This section has **20** 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

1. Economics is primarily concerned with the question of how
 - (a) unlimited human needs and wants can be satisfied through the use of limited resources.
 - (b) unlimited factors of production can be best allocated for different uses.
 - (c) limited government funds should be used to achieve specific political and social goals.
 - (d) limited human needs and wants can be satisfied through the use of unlimited resources.

2. A builder works 40 hours per week for \$2000. She is given a choice to work 50 hours a week for an extra \$750. What would be the opportunity cost to the builder of working the extra hours?
 - (a) The ability to increase her purchasing power
 - (b) The increased hourly earnings of \$75
 - (c) The ten hours of leisure time
 - (d) The additional time travelling to and from work

3. Of the three major economic questions, which of the following is the best example of a "What" question?
 - (a) Should automobiles be produced using workers or robots?
 - (b) Should higher-income or lower-income people buy SUVs?
 - (c) Should migrant workers or domestic workers be used to pick grapes?
 - (d) Should we make faster microprocessors or pest-resistant wheat?

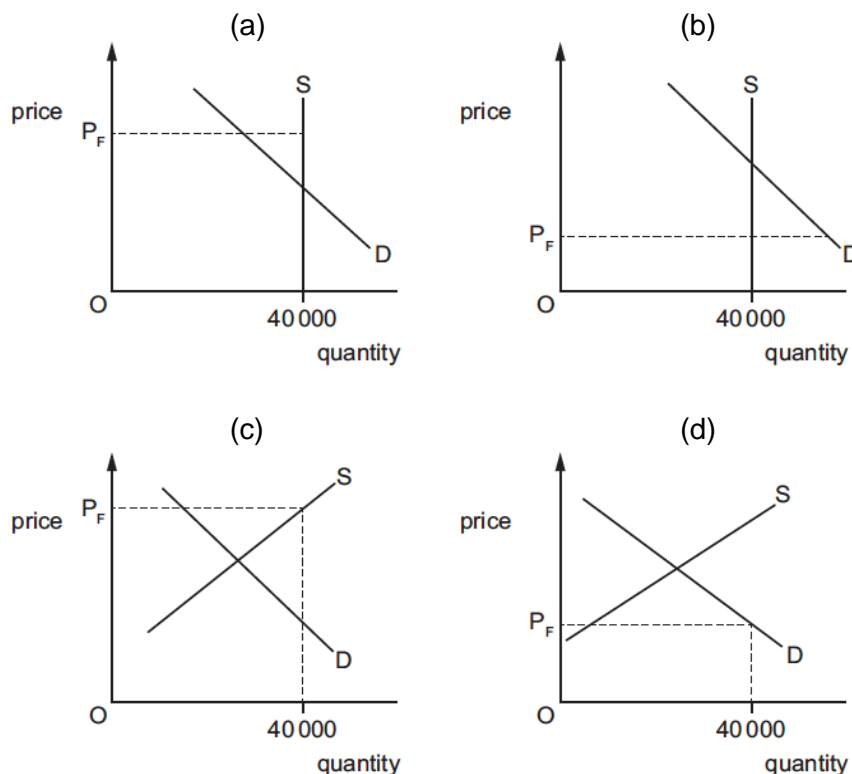
4. Mothers Against Dangerous Drivers (MADD) campaigned to increase the legal penalties of dangerous driving. This successful campaign _____ of dangerous driving.
 - (a) increased the marginal benefit
 - (b) decreased the marginal benefit
 - (c) increased the marginal cost
 - (d) decreased the marginal cost

