MA99 EDUCATION

Economics: Practice Paper 1 01

NSW ECONOMICS STAGE 6 SYLLABUS 2009 FOR HSC 2027

1. Instructions

Reading time: 5 minutes.

Working time: 3 hours.

Total marks: 100.

- Section I (20 marks): 20 multiple choice questions. Attempt all questions. Allow about 30 minutes.
- Section II (40 marks): four short answer questions. Attempt all questions and show all working. Write your answers in the spaces provided. Allow about 70 minutes.
- Section III (20 marks): one stimulus based extended response. Answer Question 25. Allow about 40 minutes. Write your response in a separate writing booklet.
- Section IV (20 marks): one extended response. Answer Question 26. Allow about 40 minutes. Write your response in a separate writing booklet.

Note: in the HSC, Sections III and IV each offer a choice of two questions. This MA99 paper simplifies that to one question in each section.

Use Australian spelling. Where you quote a statistic, state its reference period. An undated figure earns less credit than a dated one, in this paper and in the examination.



Figure 1 · How the 100 marks are split across the sections. Your time should follow the same split.

2. Section I · Multiple choice

20 marks. Attempt all twenty questions. Choose the best answer for each. Allow about 30 minutes.

2.1 Section I answer grid

Circle the letter on the question, then copy it here.

Q	1	2	3	4	5	6	7	8	9	10
Q	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**

Question 1

1 MARK

The clearest single indicator that the world economy has become more integrated over the past forty years is the rise in

A world population
B average tariff revenue collected per country
C the number of sovereign states
D trade as a share of world output

Question 2

1 MARK

An economy that opens to trade will, according to the theory of comparative advantage

A produce less of everything
B become self sufficient
C specialise where it has an absolute advantage
D specialise where its opportunity cost is lowest

Question 3

1 MARK

Verenga can produce 40 tonnes of wheat or 10 units of software per worker. Dunmorra can produce 30 tonnes of wheat or 15 units of software per worker. Verenga's opportunity cost of one unit of software is

A 4 tonnes of wheat
B 2 tonnes of wheat
C 10 tonnes of wheat
D 0.25 tonnes of wheat

Question 4

1 MARK

Using the same figures, the economy with the comparative advantage in software is

A Verenga, because it produces more wheat
B Dunmorra, because its opportunity cost of software is 2 tonnes against Verenga's 4
C neither, because Verenga has an absolute advantage in wheat
D both equally

Question 5

1 MARK

A quota differs from a tariff because a quota

A restricts the quantity imported rather than taxing it
B raises revenue for the government
C lowers the domestic price
D applies only to services

Question 6

1 MARK

The current account balance is equal to

A exports less imports of goods only
B the capital account less the financial account
C the balance on goods and services plus net primary income plus net secondary income
D net foreign debt for the year

Question 7

1 MARK

A dividend paid by an Australian company to a foreign shareholder is

A a services debit
B a secondary income debit
C a primary income debit
D a financial account credit

Question 8

1 MARK

Foreign aid provided by Australia is recorded as

A a primary income debit
B a capital account debit
C a services debit
D a secondary income debit

Question 9

1 MARK

If the current account is in deficit, the capital and financial account must, ignoring the balancing item, be

A in deficit of the same size
B zero
C in surplus of the same size
D in surplus of half the size

Question 10

1 MARK

Australia's current account deficit is chiefly explained by

A a large goods deficit
B government borrowing overseas
C a large secondary income deficit
D a large net primary income deficit reflecting the servicing of accumulated foreign liabilities

Question 11

1 MARK

Real gross domestic product is preferred to nominal gross domestic product as a measure of growth because real GDP

A holds prices constant so that changes reflect output
B includes the informal economy
C is measured per person
D excludes government spending

Question 12

1 MARK

An economy grows 3.0 per cent while its population grows 1.5 per cent. Output per person grows approximately

A 4.5 per cent
B 1.5 per cent
C 2.0 per cent
D 0.5 per cent

Question 13

1 MARK

The output gap is the difference between

A exports and imports
B saving and investment
C nominal and real gross domestic product
D actual output and potential output

