MA99 EDUCATION

Economics: Practice Paper 1 01

NSW ECONOMICS 11-12 SYLLABUS 2025 FOR HSC 2028 AND LATER

1. Instructions

A complete Year 11 yearly examination in the four sections of the HSC Economics examination, on all six Year 11 focus areas. This paper leans towards markets and prices, and towards households and businesses; Papers 2 and 3 lean elsewhere, and Papers 4 and 5 are mixed papers. Complete it under timed conditions before reading the marking guidance. A paper you have read the answers to has been studied, not attempted.

General instructions

- Reading time: ten minutes.
- Working time: three hours.
- Write using black pen.
- NESA approved calculators may be used.
- Draw diagrams in pencil with a ruler.
- Show all relevant working in questions involving calculations.
- Label every axis and curve on every diagram.

Total marks: 100

Section I, 20 marks. Attempt Questions 1 to 20. Suggested time: about 30 minutes. Section II, 40 marks. Attempt Questions 21 to 31. Suggested time: about 70 minutes. Section III, 20 marks. Attempt Question 32 OR Question 33. Suggested time: about 40 minutes. Section IV, 20 marks. Attempt Question 34 OR Question 35. Suggested time: about 40 minutes.

The minute figures are this paper's own budget. Three hours for 100 marks is 1.8 minutes a mark. Section I gets less than that, because a multiple choice item is quick when you know the idea, and Sections III and IV get the time back, because extended writing takes longer per mark.



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

The data in this paper

Australian figures are real, dated and sourced as at early October 2026: the ABS, the RBA, the ATO, Budget Paper No. 1 2026-27, the ACCC, the Fair Work Commission and named research. The sources are repeated beside each answer in the marking guidance. Any table, business or economy that is not real says "hypothetical" in its first line, and is never something you can cite as evidence.

2. Section I · Multiple choice

Section I

20 marks. Attempt Questions 1 to 20. Suggested time: about 30 minutes. Select the alternative A, B, C or D that best answers the question.

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

Mia can spend Saturday studying for an exam, working a shift that pays $160, or going to the beach. She ranks studying first, the shift second and the beach third, and she studies. What is the opportunity cost of her choice?

A The trip to the beach
B The $160 and the trip to the beach
C The $160 shift
D Nothing, because she chose her first preference

Question 2

1 MARK

A shopper sees a jacket marked “Was $400, now $220” and buys it as a bargain, although similar jackets sell for $180 in other stores. Which cognitive bias is shown?

A Loss aversion
B Confirmation bias
C Sunk cost fallacy
D Anchoring

Question 3

1 MARK

In a hypothetical economy, in billions of dollars, S = 120, T = 90, M = 70, I = 110, G = 95 and X = 60. Which statement is correct?

A Injections exceed leakages by $15 billion, so economic activity is likely to rise
B Leakages exceed injections by $15 billion, so economic activity is likely to fall
C Leakages exceed injections by $15 billion, so economic activity is likely to rise
D The economy is in equilibrium, because government spending exceeds taxation

Question 4

1 MARK

An economy produces only capital goods and consumer goods, and its resources are fully employed. Which choice is most likely to shift its production possibilities frontier furthest outward in the future?

A Producing more capital goods and fewer consumer goods now
B Producing more consumer goods and fewer capital goods now
C Moving from a point inside the frontier to a point on it
D Reducing unemployment to its lowest possible level

Question 5

1 MARK

After a poor harvest, the price of avocados rises, and the smaller crop goes to the buyers most willing and able to pay for it. Which function of relative prices is shown?

A Signalling
B Incentive
C Rationing
D Redistribution

Question 6

1 MARK

Ceteris paribus, which of the following would cause an increase in demand for electric vehicles?

A A fall in the price of electric vehicles
B A fall in the cost of producing batteries
C A rise in the price of electricity for home charging
D A rise in the price of petrol

Question 7

1 MARK

A cinema (hypothetical) cuts its ticket price from $20 to $16, and weekly tickets sold rise from 2,000 to 2,600. Which statement is correct?

A Price elasticity of demand is 1.5, demand is relatively elastic, and total revenue rises
B Price elasticity of demand is 0.67, demand is relatively inelastic, and total revenue falls
C Price elasticity of demand is 1.5, demand is relatively elastic, and total revenue falls
D Price elasticity of demand is 0.67, demand is relatively inelastic, and total revenue rises

Question 8

1 MARK

A ride-share app becomes more useful to riders as more drivers join it, and more useful to drivers as more riders join it. This helps the largest app keep its market power. The feature described is

A First-mover advantage
B Economies of scale
C Network effects
D Predatory pricing

Question 9

1 MARK

Vaccination protects the person vaccinated and also the people around them. In an unregulated market for vaccination, which statement is correct?

A Marginal social cost is above marginal private cost, so the market overproduces vaccination
B Marginal social benefit is above marginal private benefit, so vaccination is underconsumed
C Marginal private benefit is above marginal social benefit, so vaccination is overconsumed
D The market quantity is the social optimum, because buyers pay the full price

