etawa

SUNDOWNER
2024

STEVEN KEMP

School Visits

Good news!
Curtin University are continuing to sponsor my school visits in 2024

If you would like me to visit your class then call, text or email

Email:
stevenkemp@me.com

Mobile:
0407986901

Exam Papers

- **Unit 3** – from **etawa**
- If you want a **Unit 4 exam** paper/marking guide call or text me (0407986901)

Unit 1/2 Teaching Slides

Updated for the 8th edition

$90 per set

- Unit 1 – Microeconomics
  - 5 chapters
- Unit 2 – Macroeconomics
  - 6 chapters

2023 Exam Paper — Section Means

	2023	2022	2021
Section 1	**71%**	73%	68%
Section 2	**59%**	54%	54%
Section 3	**53%**	45%	54%
Total	**59%**	55%	57%

Range: 0 - 96

The reliability of the exam (0.87) was similar to 2022

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Section One: Multiple Choice

- **Range**: 0-24; *Mean 71% (last year 73%)*
- **Difficult** questions (< 50%): **3**
- **Easy** questions: (> 80%) **9**
- **Reliability**: 0.67 (last year 0.71)

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Section 1   *Low correlation*   *Mean = 58%*

3. An economic effect of globalisation in Australia has been

(a) an appreciation of the Australian dollar.

(b) increased inflation.

(c) increased cyclical unemployment.

(d) the lowering of trade barriers.

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Section 1   *Low mean 36%*
Low correlation

9. Australia's top five two-way trading partners in 2022 were

(a) China, USA, United Kingdom, South Korea, Japan.

(b) China, Japan, South Korea, USA, Singapore.

(c) Japan, China, United Kingdom, USA, South Korea.

(d) China, Japan, South Korea, India, USA.

   Note - 2 answers are the same!!

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Section 1 *Very low correlation*

13. Low inflation, rising unemployment and high savings rates are characteristics of which phase of the business cycle?

(a) contraction

(b) trough

(c) expansion

(d) boom

Section 1 *Very low correlation* Mean = 85%

23. Which of the following is most likely to contribute to growth in Australia's renewable energy market?

(a) a fall in incomes of Australia's closest trading partners

(b) increased trade protection for the renewable energy industry

(c) government funding to increase innovation and productivity in the energy sector

(d) allowing cheaper renewable energy products from overseas


Section 1 *Very low correlation* Mean = 62%

24. A reason for the decline in productivity growth levels in Australia over the last 10 years is

(a) faster than expected rates of technical progress and innovation.

(b) rising rates of economic growth.

(c) increased capital deepening.

(d) increased globalisation, causing structural change.

2 answers have a positive correlation

Section 1 *Very high correlation* Mean = 73%

5. According to the model,

(a) Australia has an absolute advantage in wheat and a comparative advantage in rubber.

(b) Malaysia has an absolute and comparative advantage in the production of rubber.

(c) Australia has an absolute advantage in the production of wheat and rubber.

(d) Malaysia has an absolute advantage in rubber and a comparative advantage in wheat.
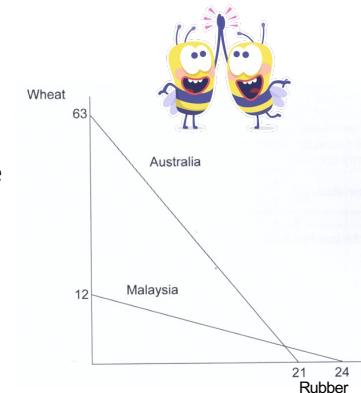
Section 1   *Very low mean*   *Mean = 31%*
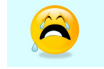
6. The terms of trade that would allow both countries to engage in trade is
(a) Australia receives one unit of rubber for one unit of wheat.
(b) Malaysia receives 0.5 units of wheat for one unit of rubber.
(c) Australia receives two units of rubber for one unit of wheat.
(d) Malaysia receives 0.5 units of wheat for two units of rubber.

