



**Methodist Ladies' College
ATAR course examination, Semester 1, 2017**

Question/Answer Booklet

**ECONOMICS
ATAR Year 11**

Student Name: _____

Teacher Name: _____

Time allowed for this paper

Reading time before commencing work: ten minutes
Working time for paper: two and a half hours

Materials required/recommended for this paper

To be provided by the supervisor

This Question/Answer booklet
Multiple-choice answer sheet

Number of additional
answer booklets used
(if applicable):

To be provided by the candidate

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

Special items: non-programmable calculators approved for use in this 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 total exam	Your mark
Section One Multiple-choice	30	30	30	30	30	
Section Two Data interpretation/ Short answer	4	4	80	50	50	
Section Three Extended answer	2	1	40	20	20	
Total					100	

Instructions to candidates

- The rules for the conduct of ATAR course examinations are detailed in the *Year 11 Information Handbook 2017*. Sitting this examination implies that you agree to abide by these rules.
- 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. 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.

Sections Two and Three: Write your answers in this Question/Answer booklet.

- 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.
- Additional working space pages at the end of this Question/Answer booklet are for planning or continuing an answer. If you use these pages, indicate at the original answer, the page number it is planned/continued on and write the question number being planned/continued on the additional working space page.

See next page

Section One: Multiple-choice

30% (30 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. 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. Which of the following issues would be investigated by a macroeconomist?
 - a) The spending patterns of 16 year old Australians
 - b) The demand for iron ore by Chinese steel mills
 - c) The determinants of unemployment in Australia
 - d) The role of business confidence in levels of health investment

2. Normative economics involves
 - a) The study of the normal equilibrium state of the economy
 - b) Investigation of the most appropriate targets for key indicators
 - c) Research into the causes of structural unemployment
 - d) Calculation of the opportunity cost incurred when decisions are made

3. Which of the following isn't a necessary characteristic of a market?
 - a) Markets must be located in one physical place, such as the Australian Stock Exchange or a weekend farmers' market
 - b) Markets must have at least one seller and at least one buyer to operate
 - c) Prices act to coordinate resource allocation in markets, with higher prices typically attracting more supply
 - d) Free markets achieve efficient outcomes through the interaction of demand and supply

4. Which of the following items would not have its price determined in a factor market?
 - a) Machinery for a new factory
 - b) Skilled labour to work on the construction of a new city office block
 - c) Land being sold to a housing developer
 - d) A four-wheel-drive to be used for city driving by a family

5. The opportunity cost of a vanilla ice cream cone is
 - a) A chocolate ice cream cone
 - b) A piece of apple pie
 - c) A burger
 - d) All of the above are possible

6. The table below shows the possible combinations of two goods that can be produced in one country.

Combination	Xerks	Yarbles
A	0	50
B	10	30
C	20	15
D	30	5
E	40	0

The opportunity cost of moving from combination B to D is

- a) 25 Yarbles
 - b) 20 Xerks
 - c) 30 Yarbles
 - d) 10 Xerks
7. Which of the following could cause a PPF to shift outwards?
- a) An increase in annual recreation leave for the national workforce
 - b) An increase in immigration to the country
 - c) A decrease in the retirement age
 - d) Migration of unskilled workers to other countries
8. Across the macroeconomy, an increase in savings will lead to
- i. an increase in firms' inventories
 - ii. an increase in employment
 - iii. a decrease in aggregate output
 - iv. a decrease in spare capacity
- a) i and iii
 - b) ii and iv
 - c) i, ii and iii
 - d) ii, iii and iv
9. If, in a particular period of time, $Y = 4000$, $C = 3000$, $S = 1000$ and $I = 800$, then it is likely that
- a) There will be no change in the level of output in the next period
 - b) The amount of income earned in the next period will fall
 - c) The amount of income earned in the next period will remain the same
 - d) The amount of output produced in the next period will rise

