



Victorian Certificate of Education 2012

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

Letter

Figures

Words

ECONOMICS

Written examination

Tuesday 13 November 2012

Reading time: 3.00 pm to 3.15 pm (15 minutes)

Writing time: 3.15 pm to 5.15 pm (2 hours)

QUESTION AND ANSWER BOOK

Structure of book

Section	Number of questions	Number of questions to be answered	Number of marks
A	15	15	30
B	4	4	60
			Total 90

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.
- No calculator is allowed in this examination.

Materials supplied

- Question and answer book of 27 pages.
- Answer sheet for multiple-choice questions.
- Additional space is available at the end of the book if you need extra paper to complete an answer.

Instructions

- Write your **student number** in the space provided above on this page.
- Check that your **name** and **student number** as printed on your answer sheet for multiple-choice questions are correct, **and** sign your name in the space provided to verify this.
- All written responses must be in English.

At the end of the examination

- Place the answer sheet for multiple-choice questions inside the front cover of this book.

Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.

SECTION A – Multiple-choice questions**Instructions for Section A**

Answer **all** questions in **pencil** on the answer sheet provided for multiple-choice questions.

Choose the response that is **correct** or that **best answers** the question.

A correct answer scores 2, an incorrect answer scores 0.

Marks will **not** be deducted for incorrect answers.

No marks will be given if more than one answer is completed for any question.

Question 1

Economics is primarily concerned with the question of how

- A. unlimited human needs and wants can be satisfied through the use of limited resources.
- B. unlimited factors of production can be best allocated for different uses.
- C. limited government funds should be used to achieve specific political and social goals.
- D. limited human needs and wants can be satisfied through the use of unlimited resources.

Question 2

Which one of the following would be the most likely impact of an increase in tariffs on imported cars?

- A. The number of imported cars would rise.
- B. The price of imported cars would fall.
- C. The price of domestic cars would rise.
- D. The production of domestic cars would fall.

Question 3

The following table shows employment data for a hypothetical economy.

	Million
employed persons	15
unemployed persons	1
population of working age	20
total population	25

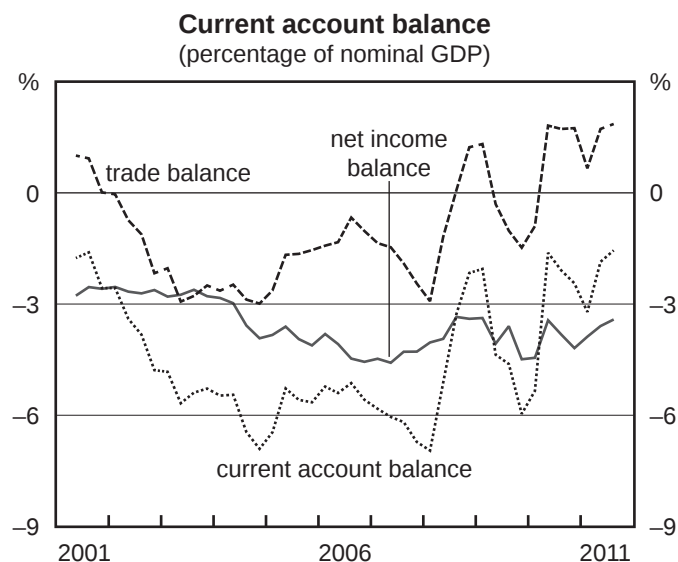
The labour force participation rate is

- A. 80%
- B. 70%
- C. 65%
- D. 60%

Question 4

An increase in the price of strawberries would most likely result from

- A. major floods in agricultural areas where strawberries are grown.
- B. an increase in the price of a complementary product, such as cream.
- C. a decrease in the price of a substitute product, such as raspberries.
- D. a decrease in the price of fertilisers used to grow strawberries.

Question 5

Source: ABS; RBA Chart Pack, February 2012, p. 17,
www.rba.gov.au

With reference to the graph above and your knowledge of economics, which one of the following statements is **not** true?

- A. The value of export earnings was greater than the value of import earnings throughout 2011.
- B. Income credits from overseas were greater than income debits paid to overseas in 2011.
- C. The balance of the capital and financial accounts was in surplus throughout 2011.
- D. Australia's trade balance was in surplus and the net income balance was in deficit in 2011.

Question 6

How might an increase in the rate of economic growth impact on government revenues and outlays?

- A. both progressive taxation receipts and unemployment benefit payments increase
- B. progressive taxation receipts increase and unemployment benefit payments decrease
- C. progressive taxation receipts decrease and unemployment benefit payments increase
- D. both progressive taxation receipts and unemployment benefit payments decrease

Question 7

	2011	2012
price of milk (per litre)	\$2	\$2
price of cigarettes (per packet)	\$15	\$20

In the example provided in the table above, the relative price of milk between 2011 and 2012

- A. cannot be determined.
- B. remained unchanged.
- C. increased.
- D. decreased.