Question 14

1 MARK

A person working ten hours a week who wants full time work is counted by the Australian Bureau of Statistics as

A unemployed
B not in the labour force
C employed and underemployed
D hidden unemployed

Question 15

1 MARK

A discouraged worker who has stopped looking for work is counted as

A outside the labour force
B employed
C unemployed
D underemployed

Question 16

1 MARK

The Reserve Bank of Australia's monetary policy decisions are made by the

A Monetary Policy Board
B Reserve Bank Board
C Governance Board
D Treasury

Question 17

1 MARK

The Monetary Policy Board meets

A once a month
B eight times a year
C eleven times a year
D quarterly

Question 18

1 MARK

The Reserve Bank implements a change in the cash rate target chiefly through

A changing bank lending rates directly
B open market operations that manage the supply of exchange settlement balances
C changing the exchange rate
D setting the deposit rate

Question 19

1 MARK

An increase in the cash rate will, other things equal, cause the Australian dollar to

A depreciate
B remain fixed
C appreciate
D become inconvertible

Question 20

1 MARK

The lag between a change in the cash rate and its full effect on inflation is usually estimated at

A one to two months
B about one to two years
C three to five years
D no lag at all

3. Section II · Short answer

40 marks. Attempt all four questions in the spaces provided. Show all working. Allow about 70 minutes.

Question 21

10 MARKS

Globalisation is measured by several flows, not one.

(a) Define globalisation. **2 MARKS**

(b) Identify three flows across national borders that have grown under globalisation, and for each state one way it affects the Australian economy. **6 MARKS**

(c) Explain why an increase in trade as a share of world output is a better measure of integration than an increase in the dollar value of world trade. **2 MARKS**

Question 22

10 MARKS

Verenga's external transactions for one year are shown, in billions of vera.

ITEM	CREDITS	DEBITS
Goods	146	118
Services	44	62
Primary income	12	50
Secondary income	5	7

(a) Calculate the balance on goods and services. **2 MARKS**

(b) Calculate the current account balance and state whether it is a surplus or a deficit. **2 MARKS**

(c) State the implied balance on the capital and financial account and explain why the two accounts must offset. **3 MARKS**

(d) Explain which component is driving the current account outcome, and what that implies about Verenga's external position. **3 MARKS**

Question 23

10 MARKS

Verenga's economy is described by the following figures.

INDICATOR	YEAR 1	YEAR 2
Real gross domestic product, V$ billion	690.0	705.0
Population, million	11.75	12.10

INDICATOR	YEAR 1	YEAR 2
Consumer price index	126.0	131.5

(a) Calculate the rate of real economic growth. **2 MARKS**

(b) Calculate real gross domestic product per capita in each year and state the change. **3 MARKS**

(c) Calculate the rate of inflation. **2 MARKS**

(d) Explain what these three results together say about living standards in Verenga. **3 MARKS**

Question 24

10 MARKS

At its meeting of 11 August 2026 the Reserve Bank held the cash rate at 4.35 per cent, after three increases earlier in the year, and did not expect inflation back at the middle of the 2 to 3 per cent target range until early 2028 (RBA). The most recent decision (3 November 2026) raised the cash rate target to 4.85 per cent from 4 November.

(a) Identify the instrument of monetary policy and the body that sets it. **2 MARKS**

(b) Explain three channels through which a higher cash rate reduces inflation. **6 MARKS**

(c) Explain what the forecast horizon tells you about the Bank's assessment of the inflation it faces. **2 MARKS**

4. Section III · Extended response

20 marks. Answer Question 25. Refer to the stimulus and use correct economic terminology. Allow about 40 minutes.

