



South Australian
Certificate of Education

1

Economics

2021 Sample paper 2

Question booklet 1

- Questions 1 and 2 (35 Marks)
- Answer **all** questions
- Write your answers in this question booklet
- You may write on page 7 if you need more space
- Allow approximately 65 minutes

Examination information

Materials

- Question booklet 1
- Question booklet 2
- SACE registration number label

Instructions

- Use black or blue pen

Total time: 130 minutes

Total marks: 70

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Attach your SACE registration number label here



Government
of South Australia

Source A

1. Governments need to decide how best to use their resources. Many people choose to cycle to work rather than drive a car or use public transport. Some employers provide employees with incentives to buy bicycles because of the positive consumption externalities that result from people cycling to work.

Many cyclists are pressuring the government to fund cycling infrastructure because private firms generally do not provide cycling infrastructure. In particular, cyclists would like more dedicated bicycle lanes or more bicycle-only roads. Cyclists argue that these measures offer the highest level of cycling safety and reduce congestion on roads during peak travel times.

With reference to Source A:

(a) Identify *two* types of resources.

Resource 1: _____
_____ (1 mark)

Resource 2: _____
_____ (1 mark)

(b) Explain *two* possible market responses to a large increase in the number of people cycling to work.

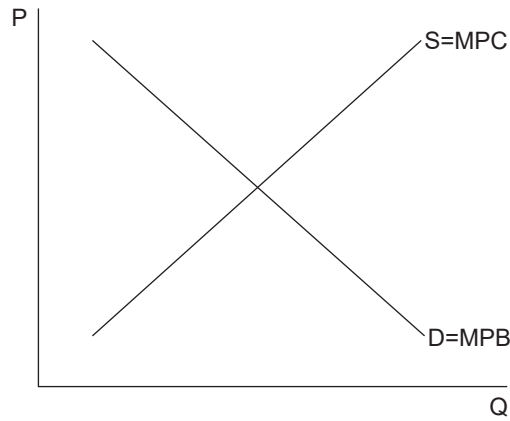
Response 1: _____
_____ (2 marks)

Response 2: _____
_____ (2 marks)

(c) (i) Explain what is meant by the term 'positive consumption externalities.'

_____ (2 marks)

- (ii) Explain why positive consumption externalities can lead to a deadweight loss/welfare loss for society. Complete the diagram below to support your answer.



(4 marks)

- (iii) 'Private firms generally do not provide cycling infrastructure.'
Assess the validity of this statement.

(4 marks)

Source B

2. High oil prices have encouraged both consumers and producers to diversify into more efficient and affordable sources of energy. Nevertheless, oil is still the dominant source of energy.

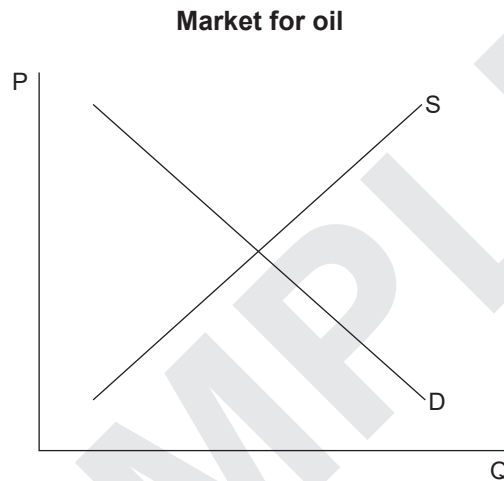
In recent years, two key factors have affected the market for oil. Firstly, tensions between the major oil-producing countries have led to significant disruptions in the supply of oil to the world market.

Secondly, high global economic growth and an increase in the amount of international air travel has led to a substantial increase in the demand for oil.

With reference to Source B:

- (a) Explain how the two key factors are likely to have affected the market for oil.

Support your answer by completing the diagram below to show how these factors have affected price and quantity traded.



(4 marks)

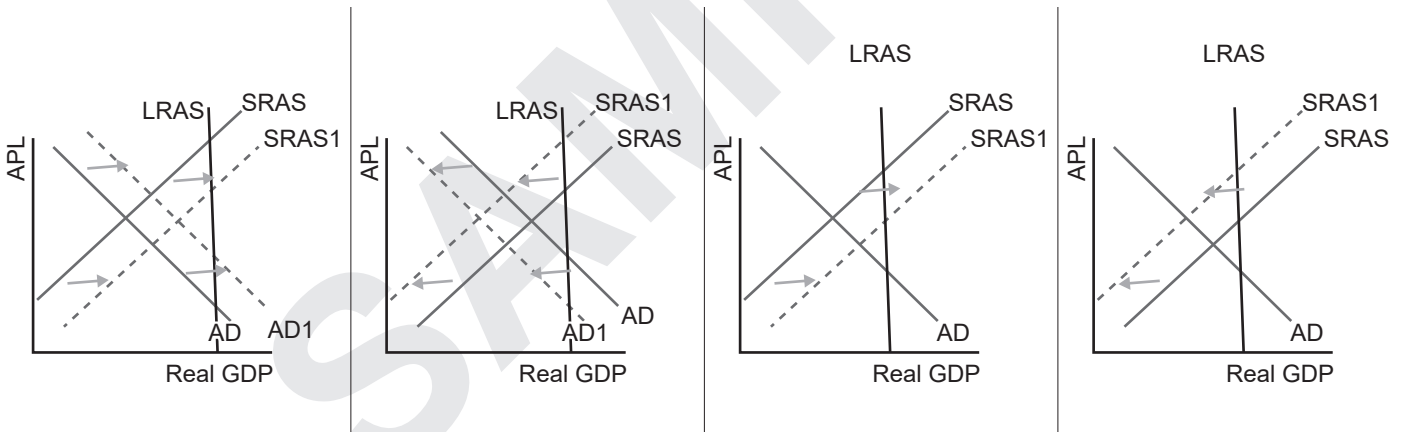
- (b) 'The price elasticity of demand for oil is likely to be the same in both the short run and the long run.'

Assess the validity of this statement.

(4 marks)

- (c) (i) Explain how an increase in the price of oil can lead to a higher rate of inflation in an economy.

Support your answer by selecting and referring to one of the the aggregate demand – aggregate supply diagrams below.



(3 marks)

(c) (ii) Explain *two* possible effects of an increase in the rate of inflation on an economy.

Effect 1: _____

_____ (2 marks)

Effect 2: _____

_____ (2 marks)

(d) The oil-refining industry is an example of an oligopoly market.

Identify *one* other type of market structure and explain why this is not an appropriate structure for the oil-refining industry.

_____ (4 marks)