Question 8

The demand for the Alpha smart phone is likely to become more price elastic when

- A. several competitors introduce products that have features similar to the Alpha smart phone.
- B. consumers begin to see the Alpha smart phone as a necessity, not a luxury.
- C. the cost of producing the Alpha smart phone falls.
- D. Alpha launches a successful advertising campaign.

Question 9

Consider the following Gini Coefficient data for a hypothetical economy.

Years	Gini Coefficient
2005–2006	0.314
2009–2010	0.328

Based on the data above, which one of the following statements is most correct?

- A. The level of inequality has increased between 2005–2006 and 2009–2010, and the Lorenz Curve will have moved closer to the 45° line.
- B. The level of inequality has increased between 2005–2006 and 2009–2010, and the Lorenz Curve will have moved further away from the 45° line.
- C. The level of inequality has decreased between 2005–2006 and 2009–2010, and the Lorenz Curve will have moved closer to the 45° line.
- D. The level of inequality has decreased between 2005–2006 and 2009–2010, and the Lorenz Curve will have moved further away from the 45° line.

Question 10

Which one of the following will cause the supply curve for a good or service to increase (shift to the right)?

- A. an increase in government taxes
- B. an increase in the level of income
- C. an increase in worker productivity
- D. a decrease in the price of a substitute good or service

Question 11

If Australia's interest rates fall relative to overseas interest rates, the most likely effect would be

- A. a rise in capital inflow and a depreciation of the Australian dollar.
- B. a rise in capital inflow and an appreciation of the Australian dollar.
- C. a fall in capital inflow and a depreciation of the Australian dollar.
- D. a fall in capital inflow and an appreciation of the Australian dollar.

Question 12

Which one of the following is the most appropriate macroeconomic policy mix if the Australian economy is experiencing low rates of economic growth and rising levels of unemployment?

- A. a decrease in taxation and the sale of government securities by the Reserve Bank of Australia (RBA)
- B. an increase in taxation and the purchase of government securities by the RBA
- C. a decrease in government spending and the sale of government securities by the RBA
- D. an increase in government spending and the purchase of government securities by the RBA

Question 13

In which one of the following market structures is a firm always a price-taker?

- A. monopolistic competition
- B. perfect competition
- C. monopoly
- D. oligopoly

Question 14

Which one of the following statements concerning the Consumer Price Index (CPI) is **false**?

- A. The CPI measures changes in the prices of retail goods and services purchased by metropolitan households.
- B. The CPI would be affected by changes in the price of commodities, such as oil.
- C. The CPI does not include changes in the prices of imported products.
- D. The CPI can be affected by changes in the value of the Australian dollar.

Question 15

The most likely consequence of an increased rate of inflation in Australia is

- A. an improvement in Australia's international competitiveness.
- B. that those on fixed incomes are better off.
- C. an increase in the proportion of Gross Domestic Product (GDP) collected in taxation revenue.
- D. an increase in business confidence.

SECTION B – Written responses**Instructions for Section B**

Answer **all** questions in **pen** in the spaces provided.

Question 1

Due to copyright restriction,
this material is not supplied

Ross Gittins, *The Age*, 8 December 2011, *There's so much more to wealth than money*

Ross Gittins, *The Age*, 8 December 2011

- a. Explain the relationship between the economic goals of strong and sustainable economic growth and full employment.

2 marks

- [illegible]

4 marks

- c. Identify an alternative measure to GDP of an economy's living standards. Discuss whether this measure provides a better indicator of an economy's living standards.

[illegible]

4 marks

- [illegible]

SECTION B – continued
TURN OVER

Question 2

- a. Describe **two** characteristics of a perfectly competitive market.

2 marks

[illegible]

SECTION B – Question 2 – continued
TURN OVER

- [illegible]

6 marks

Question 3

‘The world economy has entered a very difficult phase . . . Europe appears to have entered recession . . . The world could be thrown into a recession as large or even larger than that of 2008/09.’

The World Bank: Global Economic Prospects, Volume 4

- a.** Outline one possible effect of the worsening global economic conditions on Australian living standards.

2 marks

- [illegible]

SECTION B – Question 3 – continued
TURN OVER

- c. Select one example of a change in discretionary (structural) budgetary policy from the 2012–2013 Commonwealth (Federal) budget. Examine the likely effect of the selected example on one of the following economic goals: full employment **or** equity in income distribution **or** low inflation.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

4 marks

- d. Discuss the relationship between monetary policy and budgetary policy in the management of aggregate demand and the achievement of strong and sustainable economic growth in Australia in 2012.