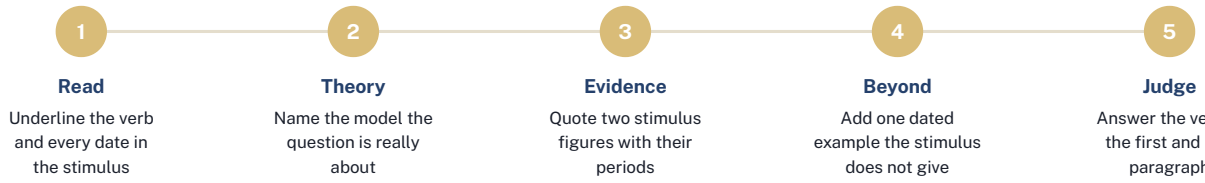


Figure 2 · A stimulus response in five moves. The stimulus is evidence to use, not a passage to summarise.

Stimulus · Globalisation and the trading system

The World Trade Organization estimated that 72 per cent of world merchandise trade was still conducted on a most favoured nation basis at the end of February 2026 (WTO). The WTO forecast world merchandise trade volume growth of 1.9 per cent in 2026, down from 4.6 per cent in 2025, then 2.6 per cent in 2027 (WTO, forecast of 19 March 2026). In its latest forecast (8 October 2026) the WTO raised its 2026 forecast to 3.9 per cent and its 2027 forecast to 4.1 per cent. Trade in artificial intelligence enabling goods reached US$4.18 trillion in 2025, up 21.9 per cent, accounting for 42 per cent of the growth in world trade from only one sixth of its value, and these goods are largely exempt from new tariffs (WTO).

Question 25

20 MARKS

Analyse the impact of globalisation on the world economy, and assess the claim that the rules based trading system is in retreat. In your response, refer to the stimulus and to at least one further dated Australian or global example. Write your response in a separate writing booklet.

5. Section IV · Extended response

20 marks. Answer Question 26. Use correct economic terminology and support your response with dated evidence. Allow about 40 minutes.

Question 26

20 MARKS

Explain the benefits of international trade, and analyse the reasons governments continue to protect domestic industries. In your response, refer to at least one dated contemporary example. Write your response in a separate writing booklet.

6. Solutions

Answers, worked solutions and marking criteria for Practice Paper 1.

Section I · Answers

Q	ANSWER	WHY
1	(D)	Trade as a share of output is the standard openness measure. The others do not measure integration.
2	(D)	Specialisation follows comparative advantage, which is about opportunity cost.
3	(A)	40 divided by 10 equals 4 tonnes of wheat given up for each unit of software.
4	(B)	Dunmorra gives up 30 divided by 15, which is 2 tonnes, against Verenga's 4.
5	(A)	A quota is a quantity restriction and raises no revenue for the government.
6	(C)	All three components. Leaving out income is the most common error in this topic.
7	(C)	Returns to foreign owned factors of production are primary income.
8	(D)	A transfer with nothing given in return is secondary income.
9	(C)	The accounts sum to zero by construction.
10	(D)	Net primary income is roughly four times the goods and services deficit.
11	(A)	Constant prices isolate the change in volume.
12	(B)	Roughly the difference between the two rates.
13	(D)	It measures spare or excess capacity.
14	(C)	Any paid work counts as employed; wanting more hours makes them underemployed.
15	(A)	Not actively looking means not in the labour force, so not in the unemployment rate.
16	(A)	The Reserve Bank Board was replaced by the Monetary Policy Board on 1 March 2025.
17	(B)	Eight scheduled meetings a year under the current arrangements.
18	(B)	The syllabus model: it targets the overnight rate by managing liquidity in the cash market. In practice the Bank now keeps the cash rate inside a corridor of standing rates (Topic Notes 3.3).
19	(C)	Higher relative returns attract capital inflow.
20	(B)	The long and variable lag is why the Board must act on forecasts.

Section II · Model answers and mark allocations

QUESTION 21 · 10 MARKS

(a) Globalisation is the increasing integration of national economies into a single world economy through the growth of cross border flows of goods and services, capital, investment, technology and labour.

(b) Trade: Australia sells commodities and education abroad and buys manufactures, so world demand determines a large part of Australian income. Finance and investment: Australian banks and firms borrow offshore and superannuation funds invest offshore, so global financial conditions transmit directly. Labour: net overseas migration of 292,100 people over the year to 31 March 2026 (ABS) added to the labour force and to demand. Technology is also acceptable, as is the operation of transnational corporations.