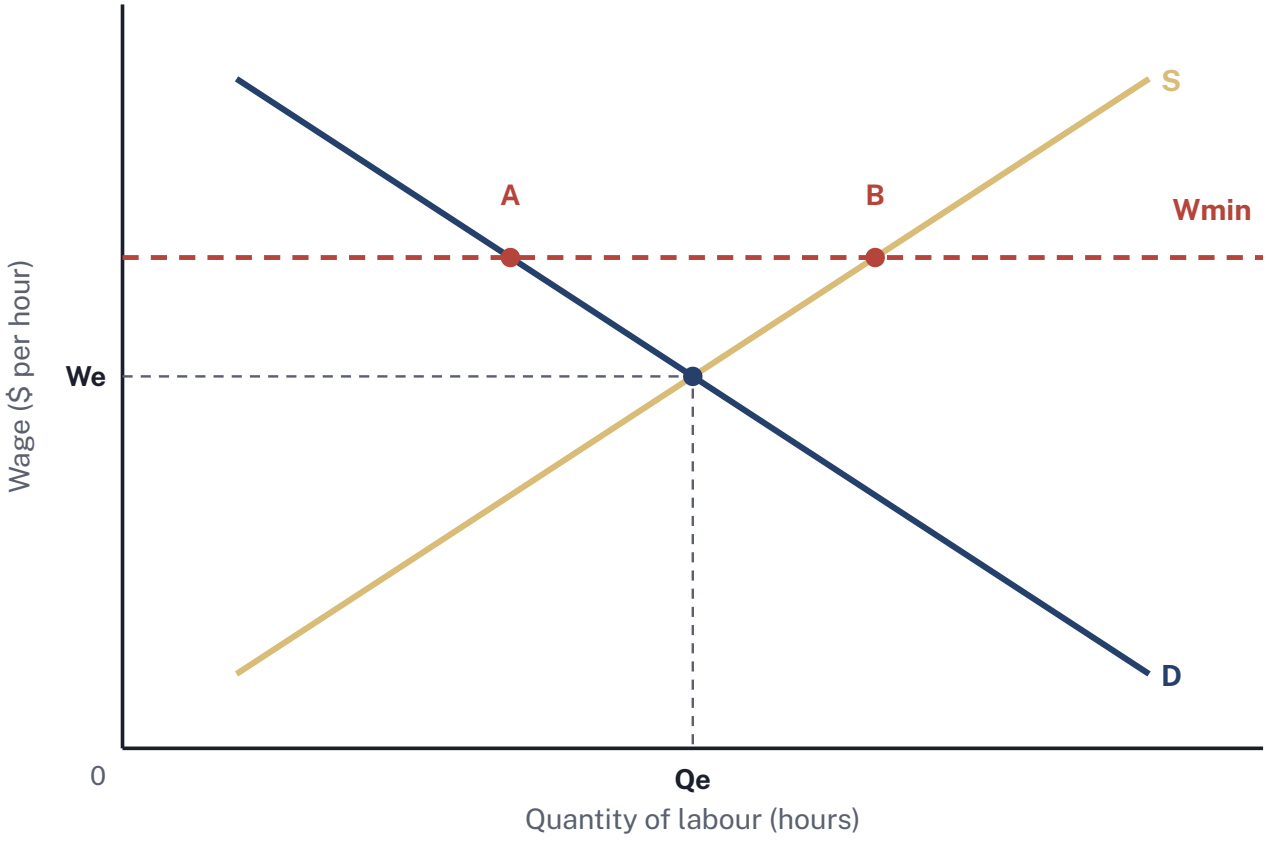


Figure 2 · A labour market (hypothetical), for Question 10. We is the equilibrium wage and Wmin a legal minimum wage.

Question 10

1 MARK

Refer to Figure 2. The government sets the minimum wage Wmin above the equilibrium wage We. Ceteris paribus, what does the model predict?

A An excess demand for labour equal to the distance AB

B An increase in the demand for labour

C The wage falls back to We as workers compete for jobs

D An excess supply of labour equal to the distance AB

Question 11

1 MARK

In the June quarter 2026, compared with the June quarter of 2025, household net disposable income rose by $21.8 billion and household consumption rose by $18.0 billion (ABS). The marginal propensity to save was about

A 0.83

B 1.21

C 0.17

D 0.21

Question 12

1 MARK

A luxury handbag brand finds that demand for its bags rises after it raises their price. For its buyers, the handbag is

A A normal good

B An inferior good

C A complementary good

D A Veblen good

Question 13

1 MARK

Which of the following is an EXTERNAL economy of scale?

A A large supermarket chain buys stock in bulk at a discount

B Software firms cluster in one city, so each finds skilled workers and specialist suppliers more easily

C A national bank spreads the cost of an advertising campaign over millions of customers

D A very large firm finds it harder to coordinate its many divisions

Question 14

1 MARK

From 5 January 2026 the 3 Day Guarantee gives eligible families 72 hours of subsidised child care a fortnight, whatever their hours of work (Department of Education). In the labour market, its main expected effect is

A An increase in the supply of labour, a shift of the supply curve to the right

B An expansion of the supply of labour, a movement along the supply curve

C An increase in the demand for labour by businesses

D A decrease in the supply of labour, a shift of the supply curve to the left

Question 15

1 MARK

Which of the following is a function of the SECONDARY share market?

A Raising new capital for companies that issue shares for the first time

B Setting the cash rate target

C Lending deposits to households for home loans

D Giving investors liquidity, because they can sell shares they already hold

Question 16

1 MARK

In August 2026 the banks' discounted variable rate for owner-occupier home loans was 6.80 per cent, up from 6.05 per cent in August 2025 (RBA, F5). Ceteris paribus, a rise in mortgage interest rates is most likely to

A Increase the amount buyers can borrow, raising the demand for housing

B Raise house prices, because higher repayments make homes more valuable

C Reduce the amount buyers can borrow, lowering the demand for housing

D Increase the number of new home loans taken out

Question 17

1 MARK

Which of the following is a direct tax?

A The goods and services tax

B Company tax

C Fuel excise

D Tobacco excise

Question 18

1 MARK

JobKeeper, a wage subsidy paid to employers in 2020 and 2021 during the COVID-19 downturn, mainly performed which role of government?

A Reallocation

B Stabilisation

C Redistribution

D Correction of market failure

Question 19

1 MARK

Which was Australia's largest export category by value in 2025-26 (ABS)?

A Metal ores and minerals
B Services
C Rural goods
D Coal

Question 20

1 MARK

On 2 October 2025, A$1 bought US$0.6619. On 2 October 2026, A$1 bought US$0.6933 (RBA, F11.1). Ceteris paribus, which of the following is most likely to have benefited from this change?

A An Australian retailer importing goods priced in US dollars
B An Australian wine exporter selling to the United States in US dollars
C A family in the United States planning a holiday in Australia
D An Australian university recruiting students from the United States

3. Section II · Short answer

Section II

40 marks. Attempt Questions 21 to 31. Suggested time: about 70 minutes. Answer in the spaces provided. Use economic terms, show all working, and label every diagram.

Question 21

3 MARKS

The table shows the production possibilities of a hypothetical economy that uses all its building resources to produce new dwellings and transport projects. Assume the frontier is a straight line.

POINT	A	B	C	D	E
Dwellings (thousands)	0	20	40	60	80
Transport projects (km of road and rail)	400	300	200	100	0

(a) Calculate the opportunity cost of increasing dwellings from 40 thousand to 60 thousand. (1 mark)

(b) The economy actually produces 40 thousand dwellings and 150 km of transport projects. Explain what this shows, using the production possibilities model. (2 marks)

Question 22

3 MARKS

Outline the role of data in economic decision-making. Refer to ONE use of data by government and ONE use by businesses.

Question 23

4 MARKS

In 2026, disruptions to world oil supply lifted energy prices (RBA, 29 September 2026), and automotive fuel prices rose 13.5 per cent in the year to August 2026 (ABS, Consumer Price Index, August 2026). Crude oil is the main input into petrol.

Using a demand and supply diagram, explain the effect of the higher price of crude oil on the equilibrium price and quantity of petrol in Australia.



Question 24

3 MARKS

(a) Outline TWO factors that make the demand for petrol relatively inelastic in the short run. (2 marks)

(b) Demand for petrol across the whole fuel industry is relatively inelastic. State what happens to the industry's total revenue if the price of petrol rises. (1 mark)

Question 25

2 MARKS

Outline how adverse selection can cause market failure in the market for used cars.

Question 26

4 MARKS

Over the year to the June quarter 2026 the Wage Price Index rose 3.2 per cent and the Consumer Price Index rose 3.9 per cent (ABS).

(a) Calculate the approximate change in real wages over the year. (1 mark)

(b) Explain how income and consumption contribute to wellbeing, and outline ONE limitation of consumption as a measure of wellbeing. (3 marks)

Question 27

3 MARKS

Explain how artificial intelligence (AI) and automation can affect the demand for labour by businesses.

Question 28

4 MARKS

(a) Distinguish between debt markets and equity markets. (2 marks)

(b) Outline ONE factor that would increase the supply of funds in the Australian economy. (2 marks)

Question 29

7 MARKS

Education benefits the student, and also people other than the student: a more skilled workforce raises the productivity of others, and better educated communities have higher civic participation.