[illegible]

SECTION B – continued
TURN OVER

Question 4

‘. . . an economic reform program designed to re-start productivity growth as the basis for securing the competitiveness of Australian industries . . . is essential.’

Gillard Government Trade Policy Statement: Trading our way to more jobs and prosperity, April 2011, p. 6

- a.** Explain the difference between productivity and production.

2 marks

- b.** Explain why productivity growth is important for ‘securing the competitiveness of Australian industries’.

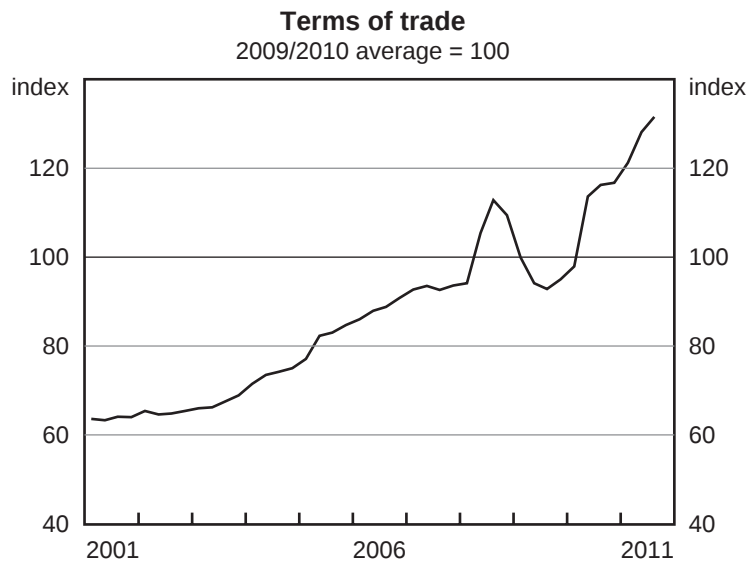
2 marks

- Explain how the selected policy might operate to improve productivity and affect the rate of economic growth.

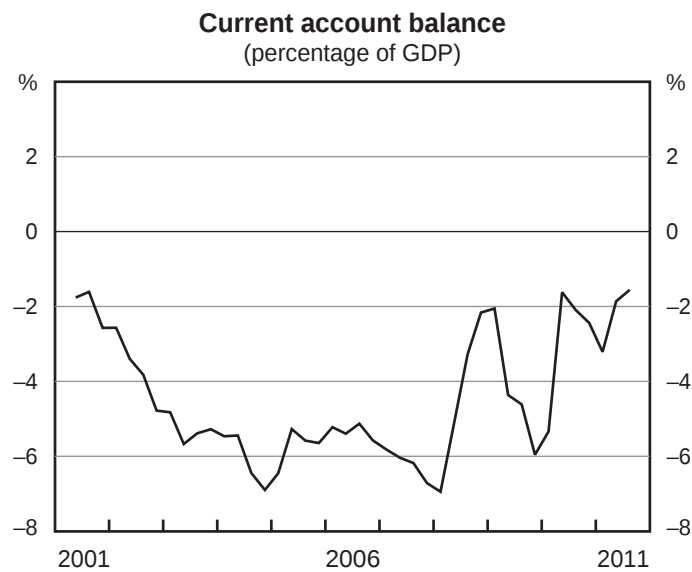
[illegible]

SECTION B – Question 4 – continued
TURN OVER

The following graphs relate to Australia's terms of trade and trade performance in recent years.



Source: ABS, RBA; RBA Chart Pack, February 2012, p. 15, www.rba.gov.au



Source: ABS; RBA Chart Pack, February 2012, p. 17, www.rba.gov.au

- d. Explain the difference between the terms of trade and the current account balance.

2 marks

- e. Describe one factor that might explain the trend in the terms of trade between 2009 and 2011.

2 marks

‘The impact of slower productivity growth [during recent years] on Australia’s living standards has been masked [hidden] by [higher] population growth and the rise in the terms of trade.’

Saul Eslake, 'Australia's Productivity Challenge', slide 20, presentation to the Victorian Commercial Teachers Association, Comview 2011 www.saulslake.com

- f. Explain one likely effect that slower rates of productivity growth might have on Australia's living standards, and how higher rates of population growth and the rise in the terms of trade might hide this impact.

[illegible]

6 marks

Clearly number all responses in this space.

[illegible]

[illegible]

[illegible]

A script book is available from the supervisor if you need extra paper to complete your answer. Please ensure you write your **student number** in the space provided on the front cover of the script book. **At the end of the examination, place the script book inside the front cover of this question and answer book.**