10. Which of the following would be considered incorrect in the context of the circular flow of income?
- Firms' capital includes the amount of money they have available
 - Households earn profit when they contribute enterprise to the production process
 - Firms' land includes endangered species of birds nesting in their factory eaves
 - Households earn dividends when they sell capital to firms
11. Consider the demand for biscuits. Which of the following situations represents the substitution effect of a fall in the price of biscuits?
- An increase in the demand for biscuits as consumers buy less cake
 - A decrease in the demand for biscuits as consumers buy more cake
 - A contraction in the demand for biscuits as consumers buy more cake
 - An expansion in the demand for biscuits as consumers buy less cake
12. Which of the following does not help explain the slope of the demand curve?
- Consumers' real incomes falling as prices rise
 - Consumers shifting to cheaper substitutes as prices rise
 - Consumers' marginal benefit falling as quantity rises
 - Consumers' time preference falling as quantity rises
13. The supply of sneakers would increase if
- Advertising became more expensive
 - Wages fell
 - Socks became cheaper
 - The Dolce & Gabbana models at Paris Fashion Week wore sneakers
14. Suppose that felt hats and leather gloves are complements. If the technology for producing felt hats improves, then it is likely that
- The price of both felt hats and leather gloves will fall
 - The price of both felt hats and leather gloves will rise
 - The price of felt hats will rise, but the price of leather gloves will fall
 - The price of felt hats will fall, but the price of leather gloves will rise
15. Suppose that farmland can be used to produce sugarcane or bananas. Which of the following would lead to a decrease in supply of sugarcane?
- A fall in the price of bananas
 - A rise in the price of bananas
 - A fall in the price of sugarcane
 - A rise of the price of sugarcane

16. Consider the market for truffles. If the winter rainfall around Manjimup is unusually low and truffle farms in the area record low production levels, then it is likely that in the market for caviar, a substitute for truffles, there will be
- a) A rise in price and a rise in quantity traded
 - b) A rise in price and a fall in quantity traded
 - c) A fall in price a rise in quantity traded
 - d) A fall in price and a fall in quantity traded
17. In any market, if the marginal cost of producing the last unit sold is greater than the marginal benefit of creating it, then the market is
- a) Producing the efficient quantity, as total cost is greater than total benefit
 - b) Over-producing but efficient as long as marginal benefit is less than marginal cost on the last unit produced
 - c) Under-producing and should raise the quantity produced to improve efficiency
 - d) Over-producing and should lower the quantity produced to improve efficiency
18. Technical efficiency involves
- a) Minimising waste by using resources in the area where they have the most value
 - b) Maximising output by combining resources in the most productive manner
 - c) Adapting the use of resources in response to changing conditions
 - d) Adopting new technology by substituting capital for labour
19. Imposing a price which is greater than the equilibrium price will lead to
- a) An undersupply or shortage in the quantity produced
 - b) A decrease in supply as producers attempt to maximise profit
 - c) An increase in supply as producers respond to higher prices
 - d) An inefficient allocation of resources and a surplus in supply

20. Antoinette's demand schedule for Justin Bieber concert tickets is shown below.

Price (\$)	Qty demanded
500	1
400	2
300	3
200	4

What is Antoinette's consumer surplus if she buys four tickets for \$100 each?