Wheat
63
Australia
12   Malaysia
   21 24
        Rubber
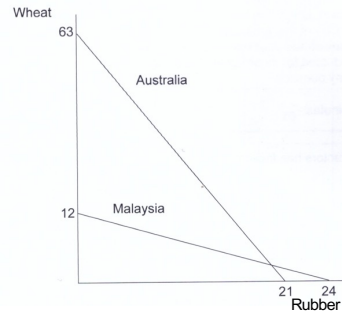
13

Section 1   *Very Low mean 25%*

15. According to the aggregate expenditure (AE) model, when the level of income is below equilibrium, then the inventory levels of firms are

(a) rising, which causes production to decrease.
(b) falling, which causes production to decrease.
(c) rising, which causes production to increase.
{d} falling, which causes production to increase.

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AE Model

AE

AE
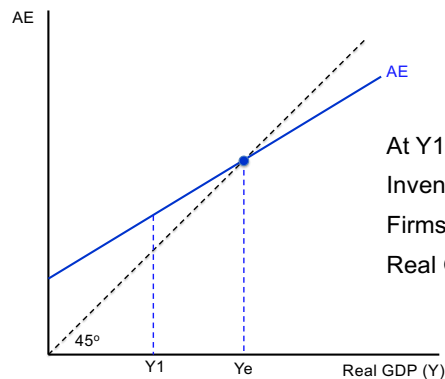
At Y1, income is less than expenditure
Inventories will _____
Firms will increase production
Real GDP will increase

45°
   Y1   Ye   Real GDP (Y)

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Section 2

The mean was **59%**
Range: 0 - 36
Strong correlation with exam total (0.87)

Too low

- **Q25 – Terms of trade** (mean = 49%)
- **Q26 – Productivity** (mean = 61%)
- **Q27 – Fiscal policy (Budget)** (mean = 66%)

Note – models were required in 2 of the 3 questions!

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Section 2

Question 25

(b) **Outline** two reasons for the trend in the terms of trade. (4 marks)   *Mean = 40%*
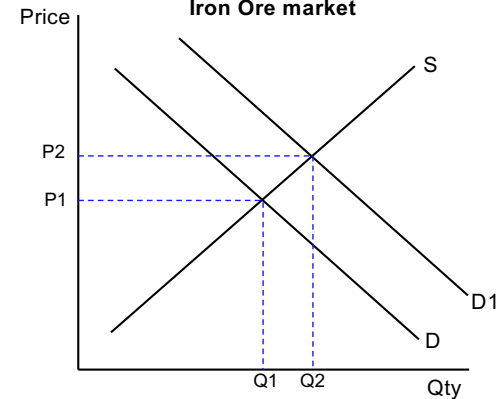
- *The terms of trade increased from 89.6 – to 138.6.*
- *Both the XPI & the MPI increased.*
- *Answers must relate to the increase in the XPI*

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Section 2

Iron Ore market

What can cause an increase in commodity prices e.g. iron ore?

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Section 2

Cereal or Beef market
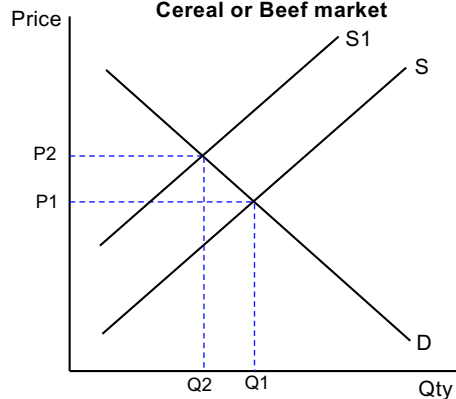
What can cause an increase in food prices?

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Section 2

Question 25

(c) **Explain two** impacts on Australia's economic activity of the change in the terms of trade index since 2018. (6 marks)

Mean = 46%

- *3 marks for explanation of each impact*
- *Must relate to effect on economic activity – output, income, employment*
- *Most students achieved a mark of only 3 – lacked depth of explanation*

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Section 2

Question 26

Australian market sector productivity growth

(a) ii State the trend in labour productivity growth between 2018 and 2021.

