Candidate Instructions

1. You **MUST** make sure that your responses to the questions in this examination paper will show your achievement in the criteria being assessed.

2. You **MUST** answer **SIX** questions from this section. **TWO** questions from each of the following:
   - Unit 1 – An Introduction to Economics
   - Unit 2 – Economic Management
   - Unit 3 – Australia and the Global Economy

3. You must write **brief** and **clear** answers for each of the questions you have chosen.

4. You are encouraged to include diagrams, where relevant.

5. Answers must be written in the spaces provided on the examination paper.

6. Each question is worth 6 marks. \(6 \times 6 = 36\) marks

7. You should make sure you answer all parts within each question so that the criterion can be assessed.

8. This examination is 3 hours in length. It is recommended that you spend approximately 45 minutes in total answering the questions in this booklet.

9. All written responses must be in English.

On the basis of your performance in this examination, the examiners will provide results on each of the following criteria taken from the course statement:

**Criterion 1** Describe and apply economic terms, concepts, theories and ideas.

**Criterion 5** Communicate economic ideas and information.

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UNIT 1 – AN INTRODUCTION TO ECONOMICS

You MUST answer TWO questions from this Unit.

You are encouraged to include diagrams, where relevant.

Question 1

Explain the relationship between the economic problem and opportunity cost. Use a production possibilities frontier diagram to illustrate and explain the concept of opportunity cost. (6 marks)

Question 2

Outline the four key economic questions that all economies must answer. Explain how a mixed market economy addresses the question of 'what to produce'. (6 marks)

Question 3

Explain the concept of price elasticity of demand. Use two examples; one of a good or service that is price elastic; and one of a good or service that is price inelastic, to support your answer. (6 marks)
You **MUST** answer **TWO** questions from this Unit.

You are encouraged to include diagrams, where relevant.

---

**Question 4**

Distinguish between unemployment of labour and underemployment of labour. Using this distinction, explain why the official Australian unemployment rate is likely to provide a misleading indication of unused labour supply. (6 marks)

**Question 5**

Define the term inflation and differentiate between the two main causes of inflation. (6 marks)

**Question 6**

Present the formula for aggregate demand and explain two factors that influence consumption expenditure. (6 marks)
Question Number: ____________________

(In the box write the number of the question you are answering)
Question Number: 

(In the box write the number of the question you are answering)
UNIT 3 – AUSTRALIA AND THE GLOBAL ECONOMY

You MUST answer TWO questions from this Unit.

You are encouraged to include diagrams, where relevant.

Question 7

Explain the difference between a tariff and a subsidy, and explain why domestic consumers ultimately pay for both forms of ‘protection’. (6 marks)

Question 8

Define globalisation. Use one example from the Australian economy as evidence that the global economy influences the performance of the Australian economy. (6 marks)

Question 9

Outline the structure of the current account as part of the balance of payments. What is the relationship between a persistent current account deficit and foreign liabilities? (6 marks)
Question Number: 

(In the box write the number of the question you are answering)
Question Number: [Blank]

(In the box write the number of the question you are answering)
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SECTION B
Time: 45 minutes

Candidate Instructions

1. You MUST make sure that your responses to the questions in this examination paper will show your achievement in the criteria being assessed.

2. You MUST answer SIX questions from this section. TWO questions from each of the following:
   - Unit 1 – An Introduction to Economics
   - Unit 2 – Economic Management
   - Unit 3 – Australia and the Global Economy

3. You must write brief and clear answers for each of the questions you have chosen.

4. You are encouraged to include diagrams, where relevant.

5. Answers must be written in the spaces provided on the examination paper.

6. Each question is worth 6 marks. \( (6 \times 6 = 36 \text{ marks}) \)

7. You should make sure you answer all parts within each question so that the criterion can be assessed.

8. This examination is 3 hours in length. It is recommended that you spend approximately 45 minutes in total answering the questions in this booklet.

9. All written responses must be in English.

On the basis of your performance in this examination, the examiners will provide results on each of the following criteria taken from the course statement:

**Criterion 2** Apply economic models and mathematical techniques to analyse economic data and information.

**Criterion 5** Communicate economic ideas and information.
UNIT 1 – AN INTRODUCTION TO ECONOMICS

You MUST answer TWO questions from this Unit.

You are encouraged to include diagrams, where relevant.

Question 10

Explain, using a fully labelled diagram, how a tax on sugary drinks may work to reduce consumption of sugar.

