

2020 YEAR 12 ECONOMICS ASSESSMENT 3

Semester 1

**Data Interpretation Test Weight 7.5%**

**Total marks: 24**

**Time allowed: 45 minutes**

**Pattern of Trade and Balance of Payments**

Student Number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Marks awarded: \_\_\_\_\_\_\_\_\_

**Section 1: Multiple Choice** **6 Marks**

1. Interest payments resulting from borrowings from overseas are recorded in Australia's balance of payments as a
   1. debit on capital and financial account
   2. debit on current account
   3. credit on capital and financial account
   4. credit on current account
2. Which of the following would increase Australia’s international   
   competitiveness?
   1. An increase in real wages in Australia.
   2. An increase in expenditure on infrastructure particularly transport.
   3. An increase in the cash rate which causes the Australia Dollar to appreciate.
   4. An increase in Australia’s inflation rate relative to our major trading partners.
3. The next question is based on the following table which shows the production of motor vehicles and tractors in Country A and Country B using one unit of labour.

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| **Commodity** | **Country A** | **Country B** |
| Motor Vehicles (number) | 160 | 200 |
| Tractors (number) | 40 | 100 |

Country B has a

1. comparative advantage in the production of tractors
2. comparative advantage in the production of motor vehicles
3. comparative advantage in both tractors and motor vehicles
4. no comparative advantage in the production of tractors and motor vehicles
5. Which of the following is an argument in favour of trade liberalisation?
   1. It can improve national security.
   2. It can lead to increased living standards.
   3. It can increase employment in import competing industries.
   4. Export industries face reduced competition.
6. Which of the following statements relating to Australia’s pattern of trade is correct?
7. Australia is the largest agricultural exporter in the world.
8. Clothing and footwear is the main import category.
9. Australia’s major service export is education.
10. The value of primary goods exports is less than manufactured goods exports.
11. Other things being equal, (ceteris paribus), an increase in demand in the global market for commodities would have the effect of
    1. global commodity prices rising and Australia’s export revenue declining.
    2. Australia’s net exports increasing and the current account balance increasing.
    3. causing a decrease in foreign investment inflow into Australia leading to a decrease in the capital and financial account surplus and a corresponding increase in the current account deficit.
    4. causing a current account surplus.

**Section 2: Data Interpretation 18 marks**

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|  | | $ million | | |
| CURRENT ACCOUNT | | 2016-17 | 2017-18 | 2018-19 |
| Goods | | 13631 | 12853 | 53912 |
|  | Exports | 291464 | 315257 | 373104 |
| Imports | 277833 | 302404 | 319192 |
| Services | | -2780 | -5287 | -3729 |
|  | Exports | 82276 | 88069 | 96787 |
| Imports | 85056 | 93356 | 100516 |
| Balance on goods and services | | 10851 | 7566 | 50183 |
|  | | | | |
| Primary Income | | -47949 | -57765 | -60907 |
|  | Credits | 54816 | 58943 | 69742 |
| Debits | 102765 | 116708 | 130648 |
| Secondary Income | | -1723 | -1060 | -1278 |
|  | Credits | 8898 | 9155 | 9425 |
| Debits | 10621 | 10215 | 10703 |
| Net Income | | -49672 | -58825 | -62185 |
|  | | | | |

7.

* 1. What is the value of Exports in 2018-19? (1 mark)

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* 1. What is the Balance on the Capital and Financial Account in 2017-18?

(1 mark)

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1. Provide two reasons as to why Australia has a Balance of Trade Surplus in 2018-19.

(2 marks)

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1. Outline and explain Australia’s direction of trade and its relevance to Australia’s trade intensity.

(4 marks)

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1. With reference to the table, explain the structural reason as to why Australia typically experiences a Current Account Deficit?

(4 marks)

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1. Evaluate the significance of Australia having a Current Account Deficit

(6 marks)

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