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Section 2

Question 26

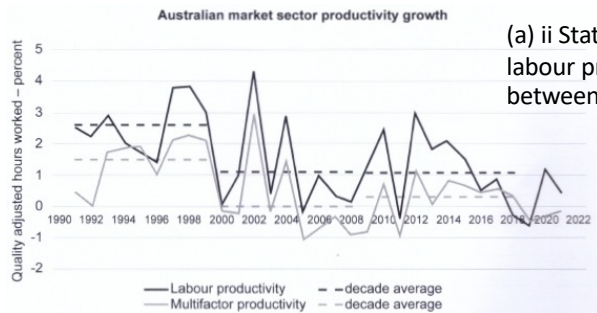(c) Using an AD/AS model, explain the impact of lower levels of business investment on the level of economic activity in Australia. (6 marks) *Mean = 56%*

- *4 marks for explanation – including multiplier effect*
- *2 marks for model showing a decrease in AD*
- *But . . .*
  "*Some of the reasons why Australia's productivity is declining include lower levels of business investment*" (p.11)

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Section 1

18. According to the AD/AS model, a fall in a nation's productivity level will shift the
    (a) aggregate supply (AS) curve to the right.
    (b) aggregate supply (AS) curve to the left.
    (c) aggregate demand (AD) curve to the right.
    (d) aggregate demand (AD) curve to the left.

    So what did many students do with the model?

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Section 2

Question 27

(c) Using an AD/AS model, describe how the government uses discretionary fiscal policy spending on infrastructure projects to achieve long run price stability and economic growth in the Australian economy. (6 marks) *Mean = 56%*

- *4 marks for explanation – including definition/example of infrastructure*
- *2 marks for model showing an increase in AS*
- *But . . .*

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Section 3

- The mean for this section was **53%**. Range: 0 – 39.5
- Low correlation with exam total 0.70
- *Q28 – Trade liberalisation (model)* (mean 54%; chosen by 63%)
- *Q29 – Current account & exchange rate (model)* (mean 51%; chosen by 36%)
- *Q30 – Monetary policy (model)* (mean 53%; chosen by 82%)
- *Q31 – Structural change (model)* (mean 48%; chosen by 15%)

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Section 3

Unit 3 Question 28

(a) Outline the concept of free trade agreements and describe three arguments for trade liberalisation.   (8 marks)

[2 marks]   [3 x 2 marks]

Mean = 60%

- *Very descriptive - generally well answered – most students achieving a mark of 5/8*

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Section 3

Unit 3 Question 28

(b) Using demand and supply models, demonstrate and explain how consumers and producers benefit from specialisation and trade. (12 marks)   *Mean = 50%*

- *CONSUMERS (6 marks)*
  - *6 marks – explain how consumers benefit (increase in CS)*
  - *2 marks – model showing imports (Pw < Pd)*
- *PRODUCERS (6 marks)*
  - *6 marks – explain how producers benefit (increase in PS)*
  - *2 marks – model showing exports (Pw > Pd)*

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Section 3

Unit 3 Question 29

(a) Outline the concept of the current account balance and describe four cyclical reasons for the current account surpluses since 2019.   (10 marks).   *Mean = 58%*

[2 marks]   [4 x 2 marks]

- *Not many students could correctly identify four cyclical factors – factors related to the trade balance*

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Section 3

Unit 3 Question 29

[2 marks] [4 marks]

(b) Using a demand and supply model, demonstrate and explain the impact of falling commodity prices on the value of the Australian dollar (AUD) and explain the impact of this change on Australian consumers.   (10 marks)   *Mean = 44%*

[4 marks]

- *A fall in commodity prices will **depreciate the $A. Why?***
- *A fall in commodity prices _____ the value of Aust's commodity exports.*
- *Many students did the opposite – stated that a fall in prices would appreciate the $A – awarded a mark of **ZERO**!*

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Section 3

Unit 3 Question 29

(b) Using a demand and supply model, demonstrate and explain the impact of falling commodity prices on the value of the Australian dollar (AUD) and explain the impact of this change on Australian consumers.   (10 marks)   *Mean = 58%*

- *Why do students get this wrong?*
- *They think a fall in price increases demand – but this is WRONG!*
- *In any market, price can only fall if either **DEMAND** _____ or SUPPLY _____.*

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Commodity prices

Iron Ore market
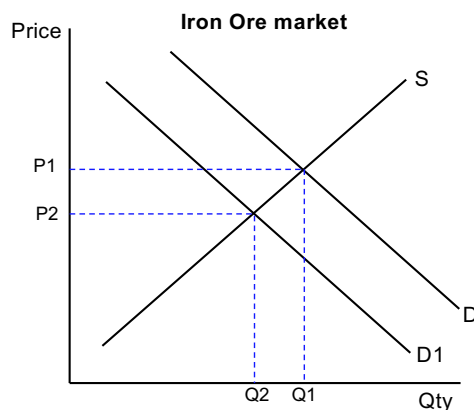
What can cause commodity prices to fall? A decrease in demand or an increase in supply