Why would elasticity of demand be an important consideration for the government before such a tax is implemented? (6 marks)

Sugary Drinks

<table>
<thead>
<tr>
<th>Price ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity (Q)</td>
</tr>
</tbody>
</table>

Question 10 continues.
Question 11

Draw a diagram of the five-sector Circular Flow of Income Model. Distinguish between injections and leakages and using an example, explain how a state of disequilibrium might occur. (6 marks)
Question 12

Calculate the opportunity cost of moving from point A on the frontier to point B. Show your calculation fully and clearly.

What are the long-term implications of moving from point A on the frontier to point B?

How would it be possible for country X to have a combination of goods represented at point Y? (6 marks)
UNIT 2 – ECONOMIC MANAGEMENT

You MUST answer TWO questions from this Unit.

You are encouraged to include diagrams, where relevant.

Question 13

<table>
<thead>
<tr>
<th>Year ending 30 June</th>
<th>Nominal GDP $ Billions</th>
<th>CPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,000</td>
<td>100</td>
</tr>
<tr>
<td>2013</td>
<td>1,050</td>
<td>103</td>
</tr>
<tr>
<td>2014</td>
<td>1,100</td>
<td>107</td>
</tr>
<tr>
<td>2015</td>
<td>1,200</td>
<td>112</td>
</tr>
</tbody>
</table>

(a) What is inflation rate for the year ending 30 June 2014?
(b) What is the growth rate in nominal GDP for the year ending 30th June 2015?
(c) Calculate the real GDP for 2015 using 2014 as the comparison base. (6 marks)
Question 14

Recent government policy has been designed to increase efficiency and equilibrium output.

Draw a fully labelled aggregate demand (AD) and aggregate supply (AS) diagram to show the impact of this policy.

Explain the impact of this policy on macroeconomic equilibrium. (6 marks)
Question 15

Business Cycle

Using the information on the above diagram for a hypothetical economy, list each of the four phases of the business cycle:

A. .................................................................

B. .................................................................

C. .................................................................

D. .................................................................

Briefly explain the impacts on the economy when the cycle is at ‘C’. (6 marks)

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You MUST answer TWO questions from this Unit.

You are encouraged to include diagrams, where relevant.

Question 16

Australia has a ‘floating exchange rate’. A recent hypothetical change in monetary policy in Australia resulted in interest rates becoming substantially higher than interest rates in the United States of America.

On the diagram below show the likely effect of the change of monetary policy on the value of the Australian dollar against the US $.

How would this impact on demand for Australian exports to the United States of America? (6 marks)
Question 17

The table below shows National Inbound Tourism Expenditure and Australian Manufacturing Production since 2011.

<table>
<thead>
<tr>
<th>Nominal Inbound Tourism Expenditure</th>
<th>Australian Manufacturing Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>($)million</td>
</tr>
<tr>
<td>2011-12</td>
<td>26 426</td>
</tr>
<tr>
<td>2012-13</td>
<td>28 017</td>
</tr>
<tr>
<td>2013-14</td>
<td>30 267</td>
</tr>
<tr>
<td>2014-15</td>
<td>33 422</td>
</tr>
<tr>
<td>2015-16 (e)</td>
<td>39 043</td>
</tr>
<tr>
<td>2016-17 (e)</td>
<td>42 784</td>
</tr>
<tr>
<td>2017-18 (e)</td>
<td>46 831</td>
</tr>
</tbody>
</table>

Explain one factor contributing to the change in inbound tourism expenditure and one factor contributing to the change in manufacturing output. (6 marks)
Describe the trend in the value of the Australian dollar to the US dollar over the last six years. What are the implications of this trend for two components of aggregate demand? (6 marks)
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Candidate Instructions

1. You **MUST** make sure that your responses to the questions in this examination paper will show your achievement in the criteria being assessed.

2. You **MUST** answer **ALL PARTS** of **EITHER** Question 19 **OR** Question 20.

3. You must write brief and clear answers for each of the questions you have chosen.

4. You are encouraged to include diagrams, where relevant.

5. Answers must be written in the spaces provided on the examination paper.

6. Each question is worth 36 marks. (6 x 6 = 36 marks)

7. You should make sure you answer all parts within each question so that the criterion can be assessed.

8. This examination is 3 hours in length. It is recommended that you spend approximately 45 minutes in total answering the questions in this booklet.

