Practice Assessment — Task 1: Trade & Protection (Data Interpretation / Short Answer)

This practice task mirrors **Task 1** in the course assessment outline: a data-interpretation/short-answer paper on Australia's international trade and on free trade & protection. It is built to the SCSA format — ten multiple-choice items followed by two extended data/short-answer questions in parts. Work under timed conditions (recommended 50 minutes) for the best practice value.

Format. Section One: 10 multiple-choice (10 marks). Section Two: two data interpretation/short-answer questions (Question 11 on trade and comparative advantage; Question 12 on protection), each in parts. Total 40 marks. A marking guide for the short-answer parts is at the end for teachers.

Section One — Multiple choice (10 marks)

Choose the single best answer for each.

1. Australia is best described as a:

A. large closed economy
B. medium-sized open economy
C. small closed economy
D. large open economy with no trade exposure

2. A country has a comparative advantage in a good when it can produce that good at a lower:

A. total cost than any other country
B. opportunity cost than another country
C. wage rate than another country
D. world price than another country

3. Which is the largest category of Australia's goods exports by value?

A. elaborately transformed manufactures

B. rural and agricultural goods

C. mineral and energy resources

D. services

4. A tariff on imported steel will most likely:

A. lower the domestic price of steel

B. increase domestic consumption of steel

C. increase domestic production of steel

D. increase the quantity of steel imported

5. A subsidy paid to domestic producers differs from a tariff because it:

A. raises the price paid by consumers

B. has a cost borne by the government budget

C. is a tax on imports

D. reduces domestic production

6. The gains from specialisation and trade are maximised when countries specialise according to their:

A. absolute advantage only

B. comparative advantage

C. largest population

D. highest wages

7. Which is an argument *for* protection?

A. it lowers prices for consumers

B. it improves the efficient allocation of resources

C. it protects infant industries while they develop

D. it increases the variety of goods available

8. On a demand and supply diagram for an imported good, a tariff is shown as:

A. a leftward shift of the domestic demand curve

B. a rightward shift of the domestic supply curve

C. a rise in the world-price line by the amount of the tariff

D. a fall in the world-price line

9. A bilateral free trade agreement is one between:

A. two countries

B. all members of the WTO

C. a country and a regional bloc

D. three or more countries

10. A move toward trade liberalisation is most likely to:

A. raise tariffs and quotas

B. improve efficiency through greater competition

C. reduce the variety of goods available

D. increase protection of domestic industries

Section Two — Question 11: Trade & comparative advantage (15 marks)

Stimulus. Two countries, Ausland and Pacifica, can each produce wheat and cloth. With one unit of resources, Ausland can produce 40 wheat *or* 20 cloth; Pacifica can produce 15 wheat *or* 30 cloth.

11(a). Calculate the opportunity cost of producing one unit of cloth in each country. Show your working.

Country	Working	Opportunity cost of 1 cloth
Ausland		
Pacifica		

11(b). State which country has the comparative advantage in cloth, and justify your answer. ____________

11(c). Explain how specialisation according to comparative advantage allows total output to rise. (4 marks)

11(d). Other than goods trade, describe two ways Australia is linked to the global economy. (4 marks)

Section Two — Question 12: Protection (15 marks)

> **Stimulus.** The government of a country imposes a tariff on imported sugar. Before the tariff, the world price is $400/tonne; the tariff is $100/tonne.

12(a). On the axes provided, draw a demand and supply diagram for the sugar market. Show the world price, the world-price-plus-tariff line, and label the change in imports. (5 marks)

12(b). Explain the effect of the tariff on domestic producers and on domestic consumers. (4 marks)

12(c). Analyse the impact of the tariff on the efficient allocation of resources in the economy. (6 marks)

Marking guide (teacher)

Section One: 1 B, 2 B, 3 C, 4 C, 5 B, 6 B, 7 C, 8 C, 9 A, 10 B.

11(a): Ausland: 1 cloth costs 2 wheat (40/20). Pacifica: 1 cloth costs 0.5 wheat (15/30). **11(b):** Pacifica — its opportunity cost of cloth (0.5 wheat) is lower than Ausland's (2 wheat). **11(c):** award up to 4 for: each country specialises where opportunity cost is lowest (Pacifica cloth, Ausland wheat); resources reallocated to most efficient use; combined output of both goods rises; trade then lets both consume beyond their own PPF. **11(d):** 2 marks each for any two of investment flows, tourism, migration, services trade — must describe, not just name.

12(a): correct D/S axes (1); world-price line (1); higher world-price-plus-tariff line (1); domestic production rises / consumption falls shown (1); imports bracket shrinks and is labelled (1). **12(b):** producers — higher price, higher output, higher revenue (2); consumers — higher price, lower quantity, loss of consumer surplus (2). **12(c):** up to 6 for: tariff raises price above the efficient world price; domestic production expands to higher-cost producers (production inefficiency); consumption falls below the efficient level; deadweight loss arises; resources drawn from areas of comparative advantage; net welfare loss to the economy despite gains to producers and government revenue.