(a) Using a demand and supply diagram, explain why a free market for education allocates too few resources to it. (4 marks)



(b) Outline TWO forms of government intervention that could correct this market failure, and ONE limitation of government intervention. (3 marks)

Question 30

3 MARKS

Distinguish between recurrent and non-recurrent government spending. Give an Australian example of each.

Question 31

4 MARKS

The figure for 2 October 2026: A$1 = US$0.6933 (RBA, F11.1).

(a) An Australian manufacturer buys a machine priced at US$45,000. Calculate its cost in Australian dollars. (1 mark)

(b) Explain how exchange rates facilitate international trade and investment flows. (3 marks)

4. Section III · Stimulus-based response

Section III

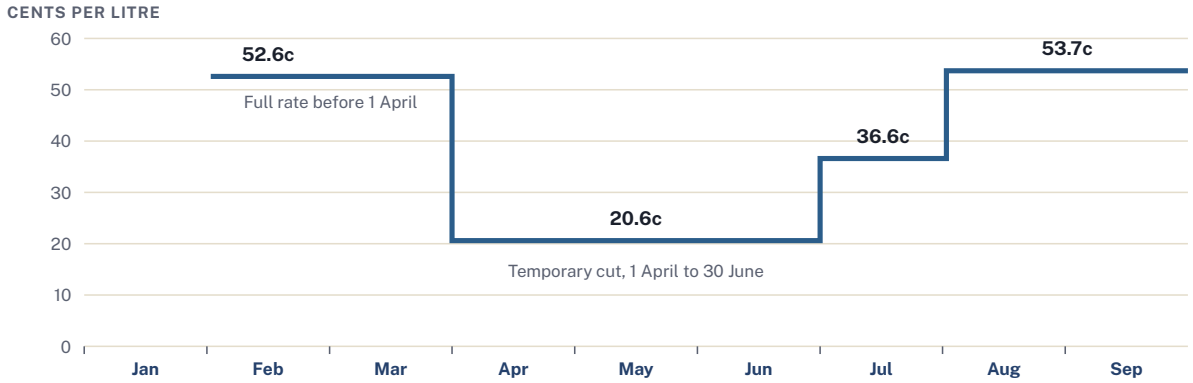
20 marks. Attempt EITHER Question 32 OR Question 33. Suggested time: about 40 minutes. Answer in a writing booklet. Use the stimulus AND your own knowledge. You will be assessed on how well you use economic terms, concepts and data, apply them to the stimulus, and present a sustained, logical response.

Question 32

20 MARKS

Fuel prices in 2026

SOURCE A · FUEL EXCISE RATE ON PETROL AND DIESEL, 2026



Source: ATO, excise duty rates for fuel and petroleum products, 2026.

Source B · Prices in the year to August 2026

MEASURE	CHANGE OVER THE YEAR TO AUGUST 2026
Consumer Price Index, all groups	4.0 per cent
Trimmed mean (underlying inflation)	3.6 per cent
Automotive fuel	13.5 per cent
Housing	5.7 per cent

Source: ABS, Consumer Price Index, August 2026, released 30 September 2026.

Source C · The wider economy

Disruptions to world oil supply lifted energy prices in 2026 (RBA, 29 September 2026). After the conflict in the Middle East, the RBA reported "a sharp drop in consumer sentiment and business confidence" (RBA, May 2026). Australia imported $64.8 billion of fuels in 2025-26 (ABS). At its decision of 29 September 2026 the RBA raised the cash rate target to 4.60 per cent from 30 September.

(a) Using Source A, calculate the percentage cut in the fuel excise rate on 1 April 2026. Show your working. (2 marks)

(b) Using the stimulus and your own knowledge, analyse how the rise in world oil prices in 2026 affected Australian households, businesses and government. In your answer, refer to the price mechanism and to price elasticity of demand. (18 marks)

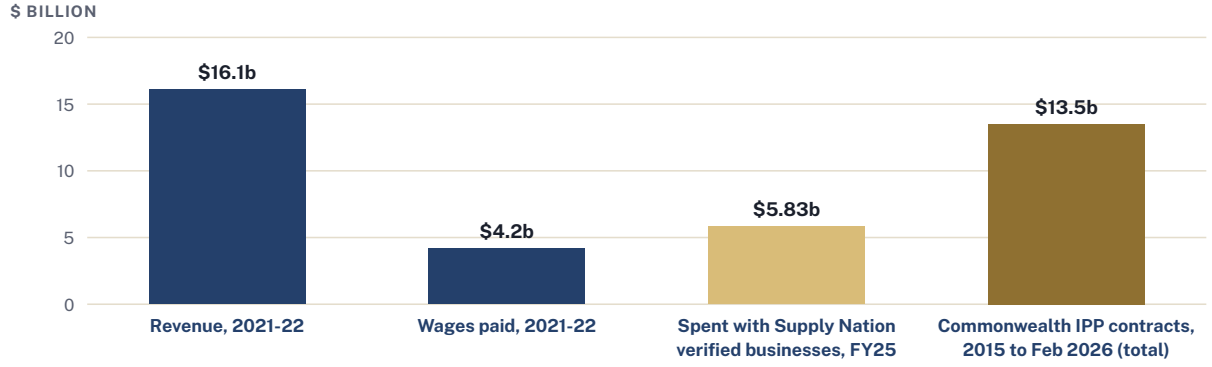
Write your response in a separate writing booklet.

Question 33

20 MARKS

Aboriginal and Torres Strait Islander businesses

SOURCE A · THE INDIGENOUS BUSINESS SECTOR, SELECTED MEASURES



Sources: Snapshot Study 3.0 (2024); Business News Australia, 15 October 2025; NIAA, IPP page, February 2026.

Source B · Access to capital and markets

Many Indigenous businesses are "unable to receive finance from banks because of lower levels of collateral" and have "limited access to personal wealth". Indigenous home ownership is "less than half the rate of non-Indigenous Australians".

Source: Australian Government, Indigenous Business Sector Strategy, 2018.

Source C · Policy responses

In 2021-22, 13,693 Indigenous trading businesses and corporations employed 116,795 people (Snapshot Study 3.0, 2024). The Indigenous Procurement Policy, in place since 2015, sets targets for Commonwealth contracts with Indigenous businesses (NIAA). On 2 August 2025 the Australian Government, the Coalition of Peaks and the First Nations Economic Empowerment Alliance announced the First Nations Economic Partnership, with commitments that include access to capital and markets (Coalition of Peaks).

(a) Using Sources A and C, calculate the average revenue of an Indigenous trading business or corporation in 2021-22. Show your working. (2 marks)

(b) Using the stimulus and your own knowledge, explain how Aboriginal and Torres Strait Islander businesses contribute to the Australian economy, and analyse the challenges they face in accessing capital and markets. (18 marks)

Write your response in a separate writing booklet.

5. Section IV · Extended response

Section IV

20 marks. Attempt EITHER Question 34 OR Question 35. Suggested time: about 40 minutes. Answer in a writing booklet. Write about 800 words. You will be assessed on how well you use economic terms, concepts and relevant data, explain cause and effect, and sustain a judgement.

Question 34

20 MARKS

Evaluate how effectively the price mechanism achieves economic and social objectives in Australia.

Write your response in a separate writing booklet.

OR

Question 35

20 MARKS

Assess the extent to which consumers are sovereign in the Australian economy.