9. All written responses must be in English.

On the basis of your performance in this examination, the examiners will provide results on each of the following criteria taken from the course statement:

**Criterion 3** Describe and analyse problems arising from economic issues and events.

**Criterion 5** Communicate economic ideas and information.
Question 19

Carefully examine the extract below.

**Election 2016: the issues in non-metropolitan Australia**

Rural and regional Australia is a big place. That’s obvious enough. Still, it’s easy to forget that the communities and industries of non-metropolitan Australia are diverse. They face a variety of challenges and often have different, if not competing, stakes in government policy.

**Unemployment**

Nationally, unemployment rates in non-metropolitan Australia are similar to those in the capital cities. However, rural and regional labour markets are volatile, with extremely high unemployment in particular locales. Place-specific strategies to assist these locales deserve consideration. The loss of over 55,000 mining jobs nationally since late 2012 hit a number of regional cities hard. In Mackay, unemployment rose from 11.7% to 18.9% in 2015. In Muswellbrook, it went from 9.8% to 14.9%. The sector is expected to shed another 31,900 jobs by late 2020.

Other non-metropolitan regions experience particularly high youth unemployment. In March 2016, young people aged 15-24 were unemployed at rates of 31.3% in western Queensland, 22.3% in Cairns, 19.7% on the NSW mid-north coast and 19.5% in the Hunter Valley. The national average for this age group was 12.2%. For all workers the unemployment rate was 5.7%.

Nowhere in the country, though, are unemployment levels higher than in predominantly Indigenous townships like Aurukun, Palm Island and Yarrabah. Unemployment today in these former forced relocation sites hovers above 50%. That’s nearly three times the already high national unemployment rate for Aboriginal and Torres Strait Islander people.

Agricultural produce recorded an increase in value between 2010-11 and 2014-15 of about 13%, or A$6 billion. Over roughly the same period, though, agriculture, forestry and fisheries shed nearly 40,000 jobs. Another 9,400 jobs are expected to go by late 2020. Innovation is driving improvements across many aspects of primary production, including labour productivity.

Innovations in remote sensing, ITC and robotics will enable the automation of more and more jobs on site, favouring a concentration of operational jobs in metropolitan control centres.

By contrast, jobs in health care and social assistance and professional, scientific and technical services grew 20.3% nationally in the five years to November 2015. More than one-third of healthcare and social assistance employees (more than half-a-million people) are located in non-metropolitan regions. Of these, 45% work part-time and 79% are women.

(Source: Adapted from http://theconversation.com/election-2016-the-issues-in-non-metropolitan-australia-59062)
Question 19 (continued)

(a) Identify and analyse the factors that have contributed to the high levels of unemployment in the Agriculture sector despite increased levels of output. (6 marks)

(b) 'For all workers the unemployment rate was 5.7%.' Discuss whether this level of unemployment would be a significant concern for the Federal Government. (6 marks)

(c) What would have been contributing factors for the 'loss of over 55,000 mining jobs nationally since late 2012'? (6 marks)

(d) Why is rural isolation a contributing factor to regional unemployment rates? (6 marks)

(e) Evaluate the impacts of such high levels of unemployment on businesses in the region and on the government in terms of budgetary pressure. (6 marks)

(f) Critically analyse the impacts in terms of social justice and diversity of high levels of Indigenous unemployment. (6 marks)

Section C continues.
Section C (continued)

Question 20

Carefully examine the extracts below.

**Characteristics of the Australian Coal Industry**

Coal is the world’s fuel of choice for electricity generation – accounting for 41 per cent of global generation – because it is affordable and reliable. Further, coal is expected to remain the primary source of electricity for the foreseeable future. Coal is also an essential ingredient in the manufacture of steel and cement.

Coal benefits the Australian community through its contribution to exports, wages, jobs, investment, and tax and royalties. It is Australia’s comparative advantage in coal – together with iron ore – that has enabled Australians to sustain the longest period of continuous economic growth in the nation’s history. While the coal industry is currently experiencing a cyclical downturn in prices, the underlying trend of rising world coal demand – driven by Asian industrialisation and electrification – will persist for decades.

**Adani mine an ‘amazing opportunity’**

The Queensland government approves a $20 billion coalmine in the Galilee basin but green groups say the Great Barrier Reef will suffer. *7 News Queensland*

The Palaszczuk Labor government on Sunday announced the approval of three mining licences for the $20 billion-plus Carmichael coal mine and rail project planned for the Galilee Basin. Its supporters, including India-based owner Adani, say the mine will generate thousands of new mining jobs.

