



## 2011 SAMPLE ECONOMICS PAPER

*The external assessment requirements of this subject are listed on page 12.*

**ATTACH SACE REGISTRATION NUMBER LABEL  
TO THIS BOX**

Time: 2 hours

Pages: 12  
Questions: 6

Examination material: one 12-page question booklet  
one 8-page script book  
one SACE registration number label

*Approved dictionaries may be used.*

### Instructions to Students

1. You will have 10 minutes to read the paper. You must not write in your question booklet or script book during this reading time but you may make notes on the scribbling paper provided.
2. This paper is in two parts:  
**Part A** (Questions 1 to 3)  
Answer *all parts* of Questions 1 to 3 in the spaces provided in this question booklet.  
**Part B** (Questions 4 to 6)  
Answer *one* essay question from this part. Write your answer in the separate script book.
3. The allocation of marks is as follows:

|        |          |
|--------|----------|
| Part A | 45 marks |
| Part B | 20 marks |
| Total  | 65 marks |
4. Attach your SACE registration number label to the box at the top of this page. Copy the information from your SACE registration number label into the box on the front cover of your script book.
5. At the end of the examination, place your script book inside the back cover of this question booklet.

**PART A** (Questions 1 to 3)

(45 marks)

Answer ALL parts of Questions 1 to 3.

Write your answers in the spaces provided for each question. The allocation of marks is shown in brackets at the end of each part of each question.

1. Refer to the following article.

After the fall of Communism in 1991, Russia was plunged into economic and political turmoil. Since then, the Russian economy has been in transition from a planned economy to a market economy.

As part of this process, the role of transnational corporations in the economy has grown and capital mobility has increased. Transnational corporations have been attracted to Russia by the opportunities that have arisen from strong world demand for the country's natural resources, such as oil. However, the production and use of oil have caused negative externalities, for example, local pollution.

(a) State the difference between a planned economy and a market economy in answering each of the following questions:

(i) What to produce?

\_\_\_\_\_  
\_\_\_\_\_  
(1 mark)

(ii) How to produce?

\_\_\_\_\_  
\_\_\_\_\_  
(1 mark)

(b) Define the term 'transnational corporation'.

\_\_\_\_\_  
\_\_\_\_\_  
(1 mark)

- (c) (i) State *one* possible advantage for the Russian economy of increased capital mobility.

\_\_\_\_\_  
\_\_\_\_\_  
(1 mark)

- (ii) State *one* possible disadvantage for the Russian economy of the growing role of transnational corporations within Russia.

\_\_\_\_\_  
\_\_\_\_\_  
(1 mark)

- (d) (i) Identify a type of market failure that is mentioned in the article on page 2.

\_\_\_\_\_  
\_\_\_\_\_  
(1 mark)

- (ii) Explain the type of market failure that you identified in part (d)(i).

\_\_\_\_\_  
\_\_\_\_\_  
(1 mark)

- (e) Identify and describe *one* type of market failure that is *not* mentioned in the article on page 2.

Type of market failure: \_\_\_\_\_

Description: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(2 marks)

- (f) Identify and describe *one* type of government intervention (measure) that the government could use to redress market failure.

Type of intervention: \_\_\_\_\_

Description: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(2 marks)

2. Refer to the following extract from a country's economic report.

| <b>Economic Report</b>       |                  |                  |                  |                   |
|------------------------------|------------------|------------------|------------------|-------------------|
|                              | <i>Dec. 2007</i> | <i>Mar. 2008</i> | <i>June 2008</i> | <i>Sept. 2008</i> |
| Cash rate                    | 4.5%             | 5.2%             | 5.6%             | 6.0%              |
| Inflation rate               | 3.0%             | 3.6%             | 4.2%             | 4.2%              |
| Retail sales                 | \$400bn          | \$405bn          | \$410bn          | \$405bn           |
| Change in consumer sentiment | 3%               | 2%               | -1%              | -8%               |
| Capital inflows              | \$65bn           | \$69bn           | \$75bn           | \$78bn            |
| Exchange rate (against US\$) | 80c              | 85c              | 90c              | 95c               |

AD-AS diagram representing economic conditions in September 2008

The government has highlighted low rates of unemployment as its main achievement. However, the opposition has criticised the government for not using the correct policy mix to achieve its macroeconomic objectives and has argued that supply management policies should be implemented to achieve these objectives. A university economics professor has supported the call for the use of supply management policies, arguing that the short-term costs of implementing such policies could be overcome. However, he has pointed out that whatever the government does, it will experience a range of problems, such as the limitations of available measurement and institutional and political factors. He has also pointed out that the government must consider the expenditure multiplier effect when making policy decisions.

(a) Refer to the aggregate demand – aggregate supply (AD-AS) diagram in the economic report above.