See next page

5. The “law of demand” refers to the fact that, when the price of a good rises, *ceteris paribus*,
- (a) the demand curve shifts rightward.
 - (b) the demand curve shifts leftward.
 - (c) there is a movement down along the demand curve to a larger quantity demanded.
 - (d) there is a movement up along the demand curve to a smaller quantity demanded.
6. What could not cause a shift in an individual’s demand curve for good Z?
- (a) A change in advertising expenditure on Z
 - (b) A change in the price of Z
 - (c) A change in the individual’s income
 - (d) A change in the individual’s tastes
7. Oil is a close substitute for coal. If the price of oil increases, then
- (a) the supply curve for coal will shift to the right.
 - (b) the demand curve for coal will shift to the right.
 - (c) the equilibrium price and quantity of coal will not change.
 - (d) the quantity of coal demanded will decline.
8. The table shows a competitive market in equilibrium in two periods. What could explain the change from period 1 to period 2?
- | <i>Period</i> | <i>Market price \$</i> | <i>Quantity traded</i> |
|---------------|------------------------|------------------------|
| 1 | 25 | 10,000 |
| 2 | 28 | 12,000 |
- (a) An increase in the price of a complement
 - (b) The imposition of a minimum price by the government
 - (c) An increase in the price of a substitute
 - (d) The imposition of an indirect tax on suppliers
9. The market for a product is initially in equilibrium. Which combination of changes will cause the price of the product to rise and the quantity sold to fall?
- (a) A decrease in demand that is smaller than a decrease in supply
 - (b) A decrease in demand that is larger than a decrease in supply
 - (c) An increase in demand that is larger than an increase in supply
 - (d) An increase in demand that is smaller than an increase in supply
10. The price elasticity of demand (PED) for bottled water is 0.9. What will happen to the quantity demanded for bottled water if its price increases by 10%?
- (a) Increase by 0.9%
 - (b) Increase by 9%
 - (c) Decrease by 0.9%
 - (d) Decrease by 9%

See next page

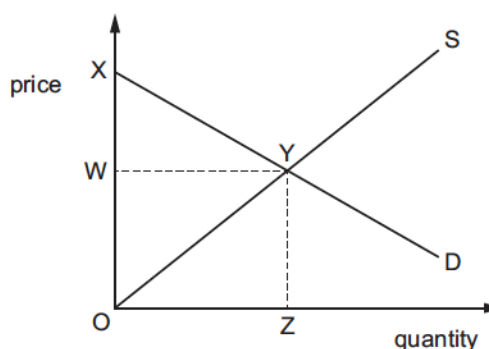
11. An Ed Sheeran concert is held in a stadium which has a fixed capacity of 40 000 people. The price for a seat is set at P_F , but when the tickets go on sale all tickets are sold very quickly with many disappointed people unable to buy a ticket. Which diagram best represents this?



12. The demand for the Alpha smart phone is likely to become more price elastic when
- several competitors introduce products that have similar features to the Alpha phone.
 - consumers begin to see the Alpha smart phone as a necessity, not a luxury.
 - the cost of producing the Alpha smart phone falls.
 - Alpha launches a successful advertising campaign.
13. A firm estimates that the price elasticity of supply of its product is 0.4. Should the firm be concerned by this figure?
- No, as it implies that the firm will be able to raise revenue by raising price.
 - No, as it suggests there are few substitutes for the product.
 - Yes, as it means that demand for its product is increasing at a slow rate.
 - Yes, as it shows that the firm is not able to adjust supply easily when demand changes.
14. Consumer surplus exists in the market for rice. What does this mean?
- Consumers benefit from rice production more than producers.
 - Consumer demand for rice exceeds supply.
 - Some consumers would be willing to pay more than the market price.
 - The production of rice exceeds the supply.

See next page

15. The diagram shows the demand curve and supply curve for a product. Which area represents producer surplus?



- (a) OWYZ minus OWY
 (b) OWYZ minus OYZ
 (c) OXYZ minus OYZ
 (d) OXYZ minus WXY
16. A government is considering building a high-speed rail link. Why would it not proceed with the project?
- (a) The external cost is greater than the external benefit.
 (b) The private cost is greater than the private benefit.
 (c) The social benefit is greater than the social cost.
 (d) The social cost is greater than the social benefit.
17. Which market is most likely to associated with market power?