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Section 3

Unit 3 Question 30

[2 marks]

(a) Outline the concept of monetary policy and describe three circumstances under which the Reserve Bank of Australia (RBA) may change the cash rate to achieve its macroeconomic objectives.   (8 marks)   *Mean = 65%*

[3 x 2 marks]

- *Generally well answered*
- *3 circumstances – either relate to achieving the three key objectives – price stability, full employment & economic growth*
- *3 circumstances – or relate to different stances – expansionary, contractionary or neutral*

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Section 3

[2 marks]

Unit 3 Question 30

(b) Using an aggregate expenditure (AE) model, analyse the impact
of rising interest rates on output and expenditure in the
Australian economy.   (12 marks)   *Mean = 45%*

[10marks]

- *Note 10 marks allocated to analysing the impact on both output and expenditure*
- *Most students only achieved a mark of 3/10!*
- *Must refer to*

New Exam Structure

Section 1   Multiple choice – 20 questions (20 marks)

Section 2   Data Interpretation – 4 questions (50 marks)

   Unit 3 – answer 2 questions (25 marks)

   Unit 4 – answer 2 questions (25 marks)

Section 3   Extended Answer – 2 questions (30 marks)

   Unit 3 – answer 1 from choice of 2 questions (15 marks)

   Unit 4 – answer 1 from choice of 2 questions (15 marks)

Effect on student performance?

New Section 3 Questions

Unit 3 Sample Question (15 marks)

Explain the reasons why governments use protectionist policies and the impact that these policies have on the economy.

In your response include:
- *a definition of protection*
- *two arguments for trade protection*
- *the impact of a subsidy on market efficiency and the macroeconomy*
- *an appropriate economic model to demonstrate the impact of a subsidy on market efficiency and the macroeconomy.*

New Section 3 Questions

Unit 4 Sample Question (15 marks)

- *Using the Aggregate Expenditure model, explain the concept of macroeconomic equilibrium and how a change in investment spending can change the equilibrium level of income and output in the economy.*

New Syllabus – Unit 3

Globalisation topic deleted & replaced with Australia's international trade

- Australia's linkages between economies, including trade, investment, tourism and immigration
- the extent and importance of trade for the Australian economy
- the composition and direction of Australia's trade
- Australia's trade policy, including regional and bilateral free trade agreements

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New Syllabus – Unit 3

Free trade & protection

- the benefits of trade liberalisation
- specific mention of *quotas*
- arguments for & against trade liberalisation replaced with *arguments for protection*

Balance of payments

- the *double entry system* of recording transactions
- structural & cyclical reasons for the current account balance by factors influencing the *trade balance* & the *income balance*
- the current account balance and the *savings/investment gap*

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New Syllabus – Unit 3

Terms of trade

- specific mention of *commodity prices*

Foreign investment

- Australia's *foreign investment flows*
- the distinction between foreign direct and portfolio investment
- the link between foreign investment and the current account balance
- Australia's foreign assets, foreign liabilities and *international investment position*

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New Syllabus – Unit 4

Australia's macro performance & the business cycle

- trends in Australia's *macroeconomic performance* over the last ten years

The AE model

- the concept of macroeconomic equilibrium, including the *role of inventories*

The AD/AS model

- the *long-run aggregate supply (LRAS) curve* and factors that can cause shifts of the LRAS curve

40

New Syllabus – Unit 4

Fiscal policy
- the macroeconomic policy objectives of the Australian Government
- methods of financing a budget deficit and the *impact of government debt*

Monetary policy
- the economic policy objectives of the Reserve Bank of Australia
- *conventional* and *unconventional* monetary policy

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New Syllabus – Unit 4

Labour productivity
- the importance of *long-run economic growth*
- the concept of *labour productivity*
- the factors affecting labour productivity growth, including human capital, physical capital (capital deepening), technological progress
- the impact of changes in labour productivity using the *AD/AS model* and the *Aggregate Production Function (APF)*

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Questions

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