(i) Which *one* of the following types of unemployment would **not** occur in September 2008 in the economy represented in this diagram? Tick the appropriate box.

- Frictional unemployment
- Structural unemployment
- Seasonal unemployment
- Cyclical unemployment

(1 mark)

- (ii) With reference to the AD–AS diagram on page 4, explain *one* economic reason why the state of the economy in September 2008 is *not* desirable.

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(2 marks)

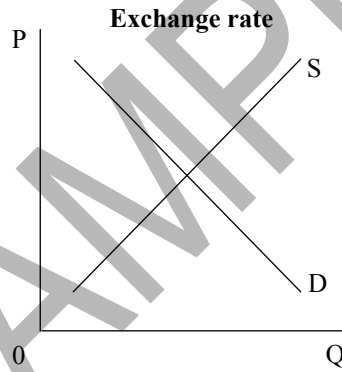
- (b) (i) Using information from the table on page 4, state *one* factor that could have caused the change in the exchange rate from December 2007 to September 2008.

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(1 mark)

- (ii) On the following diagram, illustrate the effect on the exchange rate of the factor you stated in part (b)(i).



(1 mark)

- (iii) List *one* possible effect on the economy of the change in the exchange rate from December 2007 to September 2008.

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(1 mark)

- (c) (i) With reference to the table on page 4, identify:

(1) *one* leading indicator of economic performance.

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(1 mark)

(2) *one* lagging indicator of economic performance.

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(1 mark)

- (ii) Explain how a government could use leading and lagging indicators of economic performance to achieve its macroeconomic objectives.

Leading indicators: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (1 mark)

Lagging indicators: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (1 mark)

- (d) Why is it important for a government to consider the expenditure multiplier effect when making policy decisions?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (2 marks)

- (e) Present an argument for the most appropriate monetary policy response by the government to the state of the economy in September 2008, as described in the economic report on page 4.

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\_\_\_\_\_ (5 marks)

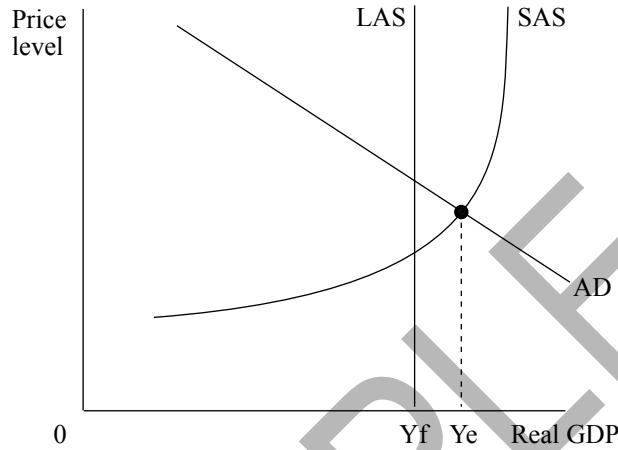
(f) (i) What are supply management policies?

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(1 mark)

(ii) Refer to the following AD–AS diagram, which has been reproduced from the economic report on page 4. It represents the country's economic conditions in September 2008.



On the diagram above, illustrate the long-term impact on this economy of implementing supply management policies.

(1 mark)

(iii) State *one* example of a short-term cost of implementing supply management policies.

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(1 mark)

(g) Explain why the limitations of available measurement are regarded as a problem of economic management.

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(2 marks)

3. Refer to the following information.

The local car market is an oligopoly with four local manufacturers which have lost market share as a result of a reduction in tariffs on imported cars. The pressure of competition has led to increased investment in improved technology by the local car manufacturers.

(a) State *two* main features of an oligopoly.

Feature 1: \_\_\_\_\_

Feature 2: \_\_\_\_\_

(2 marks)

(b) Which *one* of the following is an example of investment? Tick the appropriate box.