(c) The dollar value of world trade rises with inflation and with the growth of world output, so it can rise while trade becomes less important. A ratio to output removes both effects and isolates the change in openness.

Marks: 2 for the definition; 2 for each flow with an Australian effect, to 6; 2 for the ratio argument.

QUESTION 22 · 10 MARKS

(a) Goods: 146 less 118 equals a surplus of V$28 billion. Services: 44 less 62 equals a deficit of V$18 billion. Balance on goods and services: a surplus of V$10 billion.

(b) Primary income is a deficit of V$38 billion and secondary income a deficit of V$2 billion. Current account: 10 less 38 less 2 equals a deficit of V$30 billion.

(c) A surplus of V$30 billion, ignoring the balancing item. Every transaction is recorded twice, so foreign currency spent in excess of that earned must have been obtained by borrowing from or selling assets to foreigners, which is recorded in the capital and financial account.

(d) Net primary income, at a deficit of V$38 billion, is the driver, and it exceeds the current account deficit on its own. Verenga is trading profitably in goods and services but paying out heavily on the returns owed to foreign owners of its debt and equity. This is the signature of an economy that has funded past deficits with foreign capital: the deficit is the cost of servicing the accumulated liability, not a failure to sell abroad.

Marks: 2 for goods and services; 2 for the current account with the sign; 3 for the offset with the double entry reason; 3 for identifying primary income and interpreting it.

QUESTION 23 · 10 MARKS

(a) (705.0 less 690.0) divided by 690.0, times 100, equals 2.2 per cent.

(b) Year 1: 690.0 divided by 11.75 equals V$58,723. Year 2: 705.0 divided by 12.10 equals V$58,264. The change is a fall of V$459, or about 0.8 per cent.

(c) (131.5 less 126.0) divided by 126.0, times 100, equals 4.4 per cent.

(d) Output grew 2.2 per cent but output per person fell about 0.8 per cent, because population grew about 3.0 per cent, faster than output. Meanwhile prices rose 4.4 per cent. A household whose nominal income grew with the economy would have gone backwards twice over, once because output per person fell and again because prices rose. The aggregate figure describes the size of the market; the per capita figure describes the experience of the typical person, and here they tell opposite stories.

Marks: 2 for 2.2 per cent; 3 for both per capita figures and the fall; 2 for 4.4 per cent; 3 for an interpretation that separates aggregate from per capita.

QUESTION 24 · 10 MARKS

(a) The instrument is the cash rate target, the rate on unsecured overnight loans in the interbank market. It is set by the Monetary Policy Board of the Reserve Bank of Australia, which has met eight times a year since the Board structure changed on 1 March 2025.

(b) Interest rate channel: higher lending rates raise the cost of borrowing and reduce the disposable income of indebted households, so consumption and investment fall, reducing aggregate demand. Asset price and wealth channel: higher rates lower the present value of future income streams, so house and share prices fall, households feel less wealthy and spend less, and collateral values fall. Exchange rate channel: higher domestic rates attract capital inflow, appreciating the dollar, which directly lowers the domestic price of imports and reduces export demand. The expectations channel is also acceptable.

(c) A horizon of roughly eighteen months from the forecast implies the Bank believes a substantial part of the inflation is persistent rather than cyclical, since a purely demand driven inflation responds to the cash rate within a few quarters. It also implies a willingness to accept weaker growth and higher unemployment for that period.

Marks: 2 for the instrument and the Board; 2 for each channel explained, to 6; 2 for the inference from the forecast horizon.

Section III · Question 25

Indicative content. This is what a full mark response covers. It is not a model answer and a student who reproduces it in this order has written a list, not a response.

- The mechanisms of globalisation: trade, finance and investment, technology, and labour flows; the gains from specialisation, scale and technology transfer; the distributional consequences within and between economies.
- The case for retreat: tariff activity has risen, importers brought purchases forward to get ahead of new measures, and forecast merchandise trade growth of 1.9 per cent in 2026 is well down on 4.6 per cent in 2025, although the WTO raised its 2026 forecast to 3.9 per cent on 8 October 2026, which weakens the case for retreat.