- a) \$400
- b) \$600
- c) \$800
- d) \$1000

21. The implementation of a price ceiling below the equilibrium price implies that
- Producer surplus will increase at the expense of eroded consumer surplus
 - Deadweight loss will be zero as the total surplus is constant but is redistributed in favour of consumers
 - Deadweight loss is reduced by the price ceiling, and sellers over-produce in response to the change in price
 - Consumer surplus will increase at the expense of eroded producer surplus
22. Suppose that Jenny and Melissa each earn an income of \$98,000, but Melissa pays \$10,000 more in tax than Jenny does. *Ceteris paribus*, an economist would describe this situation as being
- Marginally inefficient
 - Summatively inefficient
 - Vertically inequitable
 - Horizontally inequitable
23. An uncompensated negative production externality results in
- A higher quantity being traded at a higher price than socially optimal
 - A higher quantity being traded at a lower price than socially optimal
 - A lower quantity being traded at a higher price than socially optimal
 - A lower quantity being traded at a lower price than socially optimal
24. Which of the following trade practices would not be targeted by the ACCC?
- Collusive tendering
 - Resale price maintenance
 - Price discrimination
 - Predatory pricing
25. Suppose that there are only two firms in a market, and they are planning to merge to create 1 firm. Economists would be concerned that this may lead to
- Lower output and a higher price
 - Higher output and a lower price
 - Higher output and a higher price
 - Lower output and a lower price
26. A monopolistically competitive industry is characterised by
- A large number of firms producing slightly differentiated products
 - One firm producing a completely differentiated product
 - Significant barriers to the entry of new firms into the industry
 - Firms able to earn supernormal profits

27. Which of the following is not a feature of perfectly competitive markets?

- a) Differentiated products
- b) Many buyers
- c) Many sellers
- d) Barriers to entry

28. If a beekeeper's bees pollinate the neighbouring orchard, this would be an example of a

- a) Positive consumption externality
- b) Negative consumption externality
- c) Positive production externality
- d) Negative production externality

29. Common resources are

- a) Rival and excludable
- b) Rival and non-excludable
- c) Non-rival and excludable
- d) Non-rival and non-excludable

30. Which of the following would be subject to free riders?

- a) Public transport
- b) Cinema tickets
- c) National defence
- d) A private beach

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Section Two: Data interpretation/Short answer

50% (50 marks)

This section contains **four (4)** questions. Answer **all** questions. Write your answers in the spaces provided.

Additional working space pages at the end of this Question/Answer booklet are for planning or continuing an answer. If you use these pages, indicate at the original answer, the page number it is planned/continued on and write the question number being planned/continued on the additional working space page.

Suggested working time: 80 minutes.

Question 31

(12 marks)

The table below gives production possibility combinations for a country producing wheels and axles.

Production possibility	Wheels	Axles
A	0	100
B	25	75
C	50	50
D	75	25
E	100	0

- a) List the assumptions of the production possibility frontier. (2 marks)

- b) In the space below, construct a production possibility frontier from the information provided in the table. (2 marks)

c) Calculate the opportunity cost of moving from point D to point C. (1 mark)

d) Label a point F corresponding to the production of 25 wheels and 25 axles. Explain the significance of operating at this point. (2 marks)

e) Label a point G corresponding to the production of 75 wheels and 50 axles. Explain the significance of operating at this point. (2 marks)

f) Explain the significance of the slope of this PPF. (3 marks)

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Question 32

(12 marks)

Australians feed Singapore's appetite for broccoli

The Australian
23 May 2017

President George W. Bush famously hated it but it seems most of the world can't get enough broccoli.

Particularly affluent consumers [live] in Singapore, where 70 per cent of Australia's \$8.2 million export broccoli crop was flown in and sold fresh last year. It's a niche demand that southern Queensland vegetable grower Troy Qualischefski is more than happy to meet, with passenger planes flying from Brisbane airport carrying 8kg boxes of his fresh broccoli in their freight holds two or three times a week.

His Qualipac broccoli sells for about \$10/kg in Singapore, with well-off local Chinese and expats rushing to buy Australian-grown fresh fruit and vegetables rather than cheaper product mainly from China, where proper chemical use and food safety are hard to guarantee.