Write your response in a separate writing booklet.

End of paper.

6. Marking guidance

Complete the paper first, under timed conditions. A generous mark finds nothing.

> Mark Section I first. It takes two minutes and tells you which focus area to reread before you mark the rest.

Section I · Answer key

One mark each. The distractors are errors students make, so a lost mark identifies a distinction not yet made.

Q	ANSWER	WHY THE KEY IS RIGHT, AND WHY EACH OF THE OTHER THREE IS NOT
1	C	Opportunity cost is the next best alternative forgone, here the shift she ranked second. (A) The beach was third, not the next best. (B) Opportunity cost is one alternative, never the sum of all of them. (D) Every choice has an opportunity cost, even a first preference.
2	D	Anchoring: the "was $400" figure becomes the reference point, so $220 looks cheap against it rather than against the $180 market price. (A) Loss aversion is weighting losses more than equal gains. (B) Confirmation bias is seeking information that supports a belief already held. (C) Sunk cost fallacy is letting past, unrecoverable spending drive a new decision.
3	B	Leakages S + T + M = 120 + 90 + 70 = 280; injections I + G + X = 110 + 95 + 60 = 265. Leakages exceed injections by 15, so the flow of income shrinks. (A) Reverses the totals. (C) Right totals, wrong direction. (D) Equilibrium needs total leakages to equal total injections; one pair (G above T) says nothing about the whole.
4	A	Capital goods add to the economy's capacity, so sacrificing consumption now shifts the frontier further out later: the trade-off between present and future consumption. (B) Favours present consumption. (C) and (D) are movements towards the frontier, not shifts of it.
5	C	Rationing: a higher price allocates a scarce good among buyers by willingness and ability to pay. (A) Signalling is the information a price change carries. (B) The incentive function is the reward that encourages producers to supply more and buyers to economise. (D) Redistribution is a role of government, not a price function.
6	D	Petrol cars are a substitute for electric vehicles; a dearer substitute shifts EV demand right. (A) A change in the good's own price is an expansion along the curve, not an increase in demand. (B) Battery costs shift supply, not demand. (C) Electricity is a complement; a dearer complement decreases demand.
7	A	Percentage change in quantity = (2,600 less 2,000) ÷ 2,000 × 100 = 30 per cent. Percentage change in price = (16 less 20) ÷ 20 × 100 = negative 20 per cent. PED = 30 ÷ 20 = 1.5, relatively elastic. Revenue rises from $40,000 to $41,600. (B) and (D) divide price change by quantity change. (C) Elastic demand means a price cut raises revenue.
8	C	Network effects: each extra user raises the value to every other user, which entrenches the leader. (A) First-mover advantage is the benefit of reaching the market first. (B) Economies of scale are lower average costs from larger output. (D) Predatory pricing is pricing below cost to drive rivals out.
9	B	A positive externality from consumption puts marginal social benefit above marginal private benefit, so buyers stop short of the social optimum. (A) Describes a negative production externality. (C) Describes a negative consumption externality. (D) Buyers ignore the benefit to third parties, so the market quantity is too low.
10	D	At Wmin, households supply more hours (point B) than businesses demand (point A); the gap AB is excess supply, which is unemployment in the model. Real-world evidence on modest minimum wage rises is mixed, but the question asks what the model predicts. (A) Excess demand would need a wage below We. (B) A wage change moves along the demand curve; it does not shift it. (C) A binding floor stops the wage falling.
11	C	MPS = change in saving ÷ change in income. Saving rose by 21.8 less 18.0 = $3.8 billion; 3.8 ÷ 21.8 = 0.17 (ABS, Australian National Accounts, June quarter 2026). (A) 0.83 is the MPC. (B) Inverts the MPC. (D) Divides the change in saving by the change in consumption.
12	D	A Veblen good is a luxury whose demand rises as its price rises (NESA glossary). (A) Demand for a normal good rises with income, not with its own price. (B) Demand for an inferior good falls as income rises. (C) A complement is bought with another good.
13	B	External economies come from outside the firm, from the growth of the industry or region. (A) and (C) are internal economies: purchasing and marketing. (D) Is an internal diseconomy of scale.

Q	ANSWER	WHY THE KEY IS RIGHT, AND WHY EACH OF THE OTHER THREE IS NOT
14	A	Cheaper, more available care removes a disincentive to work, so households offer more labour at every wage: the supply curve shifts right. (B) An expansion needs a change in the wage. (C) Child care subsidies act on households, the suppliers of labour. (D) Reverses the direction.
15	D	The secondary market trades existing shares, which gives investors liquidity and so makes them willing to buy new shares. (A) New issues are the primary market. (B) The cash rate is set by the RBA. (C) Lending deposits is what banks do as intermediaries.
16	C	Higher rates raise repayments on any loan size, so lenders approve smaller loans and demand for housing falls. New owner-occupier loan commitments fell 3.3 per cent in the June quarter 2026 (ABS, 14 August 2026). (A) and (D) reverse the effect. (B) Dearer borrowing lowers what buyers can pay, which puts downward pressure on prices.
17	B	A direct tax is paid by the person or business on whom it is levied, from income or profit: company tax. (A), (C) and (D) are indirect taxes on spending or production, collected by sellers and passed on in prices.
18	B	JobKeeper was a discretionary response to a downturn, to support incomes and jobs and smooth the business cycle; the deficit reached 6.4 per cent of GDP in 2020-21 (BP1 2026-27, Table 11.1). (A) Reallocation changes what is produced. (C) Redistribution changes who receives income; JobKeeper did shift income, but its purpose was stabilisation. (D) It was not correcting an externality, public good or market power problem.
19	A	Metal ores and minerals, $167.6 billion of $681.0 billion of exports (ABS, 2025-26). (B) Services, $145.6 billion. (C) Rural goods, $77.9 billion. (D) Coal, $67.8 billion.
20	A	The dollar appreciated by 4.7 per cent: (0.6933 less 0.6619) ÷ 0.6619 × 100. Each A$ buys more US$, so goods priced in US$ cost fewer Australian dollars. (B) Each US$ of sales now converts to fewer A$. (C) and (D) Australian goods and services now cost Americans more US$.

Balance of the key

Five each of A, B, C and D. If you found yourself choosing one letter far more than the others, check those items first.

Section II · Criteria and sample answers

Each part shows how the marks are awarded, then a sample answer at full marks. Sample answers are written the way a Band 6 student writes under time: term, cause, effect, evidence.

QUESTION 21 (A) · 1 MARK

- 1 mark: 100 km of transport projects (200 less 100).

QUESTION 21 (B) · 2 MARKS

- 2 marks: identifies that the point is inside the frontier AND explains it as underemployment or inefficient use of resources.
- 1 mark: identifies the point as inside the frontier, or names underemployment without linking it to the table.

Sample answer. With 40 thousand dwellings, the frontier allows 200 km of transport projects, so producing only 150 km places the economy inside its PPF. Resources such as construction workers and equipment are underemployed, so the economy could produce 50 km more transport with no loss of dwellings: there is no opportunity cost to moving back to the frontier.

QUESTION 22 · 3 MARKS

- 3 marks: outlines the role of data, with a specific government use and a specific business use.
- 2 marks: outlines two uses, or one use well with a general second.
- 1 mark: states that data informs decisions.