The approval of a giant new coal mine for Queensland is likely to deliver only short-term economic benefits and may carry a hidden cost if its demise triggers a bailout for miners needing new jobs, a leading US investor says.

Stephen Heintz, president of the $US860 million ($1.1 billion) Rockefeller Brothers Fund, predicts the world will move rapidly away from fossil fuels to avoid dangerous climate change. Approval of a mine that may produce 4.6 billion tonnes of carbon dioxide - eight times Australia’s annual output – is not going to help.

The cost of the needed shift to renewable energy will be hefty enough. Approving big new mines means governments, such as Queensland’s, will need to find additional funds to pay for the transition of those coal miners out of the industry when it’s inevitably curbed, he said.


Continued coral bleaching on the Great Barrier Reef could see international and domestic visitors to the region plummet by more than a million people a year, research by the Australia Institute warns.

The Turnbull Government set aside $171 million in extra funding for the reef in the May budget, while Federal Labor has pledged to spend $352 million on top of the Coalition’s commitment to help one of the world’s natural wonders if it is elected.


Question 20 continues.
Question 20 (continued)

(a) Explain why the use of fossil fuels as a source of energy is an example of market failure. (6 marks)

(b) How does the approval of the three coal mining licences impact on sustainable economic growth? (6 marks)

(c) Explain the short-term benefits to the company, individuals, and other businesses with the approval of the new mine. (6 marks)

(d) Explain the short-term benefits for the government and Australia's Current Account position. (6 marks)

(e) Analyse the long-term costs of proceeding with the new mining licenses. (6 marks)

(f) Critically analyse the implications of the decision of the Queensland government in terms of social justice and environmental concerns. (6 marks)
This question paper and any materials associated with this examination (including answer booklets, cover sheets, rough note paper, or information sheets) remain the property of the Office of Tasmanian Assessment, Standards and Certification.
SECTION D
Time: 45 minutes

Candidate Instructions

1. You MUST make sure that your responses to the questions in this examination paper will show your achievement in the criteria being assessed.

2. You MUST answer ALL PARTS of EITHER Question 21 OR Question 22.

3. You must write brief and clear answers for each of the questions you have chosen.

4. You are encouraged to include diagrams, where relevant.

5. Answers must be written in the spaces provided on the examination paper.

6. Each question is worth 36 marks. (6 x 6 = 36 marks)

7. You should make sure you answer all parts within each question so that the criterion can be assessed.

8. This examination is 3 hours in length. It is recommended that you spend approximately 45 minutes in total answering the questions in this booklet.

On the basis of your performance in this examination, the examiners will provide results on each of the following criteria taken from the course statement:

Criterion 4 Describe and analyse economic solutions and make recommendations for future economic action.

Criterion 5 Communicate economic ideas and information.
Question 21

Carefully examine the extract below.

Free trade agreements (FTAs)

High-quality, comprehensive free trade agreements (FTAs) can play an important role in supporting global trade liberalisation.

FTAs can cover entire regions with multiple participants or link just two economies. Under these agreements, parties enter into legally binding commitments to open access to each others’ markets for goods and services, and investment.

Australia has ten FTAs currently in force with China, Japan, Republic of Korea, New Zealand, Singapore, Thailand, US, Chile, the Association of South East Asian Nations (ASEAN) (with New Zealand) and Malaysia.

Australia concluded negotiations of the Trans-Pacific Partnership Agreement in October 2015. This agreement will enter into force following completion of each country’s domestic implementation processes.

Australia is currently engaged in six FTA negotiations - two bilateral FTA negotiations: India and Indonesia; and four plurilateral FTA negotiations.

Services Agreement (TiSA) and scoping is underway for an FTA with the European Union.

FTAs promote stronger trade and commercial ties between participating countries, and open up opportunities for Australian exporters and investors to expand their business into key markets. They are particularly beneficial when they seek to remove barriers in highly protected markets or gain a foothold in potential or expanding markets.

By facilitating access to these markets, FTAs provide significant commercial benefits to Australia’s exporters and in turn, wider economic benefits to all Australians.

(Source: Adapted from http://www.agriculture.gov.au/market-access-trade/fta)

It’s complicated: Stevens weighs in on currency wars

Australia’s central bank finally came off the sidelines of the global currency wars this week to say a higher dollar could complicate the economic recovery Down Under, while outing other central banks as the main culprits for the local currency’s appreciation.

The strength of the Australian dollar, now at its highest levels in 10 months, is clearly unwelcome at the RBA.