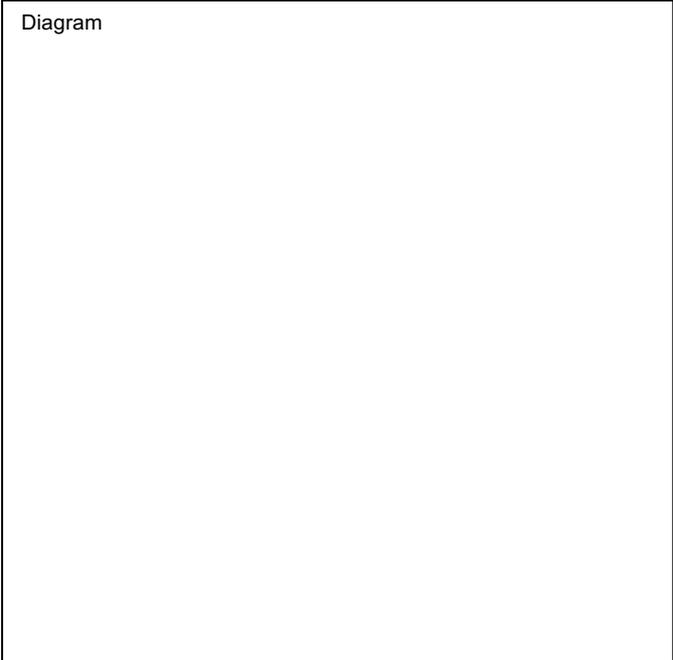
Now about 30 per cent of the 8000 tonnes of irrigated broccoli grown each year by Mr Qualischefski and his brother Bradley — they are among the country's biggest growers — is destined for export markets in Southeast Asia and the Middle East.

It's a similar story across Australia, with exports of broccoli nationally soaring by 21 per cent on the back of growing Singapore demand, more affordable airfreight options and the recent resumption of exports to Japan. Currently only 6 per cent, or \$277m worth of Australia's \$3.7 billion total vegetable crop is exported, although for broccoli the figure is closer to 10 per cent.

<http://www.theaustralian.com.au/business/australians-feed-singapores-appetite-for-broccoli/news-story/bf1c7e7447ee65b2414ba87b640575af>
[Accessed 23 May 2017]

- a) According to the article, what was the value of Australia's export broccoli crop in 2016?
(1 mark)
-

b) With reference to a suitable diagram, explain how the expansion of markets in Southeast Asia and the Middle East would affect the supply of broccoli produced in Australia. (3 marks)



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- c) Many Australia vegetable farmers must decide between growing green beans or broccoli. Explain how the developments in the export market for broccoli would affect the supply of green beans. (3 marks)

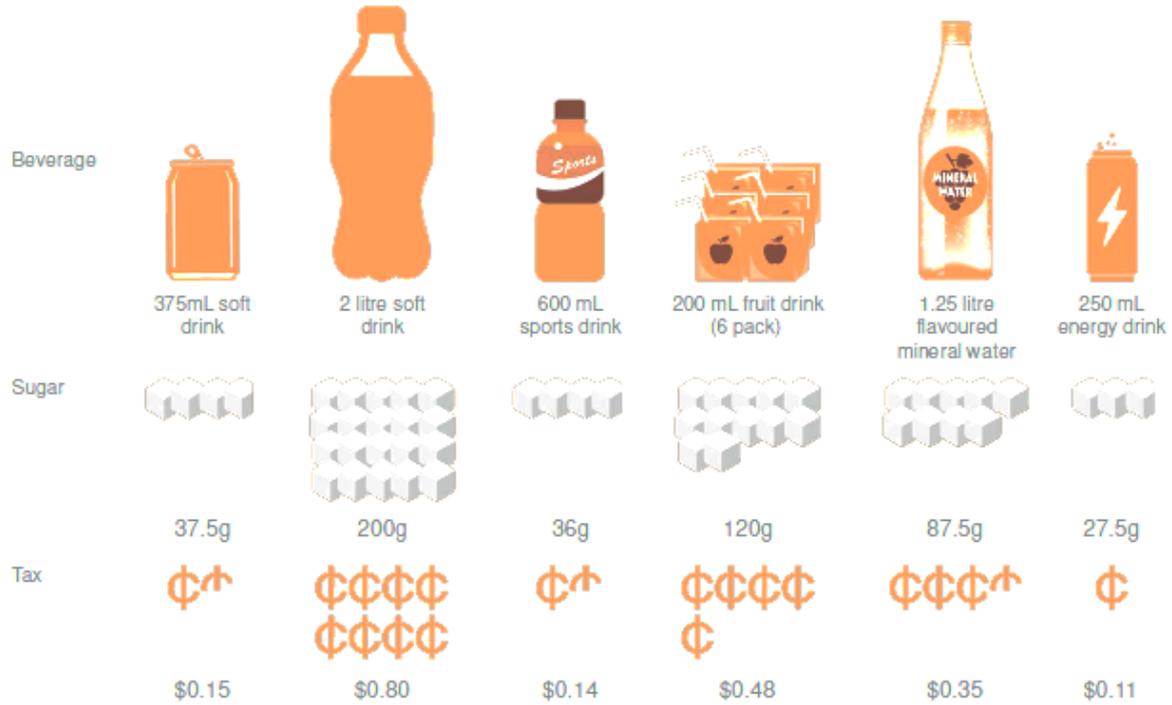
- d) Discuss the impact that the changes identified in part c would have on the market for green beans in Australia. (5 marks)