Sample answer. Data replaces anecdote with evidence, so decision-makers can monitor performance, forecast and judge whether a policy is working. Government: the RBA uses data such as the monthly CPI, 4.0 per cent in the year to August 2026 (latest release, ABS), to decide the cash rate, which it raised to 4.85 per cent at its most recent decision (November

2026). Businesses: a retailer uses sales and population data to forecast demand and decide how much stock to order and where to open stores.

QUESTION 23 · 4 MARKS

- 4 marks: correct, fully labelled diagram showing supply decreasing (shifting left) and a new equilibrium at a higher price and lower quantity, with a linked explanation.
- 3 marks: correct diagram with a limited explanation, or a full explanation with a minor diagram error.
- 2 marks: shows or states the correct direction of price and quantity with some reasoning.
- 1 mark: identifies a decrease in supply or a rise in price.

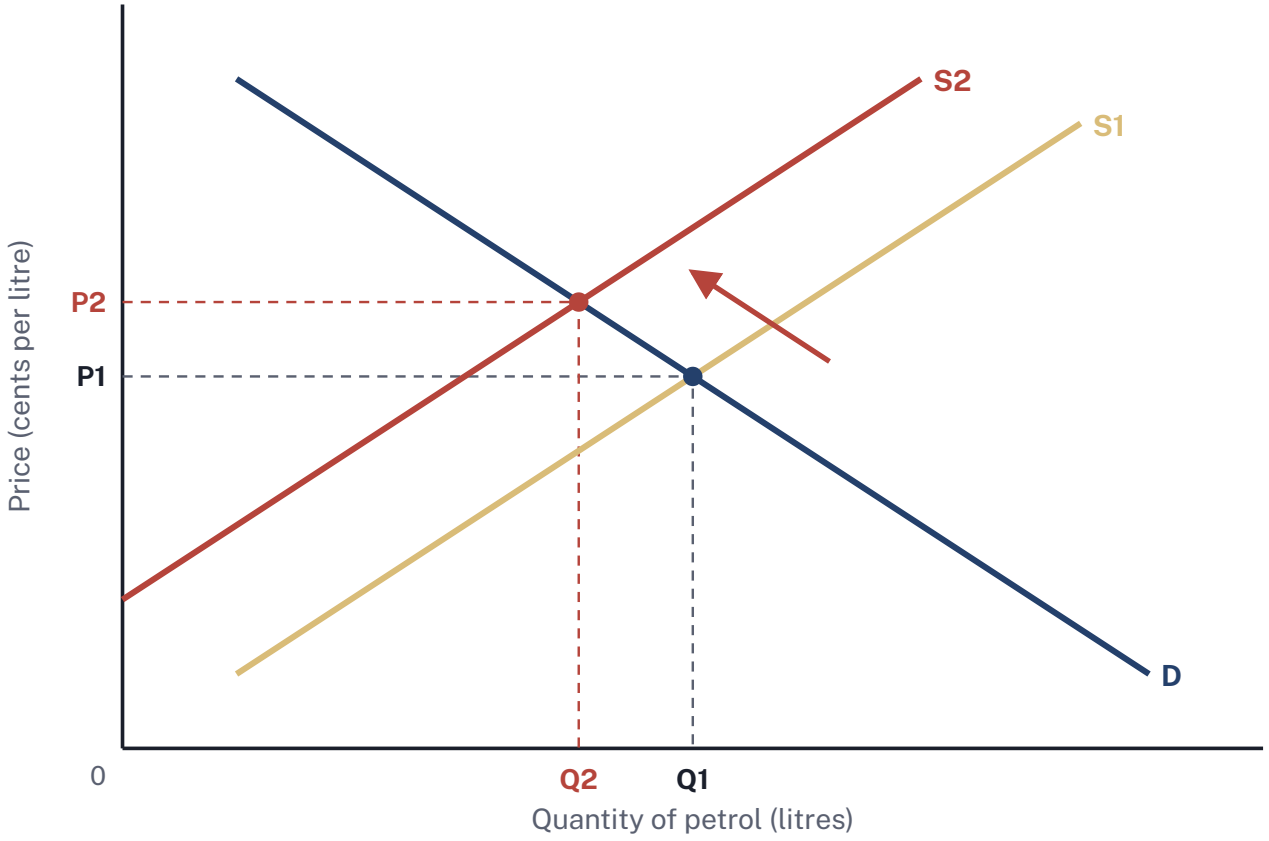


Figure 3 · A full-mark diagram for Question 23. Axes labelled, both supply curves labelled, old and new equilibrium marked on both axes.

Sample answer. Crude oil is the main input to petrol, so a higher oil price raises the cost of a factor of production. At every price, refiners and importers are willing to supply less, so supply decreases and shifts left from S1 to S2. At the old price P1 there is now excess demand, so the price rises until a new equilibrium is reached at P2, where quantity demanded contracts to Q2. The equilibrium price rises and quantity falls, consistent with the 13.5 per cent rise in automotive fuel prices in the year to August 2026 (ABS).

Common error

Shifting the demand curve. Nothing in the stimulus changes what motorists want at each price; the cost of production changed, so supply moves and demand only contracts along its curve.

QUESTION 24 (A) · 2 MARKS

- 1 mark for each factor outlined, applied to petrol: degree of necessity, few close substitutes in the short run, time horizon, proportion of income.

Sample answer. Petrol is a necessity for most commuters and businesses, so they keep buying it when its price rises. In the short run there are few close substitutes: a driver cannot switch to an electric vehicle or move closer to work within weeks, so the time horizon is too short to respond.

QUESTION 24 (B) · 1 MARK

- 1 mark: total revenue rises (quantity falls by a smaller percentage than the price rises).

QUESTION 25 · 2 MARKS

- 2 marks: links asymmetric information to adverse selection and to a market failure outcome.
- 1 mark: describes asymmetric information or adverse selection only.

Sample answer. Sellers of used cars know more about a car's faults than buyers, which is asymmetric information. Buyers who cannot tell good cars from bad offer only an average price, so owners of good cars withdraw from the market and a larger share of the cars left are poor quality. Mutually beneficial trades in good cars do not happen, so the market fails to allocate resources efficiently.

QUESTION 26 (A) · 1 MARK

- 1 mark: real wages fell by about 0.7 per cent (3.2 less 3.9).

QUESTION 26 (B) · 3 MARKS

- 3 marks: explains how both income and consumption raise wellbeing AND outlines a relevant limitation.
- 2 marks: explains one link well and outlines a limitation, or explains both links without a limitation.
- 1 mark: states a link between income or consumption and wellbeing.

Sample answer. Income gives households the means to consume goods and services that meet needs and wants, such as housing, food and health care, so higher real income usually raises material living standards and the utility households gain. When prices rise faster than wages, as over the year to the June quarter 2026 when real wages fell about 0.7 per cent, the same income buys less and wellbeing tends to fall. A limitation is that consumption leaves out what is not bought and sold, such as leisure, health, relationships and the environment; the Australian Government's Measuring What Matters framework uses 50 indicators across five themes for this reason.

