



South Australian
Certificate of Education

Economics

2021 Sample paper 2

Question booklet 2

- Questions 3 to 6 (35 marks)
- Answer **all** questions
- Write your answers in this question booklet
- You may write on page 8 if you need more space
- Allow approximately 65 minutes

SAMPLE

The external assessment requirements of this subject are listed on page 9.

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Government
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Source C

3. A small, remote town in Country B is 300 km from the nearest major town and has two large petrol retailers: Red and Blue. Each retailer can choose whether to maintain their price or lower their price for petrol. The following pay-off matrix shows the profit from a week's sales that each retailer will make if it maintains or lowers the price of petrol.

	Red		
		Maintain price	Lower price
Blue			
	Maintain price	\$9000	\$12 000
		\$9000	\$1500
	Lower price	\$1500	\$8000
		\$12 000	\$4000

With reference to Source C:

- (a) Identify the Nash equilibrium in the payoff matrix above.

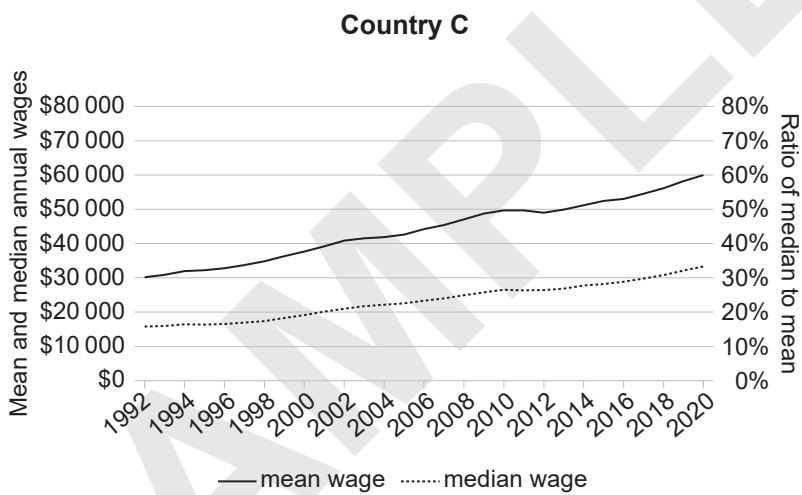
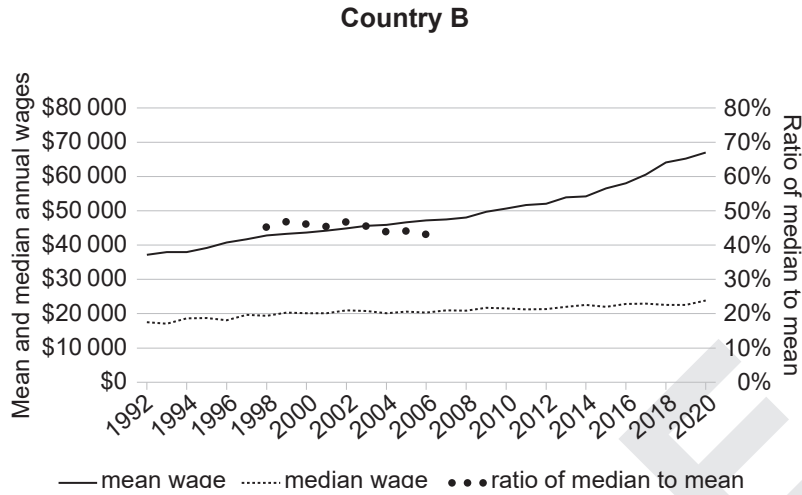
(2 marks)

- (b) Discuss whether this represents the best outcome for both retailers.

(2 marks)

Source D

4. The following graphs show the mean and median annual wages for Country B and Country C. A spokesperson for the government of Country B has stated that the data clearly shows that workers are better off in Country B than they are in Country C.



With reference to Source D:

Assess the claim by Country B's spokesperson that workers are better off in Country B than Country C in 2020.

(4 marks)

5. The government of Country B is committed to reducing greenhouse gas emissions by reducing the use of fossil fuels such as oil.

The government is considering paying a subsidy to producers of renewable energy in order to reduce the use of fossil fuels.

Evaluate the effectiveness of paying a subsidy to producers of renewable energy in order to reduce the use of fossil fuels.

(6 marks)

SAMPLE

Source E

6. Country B is a mid-sized, developed market economy. Its government is concerned about the current level of debt and is aiming for a budget surplus of 1% of GDP in 2021. The government claims that it has been relatively successful in achieving its internal macroeconomic objectives.

Some recent economic indicators for Country B are shown in the table below.

	June 2017	June 2018	June 2019	June 2020
Cash rate (%)	2.0	2.0	1.5	1.0
New car registrations (× 1000)	56	67	73	58
Dwelling approvals (× 1000)	250	250	229	192
Unemployment rate (%)	4.0	4.2	5.0	5.2
Budget position (% of GDP)	-2.0	-1.5	-2.0	-1.0

With reference to Source E:

- (a) (i) Identify the likely phase of the business cycle of the economy of Country B in 2019/20, using the economic indicators in the table. Justify your answer:

(3 marks)

- (ii) Explain why the government of Country B uses a range of economic indicators to help it manage the economy.

(4 marks)

- (iii) Outline *one* reason why government aims to achieve full employment.

(2 marks)

(iv) Explain what is meant by a 'floating exchange rate'.

(2 marks)

(v) Explain how 'the change in Country B's cash rate since 2017 could have affected Country B's exchange rate over the same period. Include a diagram to support your answer.

(4 marks)

SAMPLE

NOVEMBER 2021 SAMPLE ECONOMICS PAPER

The purpose of this sample paper is to show the structure of the 2021 Stage 2 Economics examination and the style of questions that may be used. The following extract is from the draft 2021 subject outline for Stage 2 Economics:

EXTERNAL ASSESSMENT

Assessment Type 3: Examination (30%)

Students undertake a 130-minute written examination.

In the examination, students apply their economic thinking to analyse and respond to one or more economic scenarios.

Students demonstrate economic thinking by applying economic inquiry skills, knowledge, and understanding of economic concepts, principles, and models in the analysis of and response to economic scenarios.

The examination consists of short-answer questions, open-ended questions, responses to stimuli, and extended-response questions. It draws on all skills, knowledge, and understanding of economic thinking from the core topic:

- economic inquiry skills
- data analysis
- microeconomics
- macroeconomics.

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

- understanding — U1
- application — A1, A2, A3
- analysis and evaluation — AE1, AE2.

Source: 2021 Draft Economics Subject Outline, Stage 2, p 16, on the SACE website, www.sace.sa.edu.au