(Source: Adapted from James Glynn, The Australian 7 April 2016)
Question 21 (continued)

(a) Free trade allows an economy to specialise in the production of things it is best at making. What gains are distributed throughout the economy as a result of increased employment in export industries? (6 marks)

(b) It is argued that free trade has contributed to structural change in the Australian economy. Using an example, analyse the implications in terms of the labour market in Australia. (6 marks)

(c) The federal government maintains the Trans-Pacific Partnership agreement will deliver 'enormous benefits', despite World Bank analysis showing Australia’s economy will grow by less than 1% as a result of the deal (The Guardian, January 12, 2016). Explain how free trade agreements contribute to an increase in aggregate demand. (6 marks)

(d) Critically analyse the implications of the movement towards free trade in terms of environmental concerns and practical limitations. (6 marks)

(e) Outline a form of protection the Australian government could use to protect an Australian industry. When might protection be justified? (6 marks)

(f) Analyse why the Governor of the Reserve Bank of Australia may be concerned about an appreciation of the Australian dollar negating the benefits of free trade. (6 marks)
Section C (continued)

Question 22

Carefully examine the extracts below.

The Federal government Budget and Government Debt to GDP

<table>
<thead>
<tr>
<th>Australia</th>
<th>Economic Forecasts</th>
<th>2016-2020 Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>Actual</td>
<td>Q3/16</td>
</tr>
<tr>
<td>GDP Growth Rate</td>
<td>1.10</td>
<td>0.6</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.70</td>
<td>6</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>1.30</td>
<td>1.7</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>1.75</td>
<td>1.75</td>
</tr>
</tbody>
</table>

(Source: Adapted from http://www.tradingeconomics.com/australia/forecast)

Federal Government Budget position

<table>
<thead>
<tr>
<th>Year</th>
<th>$m</th>
<th>% GDP</th>
<th>Federal government net debt to GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>-47,463</td>
<td>-3.4</td>
<td>6.0</td>
</tr>
<tr>
<td>2011-12</td>
<td>-43,360</td>
<td>-2.9</td>
<td>9.9</td>
</tr>
<tr>
<td>2012-13</td>
<td>-18,834</td>
<td>-1.2</td>
<td>10.1</td>
</tr>
<tr>
<td>2013-14</td>
<td>-48,456</td>
<td>-3.1</td>
<td>12.8</td>
</tr>
<tr>
<td>2014-15</td>
<td>-37,867</td>
<td>-2.4</td>
<td>15.2</td>
</tr>
<tr>
<td>2015-16 (e)</td>
<td>-39,946</td>
<td>-2.4</td>
<td>16.7</td>
</tr>
<tr>
<td>2016-17 (e)</td>
<td>-37,081</td>
<td>-2.2</td>
<td>17.2</td>
</tr>
<tr>
<td>2017-18 (e)</td>
<td>-26,123</td>
<td>-1.4</td>
<td>17.0</td>
</tr>
<tr>
<td>2018-19 (p)</td>
<td>-15,406</td>
<td>-0.8</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Adapted from http://www.abc.net.au/news/2016-05-03/budget-2016-cheat-sheet-charts/7359608)

A leading budget watcher is forecasting a further blow-out in the budget deficit, with the Federal Government’s position expected to be $21 billion worse by 2018-19 than forecast in the latest December update.

While revenue write-downs are the biggest short-term hit to the budget, the report’s author Chris Richardson said spending increases over the past decade shoulder more of the blame.

‘Most of the mistakes in the budget in Australia over the last decade have actually been in spending and we’d be comfortable to see the bulk of budget repair done on the spending side,’ he told ABC News Online.

‘Equally, you cannot ignore the revenue side. Taxes have to go up too.’

Question 22 (continued)

(a) The present/previous Australian Federal Government has inherited a government budget deficit. What is a budget deficit and how does a deficit impact on the circular flow of income? (6 marks)

(b) What impact do automatic stabilizers have on a budget deficit when there is an economic downturn? (6 marks)

(c) Analyse the costs of the federal government running a persistent budget deficit. (6 marks)

(d) Describe the fiscal measures the Federal Government can use to reduce a budget deficit. Discuss the impacts these measures will have on future economic growth, diversity and income distribution. (6 marks)

(e) Analyse an alternative macroeconomic strategy to stimulate economic activity in Australia. (6 marks)

(f) Analyse a possible microeconomic strategy that could contribute to improved economic growth. (6 marks)
(In the box write the number of the question you are answering)