	Barriers to entry	Number of sellers
(a)	High	Few
(b)	High	Many
(c)	Low	Few
(d)	Low	Many

18. What is an economic reason why hospitals are often built and funded by the government?
- (a) Hospitals are a public good.
 (b) Hospitals are very expensive to build and operate.
 (c) Hospital treatments may benefit many apart from those who use them.
 (d) Hospitals cannot use price to allocate demand.
19. Consumers would prefer the government to place a tax on a good with
- (a) inelastic demand
 (b) elastic demand
 (c) unitary elastic demand
 (d) elastic supply
20. A government decides to privatise a state-owned monopoly. What should the government do to try to ensure that this will result in an improvement in efficiency?
- (a) Encourage competition
 (b) Allowing customers to purchase shares in the company
 (c) Impose a maximum profit margin
 (d) Increase business tax rates

YEAR 11 ATAR ECONOMICS**SECTION 1: Multiple Choice Answer Sheet****Student Name:** _____**Student number:**

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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

See next page

Section Two: Data interpretation/Short response**(50 Marks)**

This section contains **FOUR (4)** 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.

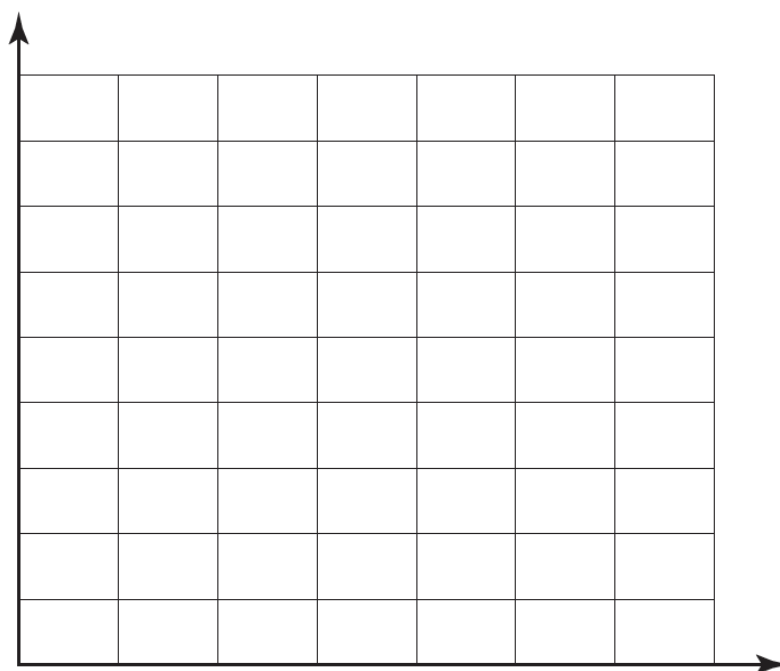
Suggested working time: 90 minutes.

Question 21**(12 marks)**

This question refers to the table below showing an economy's production possibilities.

	Capital Goods	Consumer Goods
A	0	600
B	20	500
C	40	380
D	60	220
E	80	0

- (a) i On the diagram below draw the economy's Production Possibility Frontier (PPF) with capital goods on the vertical axis.

**(2 marks)**

- ii. Calculate the opportunity cost of moving from point B to point C. **(1 mark)**

- iii. Calculate the opportunity cost of moving from point D to point B. **(1 mark)**

See next page

- iv. If the economy was producing 20 capital goods and 400 consumer goods, state the opportunity cost of increasing the production of consumer goods? (1 mark)

- (b) Describe why the Production Possibility Frontier (PPF) has

- (i) a negative slope: _____

- (ii) a 'bowed out' shape: _____

(4 marks)

- (c) If this economy devoted more resources to the production of capital goods, explain the effect on its future economic growth. (3 marks)

See next page

Question 22**(13 marks)**

This question refers to the following information.