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Question 33

(12 marks)

Impact of a tax of 40 cents per 100 grams of sugar found in sugar-sweetened beverages



Grattan Institute, *A Sugary Drinks Tax* (November 2016), p. 41

- a) According to the figure above, by how much would the price of a 2 litre bottle of soft drink rise if the proposed tax is introduced? (1 mark)

- b) Explain two reasons why the government might choose to implement a tax on added sugar in drinks. (4 marks)

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Question 34

(14 marks)

China's air pollution crisis shows no sign of ending as nation fails to lower coal use*ABC News*

10 January 2017

For weeks northern China has been covered in a thick toxic smog. It is one of the worst episodes of air pollution the country has seen, affecting 460 million people... coal is estimated to cause about 40 per cent of the smog in the nation's capital.

Cheap coal has powered China's economic miracle and still provides 70 per cent of the country's energy. The Government is reluctant to wean itself off coal, fearing unemployment and unrest.

And there is good reason to be concerned — studies suggest more than one million people die prematurely every year from the toxic air that has engulfed northern China.

China's addiction to coal shows no signs of slowing. China produces and consumes more coal than the rest of the world combined.

But the biggest air polluters are the coal-fired power stations that ring Beijing. There are about 22 major plants, working overtime to service the increase in production of steel and cement and also to provide additional electricity to the cities and homes in northern China during the winter months.

- a) According to the article, why are coal-fired power stations currently “working overtime”? (1 mark)

- b) Define market failure. (1 mark)

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Section Three: Extended answer**20% (20 Marks)**

This section contains **two (2)** questions. Answer **one (1)** questions. Write your answers in the lined pages provided and number your answers clearly.

Additional working space pages at the end of this Question/Answer booklet are for planning or continuing an answer. If you use these pages, indicate at the original answer, the page number it is planned/continued on and write the question number being planned/continued on the additional working space page.

Suggested working time: 40 minutes.

Question 35**(20 marks)**

- a) Evaluate the importance of the profit motive in determining equilibrium levels of expenditure, output and income. (8 marks)
- b) Discuss the impact that changes in leakages and injections will have on the level of macroeconomic equilibrium. (12 marks)
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OR

Question 36**(20 marks)**

- a) With reference to suitable diagrams, explain how overproduction and underproduction impact the efficiency of free markets. (12 marks)
- b) Discuss the reasons why the government may choose to implement a price floor on inner-city parking, and the impact this floor will have on the efficiency of the market if the government is unable to support the floor by purchasing surplus units. (8 marks)

END OF QUESTIONS**See next page**