



1

## School Visits

**Good news!** Curtin University are continuing to sponsor my school visits in 2025

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

Email: [stevenkemp@me.com](mailto:stevenkemp@me.com)



Mobile: 0407986901

**Note: No school visits after September**

2

## Exam Papers

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

3

|                        | 2024       | 2023 | 2022 |
|------------------------|------------|------|------|
| <b>2024 Exam Paper</b> |            |      |      |
| • Section 1            | <b>80%</b> | 71%  | 73%  |
| • Section 2            | <b>65%</b> | 59%  | 54%  |
| • Section 3            | <b>59%</b> | 53%  | 45%  |
| • Total                | <b>66%</b> | 59%  | 55%  |

Candidates: 1659  
 Range: 0 – 98.5  
 The reliability of the exam (0.79) was significantly lower than 2023

4

## 2024 Exam Paper

### New syllabus

#### Section 1

- Meaning of a *'quota'*
- Shift of the *long run AS curve*
- Arguments for *protection*

#### Section 2

- *Double entry system* in the BoP
- *Conventional* monetary policy

#### Section 3

- *International investment position*
- *Government debt*
- The *aggregate production function*

5

## Section One: Multiple Choice

- Range: 0-20; *Mean 80% (last year 71%)*
- Difficult questions (< 50%): 2
- Easy questions: (> 80%) 14
- Reliability: 0.74

6

## Section 1

**Mean = 42%**



3. The table below shows the number of labour hours required to produce one unit of cotton and one unit of wool in two countries.

|           | Wool | Cotton |
|-----------|------|--------|
| India     | 10   | 15     |
| Australia | 20   | 20     |

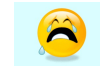
Which of the following statements is correct?

- India has an absolute advantage in producing both wool and cotton.
- India has a comparative advantage in producing cotton.
- Australia has a comparative advantage in producing wool.
- Neither country has a comparative advantage in producing wool or cotton.

7

## Section 1

**Low mean 32%**  
**High correlation**



7. An unfavourable movement in the terms of trade may be the result of

- a decrease in the trade balance.
- an appreciation of the Australian dollar (AUD).
- global shortages in major Australian imports.
- a rise in domestic unemployment.

**Excellent question**

8

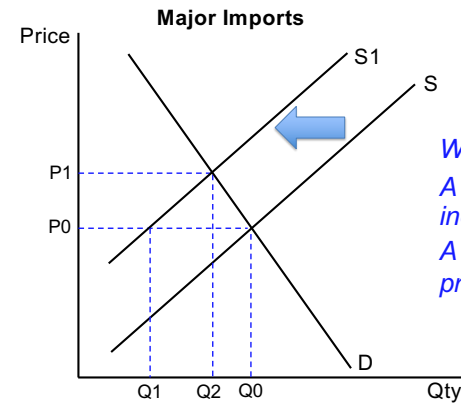
## Terms of Trade

- An unfavourable movement in the terms of trade may be the result of either a fall in export prices or a rise in import prices
- Will a global shortage cause a rise in price?
- Use the D/S model – a shortage can occur if either the supply curve decreases or the demand curve increases – causing an increase in price



9

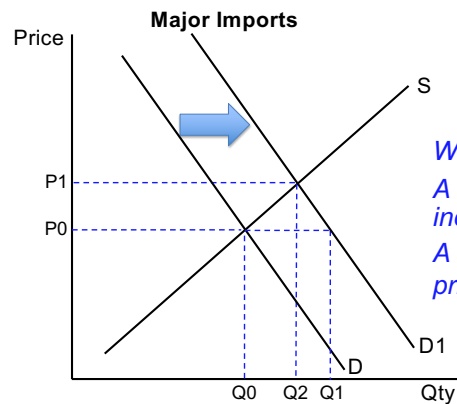
## Terms of Trade – rise in import prices



*What can cause a shortage?  
A decrease in supply or an increase in demand  
A shortage will always cause price to \_\_\_\_\_*

10

## Terms of Trade – rise in import prices



*What can cause a shortage?  
A decrease in supply or an increase in demand  
A shortage will always cause price to \_\_\_\_\_*

11

## Section 1

**Mean = 69%**

13. If the consumption function is  $C = 50 + 0.8Y$ , an increase in government spending of \$5 million would increase total income by
- \$50 million.
  - \$1.5 million.
  - \$3.5 million.
  - \$25 million.