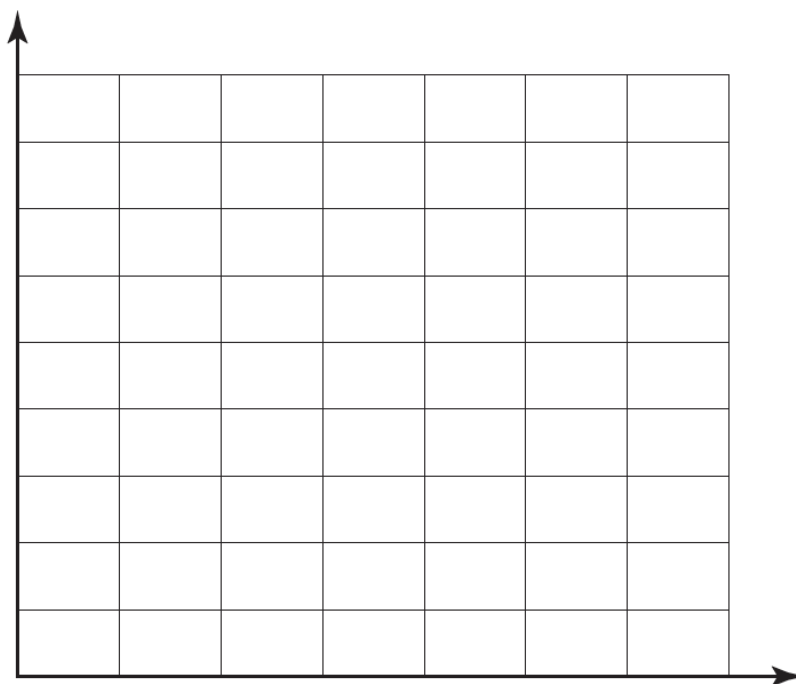
Steven is the owner of a small shoe business called Steven's Stylish Shoes.

Steven's weekly supply of shoes is detailed as follows:

- when the price of shoes is \$240 per pair, Steven will produce 100 pairs
- if the price was \$320 per pair, he would increase his production to 140 pairs
- when the price is \$160 per pair, he will produce only 60 pairs
- when the price is \$80 per pair, he will produce only 20 pairs and he will not produce any pairs when the price is less than \$80.

(a) i. On the graph below, draw Steven's supply curve for shoes.

(2 marks)



ii. Describe why Steven's supply curve has a positive slope.

(2 marks)

See next page

- iii. Assume the equilibrium price is \$200. Calculate Steven's expected total revenue. (1 mark)

- (b) Explain **two** factors that would cause an increase in Steven's supply of shoes. (4 marks)

Factor 1: _____

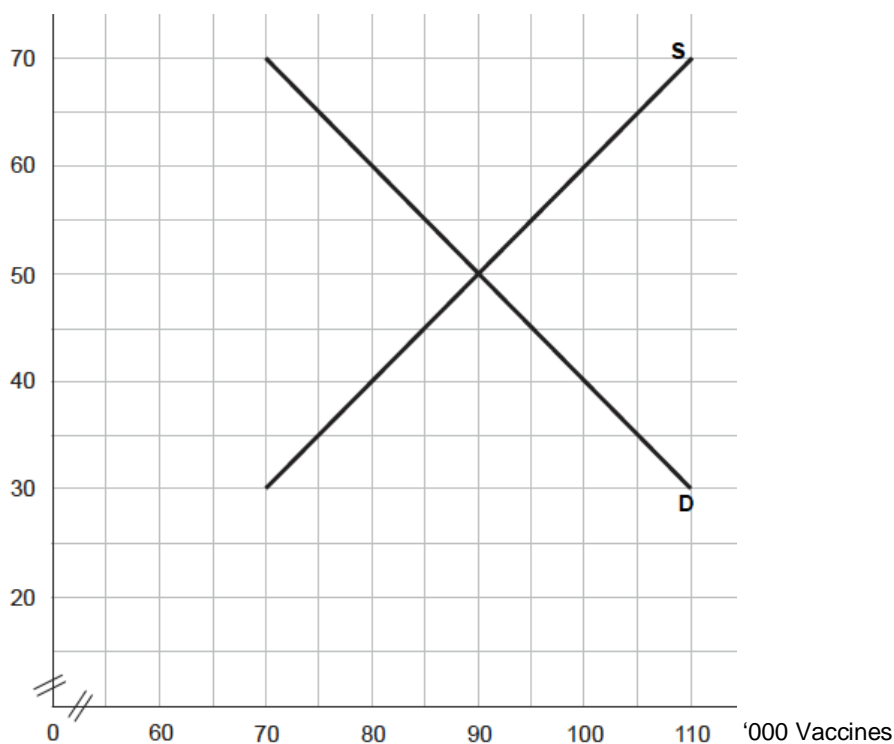
Factor 2: _____

- (c) Calculate the price elasticity of supply if the price increases by 20 per cent from the initial equilibrium price of \$200 and explain why supply is either elastic or inelastic. (4 marks)

See next page

Question 23**(13 marks)**

The Health Department is worried about a new flu virus this winter and wants to encourage people to obtain the flu vaccine. Two policies it could use are include either a subsidy or a price ceiling. The graph below shows the market for flu vaccines. The government pays suppliers a \$20 subsidy per vaccine.