QUESTION 27 · 3 MARKS

- 3 marks: explains how AI and automation can both reduce and increase the demand for labour, with the mechanism (relative cost of labour and capital, output, productivity).
- 2 marks: explains one effect with its mechanism.
- 1 mark: states that automation can replace workers.

Sample answer. The demand for labour is derived from the demand for output. When AI and automation make capital cheaper relative to labour for routine tasks, businesses substitute capital for workers, so demand for labour in those tasks falls. But AI can also raise workers' productivity, lower costs and expand output, which raises demand for workers who use the technology and for new roles. Jobs and Skills Australia found generative AI "more likely to augment jobs than replace them" (14 August 2025), so the net effect differs by occupation: routine clerical work loses, skilled work that uses AI gains.

QUESTION 28 (A) · 2 MARKS

- 2 marks: shows the difference: debt is borrowing that must be repaid with interest; equity is part ownership with a claim on profits (dividends) and no promise of repayment.
- 1 mark: describes one market only.

QUESTION 28 (B) · 2 MARKS

- 2 marks: names a factor and explains how it increases the supply of funds.
- 1 mark: names a factor.
- Answers may include: higher domestic saving (including compulsory superannuation), more foreign investment, fewer attractive alternative investments, government policies that encourage saving.

Sample answer. A rise in domestic saving increases the supply of funds. When the superannuation guarantee rose to 12 per cent of ordinary time earnings from 1 July 2025 (ATO), more of each worker's income was saved and passed to super funds, which lend it through bonds and invest it in shares, so more funds are available to borrowers.

QUESTION 29 (A) · 4 MARKS

- 4 marks: correct, labelled diagram with MSB above MPB (demand), the market quantity below the social optimum, and a linked explanation of underconsumption.
- 3 marks: correct diagram with a limited explanation, or a full explanation with a minor error.
- 2 marks: shows MSB above MPB, or explains underconsumption without a correct diagram.
- 1 mark: identifies a positive externality.

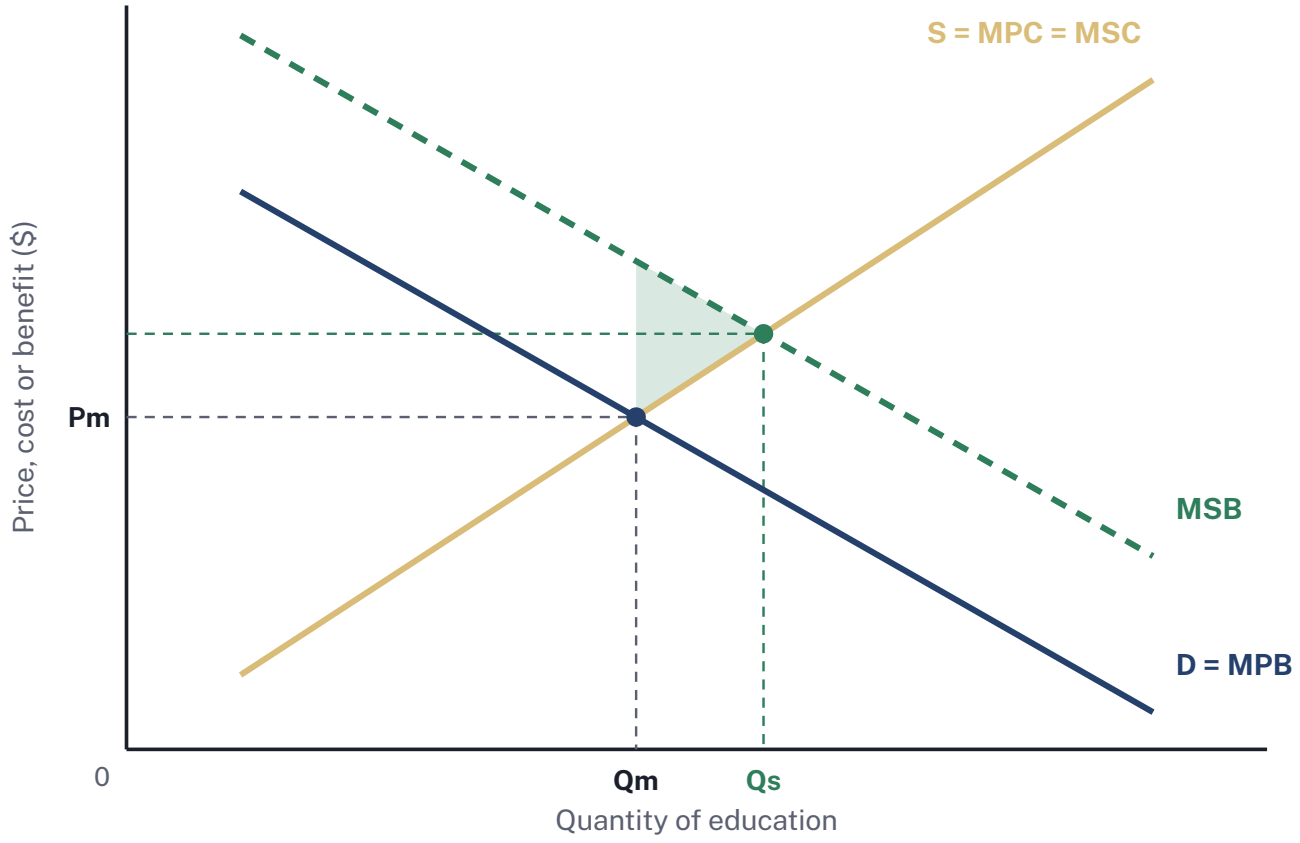


Figure 4 · A full-mark diagram for Question 29 (a). The vertical gap between MSB and MPB is the benefit to third parties; the shaded triangle is the net benefit society loses because the market stops at Qm instead of Qs.

Sample answer. Students decide how much education to buy by weighing their marginal private benefit (MPB, the demand curve) against the price. Education also gives a benefit to third parties, so the marginal social benefit (MSB) lies above MPB. The free market settles at Qm, where MPB equals marginal cost, but the social optimum is Qs, where MSB equals marginal social cost. Because Qm is less than Qs, education is underconsumed and underproduced: too few resources are allocated to it, and society loses the net benefit shown by the shaded area.

QUESTION 29 (B) · 3 MARKS

- 1 mark for each of two interventions outlined, and 1 mark for a relevant limitation.
- Interventions: subsidies (lower the price, shift supply right or raise MPB), direct provision (public schools), regulation (compulsory schooling to a set age), nudges (information campaigns).
- Limitations: cost and opportunity cost to the budget; difficulty measuring the size of the externality, so a subsidy can be too large or too small; government failure through poor design.

Sample answer. Government can directly provide education free at the point of use, as in public schools, and it can subsidise tertiary education, lowering the price students pay so quantity rises towards Qs. A limitation is that the external benefit is hard to measure in dollars, so government may set the subsidy at the wrong level, and every dollar spent has an opportunity cost in other services or higher taxes.

QUESTION 30 · 3 MARKS

- 3 marks: distinguishes the two, with a correct Australian example of each.

- 2 marks: describes both with one example, or both examples with a weak distinction.
- 1 mark: describes one type.