**Very high correlation**

**Excellent question**

12

**Section 1**      *Mean = 83%*      *Very high correlation*

16. A strength of fiscal policy is
- (a) its ability to have a rapid effect on economic activity during a boom.
  - (b) that automatic stabilisers can stimulate spending during a boom.
  - (c) the short decision and recognition lag as a result of the political process.
  - (d) the directness of the policy in terms of targeting specific industries and initiatives.

*Excellent question*

13

**Section 1**      *Mean = 79%*      *Very high correlation*

19. A weakness of monetary policy is that
- (a) it has a large decision lag as it is a direct policy impacting sectors differently.
  - (b) it is not effective when economic activity is low, as consumers are pessimistic.
  - (c) the Reserve Bank of Australia (RBA) is not independent from the government so it aligns with the budget.
  - (d) there are long implementation lags, as the RBA does not meet regularly

*Excellent question*

14

**Section 2**

The mean was **65%**

Range: 0 - 50

Excellent correlation with exam total (0.95)

- **Q21 – Exchange rate** (mean = 66%)
- **Q22 – Balance of payments** (mean = 54%)
- **Q23 – Macro performance** (mean = 68%)
- **Q24 – Monetary policy** (mean = 70%)

**Note – models were required in 3 of the 4 questions!**



15

**Section 2**

**Question 21 Exchange Rate**

- (b) Describe two factors that affect the value of the Australian dollar (AUD).  
(4 marks)      *Mean = 69%*



**Key factors**

1. \$AUD is a 'commodity' currency
  - 8 of Australia's top 10 exports are **commodities**
  - The AUD is highly correlated with global commodity prices - as commodity prices rise, the AUD \_\_\_\_\_ (c.p.)

16

## Section 2

### Question 21 Exchange Rate

(b) Describe two factors that affect the value of the Australian dollar (AUD). (4 marks) **Mean = 69%**

#### Key factors

**2. Interest rate differential** – esp. against the US

- as Aust i/rs rise relative to the US, the AUD \_\_\_\_\_
- since the AUD floated in 1983, Aust i/rs have been higher than the US for \_\_\_\_\_



17

## Section 2

### Question 21 Exchange Rate

(b) Describe two factors that affect the value of the Australian dollar (AUD). (4 marks) **Mean = 69%**

#### Key factors

**3. Risk sentiment** – the AUD is known as a ‘risk asset’. Why?

- as global uncertainty increases, due to pandemics, geopolitical tensions or Trump, investors become risk averse and the AUD \_\_\_\_\_
- investors dump the AUD and move to a ‘safe haven’ such as the \_\_\_\_\_



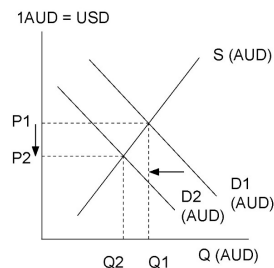
18

## Section 2

### Question 21 Exchange Rate

(c) Using a D/S model, demonstrate a depreciation of the AUD and describe two effects of this exchange rate movement. (6 marks) **Mean = 59%**

- Model showing depreciation – 2 marks
- Describe TWO effects – 2 marks each



19

## Section 2

### Question 22 Balance of payments

(c) Using an example, describe the **double entry system** of recording transactions in Australia's balance of payments. (3 marks) **Mean = 26%**

- For each transaction, there is a matching credit and debit entry.
- Suppose an Australian firm purchases cars from Germany for \$AUD1 million. How will the transaction be recorded?
- The value of the imported cars will be recorded in the current account as a \_\_\_\_\_ of \$1 million, while the payment of currency will be recorded as a \$1 million \_\_\_\_\_ in the financial account because \$1 million of Australian currency is \_\_\_\_\_.



20

## Section 2



### Question 22 Balance of payments

(d) Explain a reason for Australia's current account balance in terms of one factor influencing the trade balance and one factor influencing the income balance. (6 marks) **Mean = 55%**

- 3 marks to **explain** each reason – more than simply describe or outline
- Most students could not get to 4 marks!