Returns to the owners of shares

Profits in the local car industry

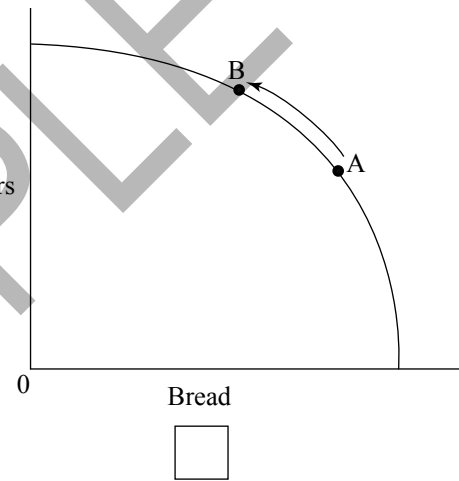
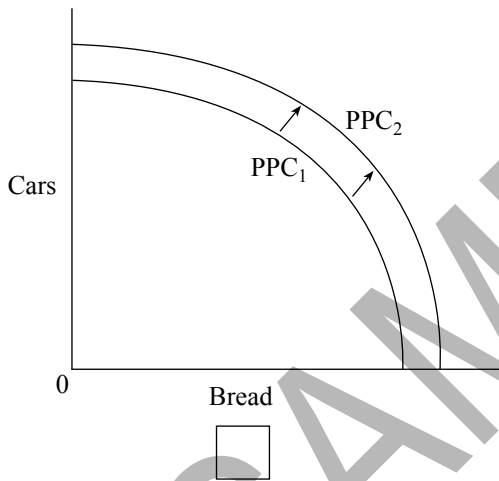
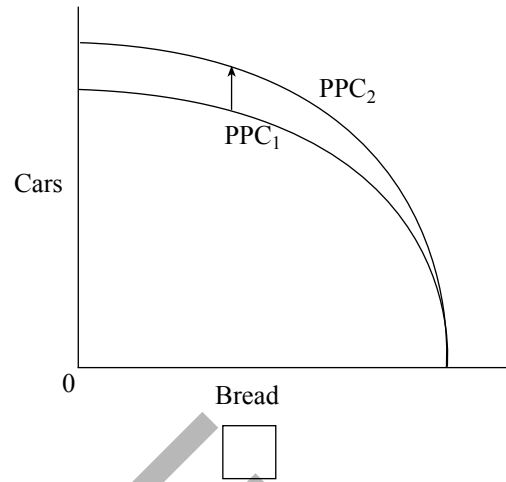
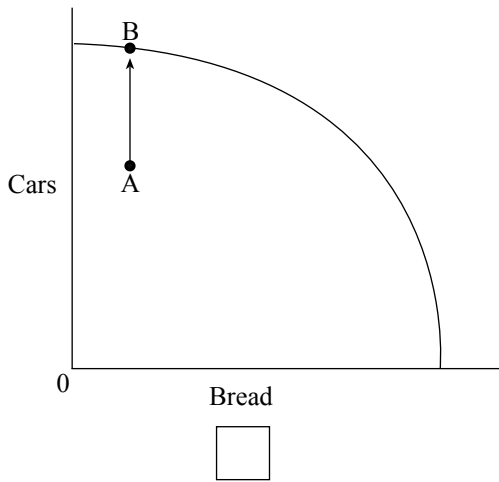
Money in bank accounts

Expenditure on capital goods

(1 mark)



- (c) Which *one* of the following diagrams represents the impact of increased investment in improved technology by the local car manufacturers? Tick the appropriate box.



(1 mark)

- (d) Explain *one* factor that could affect the price elasticity of supply of cars.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (2 marks)

- (e) Explain the likely price elasticity of demand for cars.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (2 marks)

(f) Explain how a reduction in tariffs affects the achievement of *each* of the following macroeconomic objectives:

(i) Full employment.

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(2 marks)

(ii) Price stability.

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(2 marks)

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**PART B** (Questions 4 to 6)

(20 marks)

*Answer ONE essay question from Questions 4 to 6.*

*Whenever appropriate, you should supplement your answer with suitable diagrams.*

*Write your answer in the separate script book provided. Write the number of the question you choose in the appropriate box on the front cover of the script book.*

4. Evaluate the effects on an economy of attaining the macroeconomic objectives of full employment and external balance. Include definitions of these objectives in your answer. (20 marks)
5. Analyse the problem for a government of finding the right combination of economic policies to achieve price stability in an economy with high inflation. (20 marks)
6. Assess the arguments for and against an economy's participation in international trade agreements. (20 marks)

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## **2011 SAMPLE ECONOMICS PAPER**

The purpose of this sample paper is to show the structure of the Economics examination and the style of questions that may be used. The following extract is from the Stage 2 subject outline for Economics:

### **EXTERNAL ASSESSMENT**

#### **Assessment Type 3: Examination (30%)**

Students undertake one 2-hour examination, which is divided into two parts.

Part A consists of multiple-choice questions, short-answer questions, responses to stimuli, and extended-response questions. It draws on all parts of the following key areas:

- Key Area 1: The Economic Problem
- Key Area 2: Microeconomics
- Key Area 3: Macroeconomics
- Key Area 4: Globalisation.

Part B requires students to write an essay from a range of questions drawn from all parts of the following key areas:

- Key Area 3: Macroeconomics
- Key Area 4: Globalisation.

For this assessment type, students provide evidence of their learning in relation to the following assessment design criteria:

- knowledge and understanding
- analysis and evaluation
- communication.

*Source: Economics 2011 Subject Outline Stage 1 and Stage 2, p. 28, on SACE website, [www.sace.sa.edu.au](http://www.sace.sa.edu.au)*