Sample answer. Recurrent spending pays for goods, services and transfers that are consumed within the year and repeat every year, such as the Age Pension, part of the $68.7 billion of Support for Seniors in 2026-27 (BP1). Non-recurrent (capital) spending buys assets that last for many years, such as roads and rail, with $26.0 billion of purchases of non-financial assets in 2026-27 (BP1). The difference is that recurrent spending maintains services now, while capital spending adds to the economy's productive capacity.

QUESTION 31 (A) · 1 MARK

Worked solution

Australian dollars = foreign currency ÷ rate (foreign per A$1)

$$= \text{US\$45,000} \div 0.6933$$

$$= \text{A\$64,906.97}$$

QUESTION 31 (B) · 3 MARKS

- 3 marks: explains how exchange rates let buyers and sellers convert currencies and compare prices, for both trade and investment.
- 2 marks: explains the role for trade or investment only.
- 1 mark: defines an exchange rate.

Sample answer. An exchange rate is the price of one currency expressed in another. Because each country uses its own currency, an Australian importer must buy US dollars to pay a US supplier, and the bilateral rate tells it what the purchase costs in A$, so it can compare foreign and local prices. Investment works the same way: a foreign investor buying Australian shares or bonds must buy A$, and the rate converts the expected return into its own currency. By making these conversions possible and prices comparable, exchange rates let trade and capital flow to where they earn the most.

Section III · The stimulus-based response

QUESTION 32 (A) · 2 MARKS

Worked solution

Cut = 52.6 less 20.6 = 32.0 cents a litre

$$\text{Percentage cut} = 32.0 \div 52.6 \times 100$$

$$= 60.8 \text{ per cent}$$

- 2 marks: 60.8 per cent (or 60.9 per cent) with working. 1 mark: correct method with an arithmetic slip, or the 32 cent cut only.
- Budget Paper No. 1 2026-27 (Box 5.2) states the cut as 60.9 per cent; dividing the rounded rates in Source A, 32 ÷ 52.6, gives 60.8 per cent. Accept either.

QUESTION 32 (B) · 18 MARKS

MARKS	CRITERIA
16 to 18	Analyses the effects on households, businesses AND government with clear cause and effect. Integrates the price mechanism and price elasticity of demand. Uses the stimulus and own knowledge with precise, dated data. Sustained, logical and well structured.
12 to 15	Explains the effects on all three groups with sound use of the price mechanism or elasticity and relevant stimulus data.
8 to 11	Describes effects on some groups, with some reference to the stimulus and to economic concepts.

MARKS	CRITERIA
4 to 7	Outlines some effects of higher fuel prices, mostly descriptive.
1 to 3	Identifies a relevant point.

Indicative content.

- **The price mechanism.** Higher world oil prices raise refiners' costs, so supply of petrol decreases and its price rises (Source B: automotive fuel up 13.5 per cent). The price signals scarcity, gives buyers an incentive to economise and rations the smaller supply.
- **Price elasticity of demand.** Demand for fuel is relatively inelastic in the short run (a necessity, few substitutes, short time horizon), so quantity falls less than price and spending on fuel rises. In the long run demand becomes more elastic as people change vehicles or travel habits.
- **Households.** More spent on fuel leaves less for other goods; real incomes fall (real wages fell about 0.7 per cent over the year to the June quarter 2026). Low income and regional households spend a larger share of income on fuel, so the burden is regressive. Sentiment dropped sharply (Source C).
- **Businesses.** Transport, farming and freight costs rise (a supply shock), squeezing margins or passed on as higher prices; lower confidence (Source C) delays investment.
- **Government.** The excise cut from 52.6 to 20.6 cents a litre (Source A) eased the price for three months at a cost in revenue, then was restored in steps to 53.7 cents. Higher inflation (Source B: CPI 4.0 per cent) contributed to the RBA raising the cash rate to 4.60 per cent.
- **The wider economy.** Fuel imports ($64.8 billion in 2025-26) cost more, a leakage from the circular flow; the shock is a supply-side cause of business cycle fluctuation.
- **Judgement.** The price mechanism did its job of signalling and rationing, but because demand is inelastic, the cost fell most heavily on households least able to adjust.

A model plan.

- **Introduction.** A supply shock raised the price of a good with inelastic demand, so the price mechanism transmitted the shock to every sector.
- **Paragraph 1: the market.** Supply decreases; price up 13.5 per cent; inelastic demand means quantity barely falls and fuel spending rises.
- **Paragraph 2: households.** Real income squeeze; regressive burden; sentiment drop (Source C).
- **Paragraph 3: businesses.** Cost-push pressure on transport-heavy industries; confidence and investment.
- **Paragraph 4: government.** The excise cut and its revenue cost; restoring the excise; inflation and the cash rate decision.
- **Conclusion.** Return to the price mechanism: efficient as a signal, inequitable in who bore the cost.

Sample paragraph (households)

Because demand for fuel is relatively inelastic in the short run, the 13.5 per cent rise in automotive fuel prices in the year to August 2026 (Source B) raised households' spending on fuel rather than cutting it much. Commuters with no public transport could not substitute, so they cut spending elsewhere, a fall in real income at a time when wages were already rising more slowly than prices (WPI 3.2 per cent against CPI 3.9 per cent, ABS). The temporary excise cut of 32 cents a litre from 1 April 2026 (Source A) eased this for three months, but the relief applied to every motorist, rich or poor, and was withdrawn in steps from July.

QUESTION 33 (A) · 2 MARKS

Worked solution

Average revenue = total revenue ÷ number of businesses

= $16,100,000,000 ÷ 13,693

= $1,175,783, about $1.18 million

- 2 marks: about $1.18 million with working. 1 mark: correct method, or an answer with a units error (for example $1.18 thousand).

QUESTION 33 (B) · 18 MARKS

MARKS	CRITERIA
16 to 18	Explains the contributions with precise use of the stimulus AND analyses the challenges in accessing capital and markets, with clear cause and effect. Integrates relevant concepts: GDP and value added, factor incomes, market failure, government intervention. Sustained and logical.
12 to 15	Explains contributions and challenges with sound use of the stimulus and economic terms.
8 to 11	Describes contributions or challenges, with some use of the stimulus.
4 to 7	Outlines some contributions or challenges.
1 to 3	Identifies a relevant point.

Indicative content.

- **Contributions to GDP.** Output and income: $16.1 billion of revenue and $4.2 billion of wages in 2021-22; 116,795 jobs (Snapshot Study 3.0). Revenue is not GDP: the contribution is value added, so purchases from other businesses must be subtracted. Industries named by NESA include construction, consulting, IT, tourism, arts and bush foods; construction is the largest industry for registered Indigenous sole traders (23 per cent, Snapshot Study 3.0).
- **Linkages.** Wages are a factor income that households spend, a flow around the circular flow; Supply Nation's corporate, government and not-for-profit members spent $5.83 billion with verified Indigenous businesses in FY25, including $1.64 billion from mining (Business News Australia, 15 October 2025).
- **Capital.** Lower collateral and personal wealth (Source B); home equity often secures small business loans, so lower home ownership limits borrowing. Finance that is offered can be expensive. The result is under-capitalised businesses and slower growth: a limitation of the price mechanism.
- **Markets.** Smaller networks with large buyers, distance from markets for remote businesses, and the information gap for buyers who cannot easily find Indigenous suppliers.
- **Government.** The Indigenous Procurement Policy creates demand: more than 86,000 contracts worth over $13.5 billion to more than 4,700 Indigenous businesses since 2015 (NIAA, to February 2026). Advisory bodies shape policy: the First Nations Economic Partnership (2 August 2025) through shared decision-making under the National Agreement on Closing the Gap (July 2020).
- **Judgement.** The contribution is real and growing, but access to capital remains the binding constraint, which is why policy has moved from procurement towards capital and markets together.