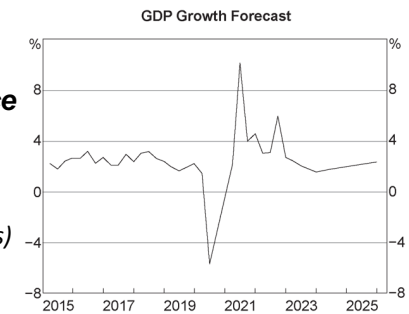
21

## Section 2

### Question 23 Macro performance

(b) With specific reference to the data, identify and account for one trend in Australia's macroeconomic performance since 2019. (4 marks)

**Mean = 72%**  
**Very low correlation**



22

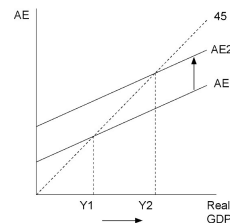
## Section 2

### Question 23 Macro performance **Mean = 62%**

(d) Using an AE model, demonstrate and analyse the impact of expected strong growth in autonomous consumption spending on the equilibrium level of income and output. (6 marks)

- 2 marks for the AE model showing the shift up of the AE function & the increase in real GDP
- 4 marks to **analyse** the impact
- 3 marks for **explain** the impact

What's the difference?



23

## Section 2

### Question 24 Monetary Policy

(b) Describe two circumstances under which the RBA may change the monetary policy stance. (4 marks) **Mean = 68%**

- Reason to change to a contractionary stance – 2 marks
- Reason to change to an expansionary stance – 2 marks

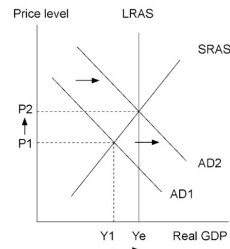
24

## Section 2

### Question 24 Monetary Policy

(c) Define 'conventional monetary policy' and using an AD/AS model, explain how conventional expansionary monetary policy impacts the level of economic activity through the asset prices and wealth channel. (6 marks) **Mean = 62%**

- Define conventional mp –
- AD/AS model –
- Explain the asset price channel –



25

## Section 3

- The mean for this section was **59%**. Range: 0 – 30
- **Q25 – Tariff (model)** (mean 59%; chosen by 89%)
- **Q26 – Foreign investment** (mean 59%; chosen by 11%)
- **Q27 – Fiscal policy (model)** (mean 59%; chosen by 69%)
- **Q28 – Labour productivity (model)** (mean 59%; chosen by 31%)

**\*THREE questions referred to a MODEL!**

26

## New Section 3 Questions

- Questions can require the candidate to **account for, assess, demonstrate, describe, discuss, evaluate** and/or **explain**.  
– **Note: no outline or analyse**
- Questions can require the candidate to apply economic concepts, theories and/or models.
- The question may include stimulus material.

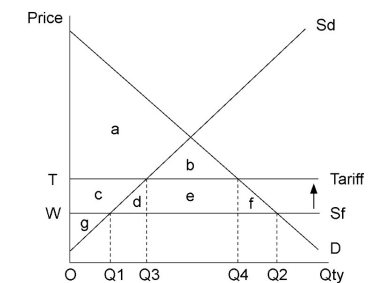
27

## Section 3

### Unit 3 Question 25

Using an appropriate model, analyse the impact of a tariff on trade, market efficiency and the macroeconomy. (15 marks) **Mean = 59%**

- **Analyse the impact**
  - on trade
  - on market efficiency
  - on the macroeconomy
- **Tariff model**



28

### Section 3

#### Unit 3 Question 26

Using examples, outline the concept of Australia's foreign assets, foreign liabilities and international investment position and explain one cost and two benefits of foreign investment in Australia.

Mean = 59%

- Outline the concept of Australia's
  - foreign assets
  - foreign liabilities
  - International investment position
- Explain one cost
- Explain two benefits

29

### Section 3

#### Unit 4 Question 27

Mean = 59%

Explain the impact of expansionary fiscal policy and increasing government debt on the level of economic activity in Australia, and outline the methods of financing a budget deficit.

In your response include:

- an appropriate economic model
- impact of expansionary fiscal policy
- two impacts of increasing government debt
- two methods of financing a budget deficit.

30

### Section 3

#### Unit 4 Question 28

Mean = 59%

Describe the factors affecting labour productivity, and demonstrate and explain the impacts of increasing labour productivity in Australia.

In your response include:

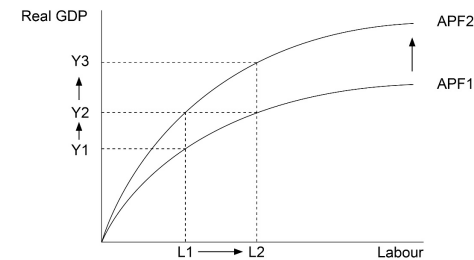
- a definition of labour productivity
- three factors affecting labour productivity
- two impacts of increasing labour productivity in Australia
- an aggregate production function

31

### Section 3

#### Unit 4 Question 28

Describe the factors affecting labour productivity, and demonstrate and explain the impacts of increasing labour productivity in Australia.



32