- The case against: 72 per cent of world merchandise trade still moves under most favoured nation rules, retaliation has been limited, exemptions have been numerous, and the category carrying trade growth is largely exempt. Australia continues to conclude agreements, with nineteen in force at September 2026 (DFAT).
- The resolution available to a strong response: the two bodies of evidence are not in conflict. The system is being reshaped selectively, with protection concentrated in particular sectors and relationships rather than applied generally. A response that says what evidence would settle the question, such as the trend in the most favoured nation share, is doing the work the command word asks for.
- The stimulus must be integrated, not listed. Its last sentence, on AI-enabled goods, supports an argument most students will miss: aggregate trade figures are being held up by a narrow exempted category, so ordinary traded goods face a weaker environment than the total suggests.

MARKS	CRITERIA
17 to 20	Sustains a clear and defensible judgement throughout. Uses accurate economic theory and at least three dated figures with their reference periods. Addresses the counter case. Integrates the stimulus rather than listing it. Structure and terminology are sound.
13 to 16	Explains the main ideas well with mostly accurate theory. Refers to the stimulus and uses dated evidence. Reaches a judgement, although the counter case is treated briefly. Clear structure.
9 to 12	Describes relevant ideas with some theory. Limited or undated use of evidence and of the stimulus. The judgement is asserted rather than argued.
5 to 8	Sketches a few relevant points with basic theory and little support. Simple structure.
1 to 4	Makes a limited or largely descriptive attempt with minimal economic content.

Section IV · Question 26

Indicative content. The command word governs the shape of the response. Read it before you plan.

- The gains: specialisation according to comparative advantage, lower prices and greater variety, access to larger markets and economies of scale, technology transfer, and the competitive discipline that raises productivity.
- The methods of protection and the incidence of each: tariffs on consumers, quotas on consumers with the rent to licence holders, subsidies on taxpayers, and non tariff barriers on consumers and downstream producers.
- Why protection persists: concentrated benefits against dispersed costs, so the gainers organise and the losers do not; infant industry and national security arguments; the political weight of a visible job lost against an invisible job created; and the concentration of adjustment costs in particular regions.
- A strong response argues that trade raises aggregate welfare while redistributing it, and that protection is a response to the redistribution rather than a rejection of the aggregate gain. It follows that adjustment assistance is a better answer than protection to the problem protection is meant to solve.
- Dated evidence available: 72 per cent of world merchandise trade still on a most favoured nation basis at the end of February 2026 and merchandise trade growth forecast at 1.9 per cent in 2026 in March and raised to 3.9 per cent on 8 October 2026 (WTO); nineteen Australian agreements in force at September 2026 (DFAT).

MARKS	CRITERIA
17 to 20	Sustains a clear and defensible judgement. Uses accurate theory and at least three dated figures with their reference periods. Addresses the counter case seriously rather than dismissing it. Structure and terminology are sound.
13 to 16	Explains the main ideas well with mostly accurate theory and dated evidence, and reaches a judgement. Clear structure.
9 to 12	Describes relevant ideas with some theory and limited evidence.
5 to 8	Sketches a few relevant points with basic theory and little support.
1 to 4	Limited or largely descriptive, with minimal economic content.

> Mark it against the criteria, then rewrite one paragraph.

Attempt record

Come back every few weeks and date it. Improvement in a written subject is invisible from the inside, which is why students who are getting better so often believe they are not.

DATE	MARK OUT OF 100	THE ONE THING TO FIX NEXT TIME

Fill one row every time you sit a set. A tracker with three rows is worth more than a perfect one you never started, because the pattern only shows up across attempts, not inside one.

About this resource

MA99 EDUCATION

Scope

NSW Economics, Year 12. Written to the NSW Economics Stage 6 Syllabus 2009, all four topics, for students sitting the HSC in 2027. A new Economics syllabus is first examined in HSC 2028. Australian and world data are real, dated and sourced; worked calculations use the invented economy of Verenga; every number was recomputed from its inputs before printing.

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