The error to avoid in Question 33

Treating revenue as the contribution to GDP. GDP counts value added: revenue less the cost of goods and services bought from other businesses. Use revenue and wages as measures of activity and income, and say so.

Section IV · The extended response

MARKS	CRITERIA (QUESTIONS 34 AND 35)
17 to 20	Makes a sustained, well supported judgement that answers the question as asked. Integrates relevant concepts, models and relationships with precise, dated Australian data. Logical and cohesive, with extensive economic terminology.
13 to 16	Makes a judgement with sound support. Explains relevant concepts and relationships with relevant data. Clear and logical.
9 to 12	Explains some relevant concepts with limited judgement and some data.
5 to 8	Describes some relevant features with little analysis.
1 to 4	Identifies a relevant point.

QUESTION 34 · EVALUATE HOW EFFECTIVELY THE PRICE MECHANISM ACHIEVES OBJECTIVES

Indicative content.

- **Criterion.** Effective means it achieves economic objectives (efficiency, productivity) and social objectives (equity, sustainability).
- **Where it works.** Relative prices signal, give incentives and ration: fuel up 13.5 per cent in the year to August 2026 (ABS) as oil supply was disrupted; markets in equilibrium allocate goods to those who value them most, with no surplus or shortage. Self-interest and institutions (rule of law, property rights, contracts) make it function.
- **Where it fails.** Externalities (education underconsumed; pollution overproduced); public goods and free riders; market power (Woolworths 38 and Coles 29 per cent of supermarket grocery sales; margins "maintained or increased", ACCC, March 2025); asymmetric information (used cars, health insurance); inequality and social exclusion (8 per cent of 15 to 24-year-olds not in work or study, May 2025, ABS); access to capital for Indigenous businesses.
- **Intervention and its limits.** Taxes, subsidies, regulation, price controls and nudges correct some failures, but can fail: tobacco excise $7.8 billion in 2024-25 to an estimated $3.6 billion in 2026-27 as illicit trade grew (BP1 2026-27); rent controls reduced supply in San Francisco (Diamond, McQuade and Qian, American Economic Review, 2019).
- **Judgement.** Highly effective for efficiency in competitive markets, much less effective for equity and sustainability, and only as effective as the institutions and interventions around it.

A model plan. Judgement first; one paragraph on how the price mechanism allocates efficiently (with a demand and supply diagram); one on market failures that stop it reaching economic objectives (market power, externalities); one on social objectives (equity, exclusion, sustainability); one on government intervention as the repair, and when it fails; conclusion against the criterion.

Sample opening paragraph

The price mechanism, the interplay of demand and supply that sets relative prices, is the main way the Australian economy decides what is produced, how and for whom. Judged by whether it achieves both economic objectives, such as efficiency and productivity, and social objectives, such as equity and sustainability, it is highly effective at the first and much weaker at the second. When oil supply was disrupted in 2026, fuel prices rose 13.5 per cent in a year (ABS), rationing a scarcer good with no planner involved. Yet the same mechanism leaves education underconsumed, allowed concentrated supermarket chains to maintain or increase their margins (ACCC, March 2025), and cannot by itself include the 8 per cent of young Australians not in work or study (ABS, May 2025). This essay argues that the price mechanism is effective only within the institutions and interventions that correct its failures.

QUESTION 35 · ASSESS THE EXTENT TO WHICH CONSUMERS ARE SOVEREIGN

Indicative content.

- **Definition and criterion.** Consumer sovereignty is the "power of consumer demand" to decide which goods and services an economy produces, and in what quantities (NESA's definition, in our words). The criterion: how far consumers' free and informed choices actually decide production.
- **Where consumers are sovereign.** Household consumption was $1,522.6 billion, 52.0 per cent of GDP, in 2025-26 (ABS); businesses that ignore demand lose sales; competition and the price mechanism transmit preferences; consumers as utility maximisers choose at the margin.
- **Socially and ethically motivated choices.** Collective values and social norms shift demand (ethical and sustainable products), which businesses respond to.
- **Challenges: marketing.** On 21 September 2026 digiDirect paid $99,000 in penalties after ACCC infringement notices over "price slashed" claims against prices at which products were "rarely advertised and almost never sold" (ACCC).
- **Challenges: sludges.** On 25 August 2026 the Federal Court found eHarmony misled consumers: memberships auto-renewed "at prices which could be up to five times higher" than the initial price, with terms "in small font late in the purchase process" (ACCC).
- **Challenges: market power and information.** Concentration limits choice and raises margins (supermarkets); asymmetric information and adverse selection; behavioural biases (anchoring, loss aversion).
- **Government.** Regulation and enforcement by the ACCC, maximum penalties doubled to $100 million (BP1 2026-27), and nudges help restore sovereignty.
- **Judgement.** Consumers are sovereign in competitive markets with good information, but only partly where marketing, sludges and market power shape what they choose.

A model plan. Judgement first ("sovereign in principle, constrained in practice"); paragraph on the power of consumer demand with ABS consumption data; paragraph on marketing and anchoring (digiDirect); paragraph on sludges (eHarmony); paragraph on market power and information; paragraph on how regulation restores sovereignty; conclusion against the criterion.

The three things that separate Band 6 from Band 4 in Section IV.

- A criterion. Band 6 says what it is judging against before it judges.
- Both sides. Band 4 lists features; Band 6 weighs them against the limits.
- Real, dated evidence in every paragraph. One ABS or ACCC figure beats three general claims.

What this paper covers

FOCUS AREA	SEC I	SEC II	SEC III	SEC IV	TOTAL
Introduction to economics	4	6	2	2	14
Markets	6	16	8	10	40
Household and business sector	4	7	5	6	22
Financial sector	2	4	0	0	6
Government sector	2	3	4	2	11
International sector	2	4	1	0	7
Whole paper	20	40	20	20	100

Section III and IV marks are split across focus areas by the indicative content of the two alternatives, averaged, so the figures are a guide to emphasis rather than an exact count. NESA's indicative hours weight the Year 11 course 25, 35, 15, 15, 15 and 15 hours across the six focus areas; this paper deliberately leans towards Markets and the Household and business sector. Paper 2 leans towards the Financial and Government sectors and Paper 3 towards Introduction to economics and the International sector, so, with the mixed Papers 4 and 5, the five papers together cover the course evenly.

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 the paper. The pattern you are looking for only shows up across attempts, not inside one.

About this resource

MA99 EDUCATION

Scope

NSW Economics, Year 11. Written to the NSW Economics 11-12 Syllabus 2025, all Year 11 focus areas, for students sitting the HSC in 2028 and later years. Written to the new syllabus, taught in Year 11 from 2027. Australian data are dated and sourced (ABS, RBA, Treasury and others); figures labelled hypothetical are for practice only.

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