**Unit 3 Area of Study 3 Australia and the international economy – Section B structured questions**

**Question 1 (8 marks)**

a. Explain two gains from international trade.

4 marks

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b. Identify and explain two factors that can influence Australia’s international competitiveness.

4 marks

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**Question 2 (7 marks)**

Consider the following hypothetical data for the Australian economy.

**Australia**

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| --- | --- | --- |
|  | **XPI** | **MPI** |
| **2022** | **100** | **100** |
| **2023** | **98** | **102** |

a. Calculate the terms of trade for country X.

1 mark

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b. Identify whether this was a favourable or unfavourable movement in the terms of trade, and explain one factor that could have caused this movement.

3 marks

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c. Explain the effect that this movement in the terms of trade would have on one macroeconomic goal.

3 marks

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**Question 3 (4 marks)**

Consider the following hypothetical data for the Australian economy.

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|  | $Billions |
| **Foreign direct investment** | -100 |
| **Balance of merchandise trade** | 320 |
| **Net Secondary income**  | -40 |
| **Financial derivatives**  |  60 |
| **Net Other investments** | 60 |
| **Net Primary income** | -180 |
| **Net Reserve assets**  | -140 |
| **Net services** | 30 |
| **Capital account**  | -10 |

a. Calculate the balance on the current account.

1 mark

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b. Calculate the overall balance of payments.

1 mark

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c. Explain one possible cyclical reason for the current account balance.

2 marks

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**Question 4 (6 marks)**

$AUD against the $USD



a. Referring to the data, identify and explain two possible causes for the trend in the exchange rate.

4 marks

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b. Explain the effect that this movement in the exchange rate could have on material and non-material living standards.

2 marks

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**Extra writing space**

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