- (a) Use the graph to illustrate and describe the effect of the subsidy on both price and quantity. (3 marks)

- (b) Calculate the cost of the subsidy to the government. (2 marks)

See next page

(c) Explain the effect of the subsidy on both consumer and producer surplus.

(4 marks)

(d) The government is considering a price ceiling of \$40 instead of the subsidy. Describe the effect of the price ceiling on the quantity of vaccines consumed and explain which policy would be more efficient.

(4 marks)

See next page

Question 24**(12 marks)**

This question refers to the following information.

A Perth cement company found guilty of causing pollution

The government has welcomed a guilty verdict handed down to a local cement company for causing pollution and unreasonable odour, an issue that has plagued residents for many years. The company was found guilty of six counts of breaching the *Environmental Protection Act*. Each of the charges the company faces carries a maximum fine of \$125,000. But many residents believe that the government should set the penalties at a much higher level or even force the closure of the cement plant. It is a balancing act – weighing up the environmental cost against the benefits the cement company provides.

- (a) State the type of market failure referred to in the extract? (1 mark)

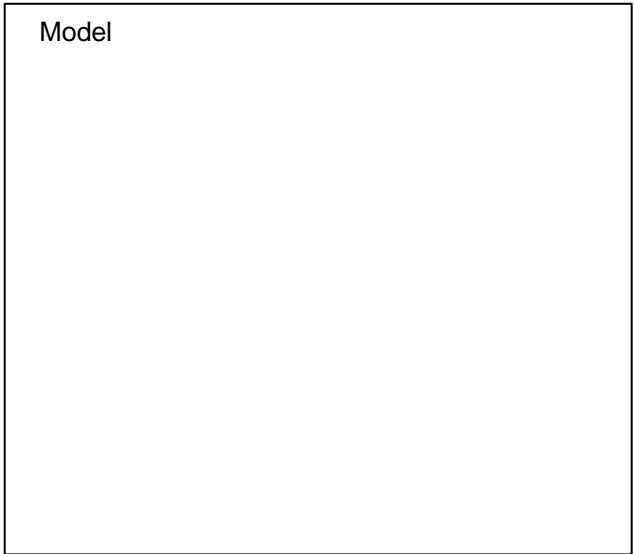
- (b) Identify **two** external costs associated with the cement company. (2 marks)

- (c) Outline **two** benefits the cement company provides. State whether these are private or external benefits. (3 marks)

See next page

- (d) Use the demand/supply model to explain the impact of the market failure on the cement market. Identify the private cost, the external cost, the social cost and the deadweight loss on your model. (6 marks)

Model



End of Section Two

See next page

Section Three: Extended response**(15 Marks)**

Section Three consists of **two** questions – answer ONE question.

Choose **either** Question 25 **or** Question 26.

Indicate the question you will answer by ticking the box next to the question.

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: 30 minutes.

☐**Question 25****(15 marks)**

- (a) Explain the meaning of price elasticity of demand and describe **three** determinants. (8 marks)
- (b) Using an example, explain how a firm can use price discrimination to increase their revenue. (7 marks)

OR

☐**Question 26****(15 marks)**

- (a) Using examples, explain the characteristics of a public good and a common resource. (6 marks)
- (b) Define market failure and explain why public goods and common resources suffer from market failure. (5 marks)
- (c) Explain **one** policy that may be used to reduce the market failure associated with public goods and **one** policy that may be used to reduce the market failure associated with common resources. (4 marks)

End of questions

Question number: _____

Question number: _____

