Neap

Trial Examination 2021

VCE Economics Units 3&4

Written Examination

Question and Answer Booklet

Reading time: 15 minutes
Writing time: 2 hours

Student's Name: ______________________________

Teacher's Name: ______________________________

Structure of booklet

Section	*Number of questions*	*Number of questions to be answered*	*Number of marks*
A	15	15	15
B	4	4	65
			Total 80

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 correction fluid/tape.

No calculator is allowed in this examination.

Materials supplied

Question and answer booklet of 22 pages

Answer sheet for multiple-choice questions

Additional space is available at the end of the booklet if you need extra space to complete an answer.

Instructions

Write your **name** and your **teacher's name** in the space provided above on this page, and on the answer sheet for multiple-choice questions.

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 booklet.

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

Students are advised that this is a trial examination only and cannot in any way guarantee the content or the format of the 2021 VCE Economics Units 3&4 Written Examination.

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 1; 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

Relative scarcity refers to an economy having

A. infinite resources and infinite needs and wants.
B. finite resources and finite needs and wants.
C. infinite resources and finite needs and wants.
D. finite resources and infinite needs and wants.

Question 2

The following table shows shifts in three economic growth indicators over a year.

Quarter	Gross Domestic Product (GDP)	Unemployment rate	Consumer Price Index (CPI)
Quarter 1	0.5	5.2	1.8
Quarter 2	–0.8	5.5	2.2
Quarter 3	0.1	5.4	–0.3
Quarter 4	–0.2	5.6	0.7

Which one of the following stages of the business cycle would the economy be in at the end of the year?

A. peak
B. expansion
C. contraction
D. trough

Question 3

Technical efficiency refers to the

A. most efficient allocation of resources that can maximise the needs and wants of society.
B. current allocation of resources that can maximise the needs and wants of society.
C. future allocation of resources that can maximise the needs and wants of society.
D. most profitable allocation of resources that can maximise the needs and wants of society.

Question 4

Which one of the following is **not** a characteristic of a perfectly competitive market?

A. homogenous products

B. large numbers of buyers and sellers

C. ease of entry and exit into the market

D. economic agents affecting prices

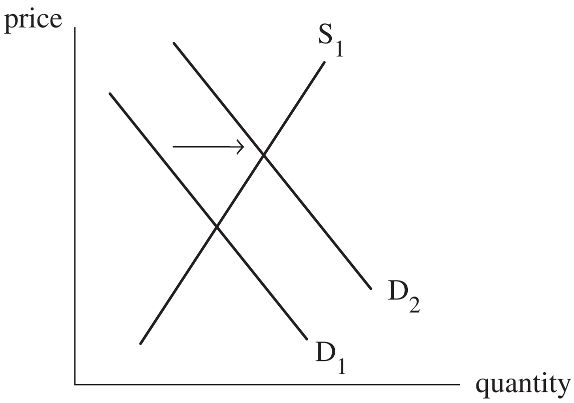
Question 5

According to the Australian Bureau of Statistics (ABS), Australia has 'an overall total population increase of one person every 4 minutes and 38 seconds'.

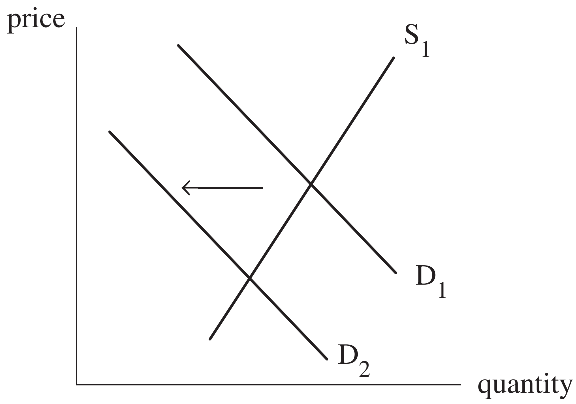
Source: Australian Bureau of Statistics website (2021), 'Population clock'. Accessed June 2021. https://www.abs.gov.au/ausstats/abs%40.nsf/94713ad445ff1425ca25682000192af2/1647509ef7e25faaca2568a900154b63?OpenDocument

Which one of the following demand and supply diagrams best represents the impact of this statement?

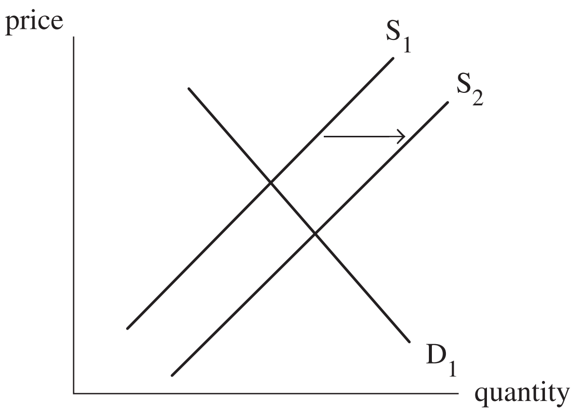
A.



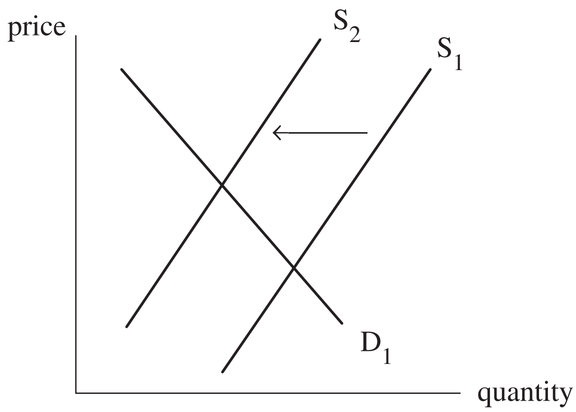
B.



C.



D.



Question 6

The law of demand states that as

A. price decreases, quantity demanded decreases.

B. price increases, demand decreases.

C. price decreases, quantity demanded increases.

D. price increases, demand increases.

Question 7

When the Reserve Bank of Australia (RBA) buys Commonwealth Government Securities to increase cash in the overnight money market, monetary policy settings are said to be

A. neutral.

B. expansionary.

C. contractionary.

D. unknown.

Question 8

At the start of 2020, bushfires across Australia burned over 17 million hectares of land.

The impact of this event on the Australian economy would have caused

A. price to decrease and quantity to decrease.

B. price to increase and quantity to increase.

C. price to decrease and quantity to increase.

D. price to increase and quantity to decrease.

Question 9

In a market where the minimum price is set above the equilibrium price, a greater surplus will be achieved if the market has

A. high price elasticity of demand and supply.

B. unit price elasticity of demand and supply.

C. low price elasticity of demand and supply.

D. perfectly inelastic demand and supply.

Question 10

If Australian financial institutions are less likely to approve new loan applications, which transmission mechanism is occurring?

A. cost of credit transmission mechanism

B. cash flow transmission mechanism

C. availability of money and credit transmission mechanism

D. asset prices and wealth transmission mechanism

Question 11

When measuring economic growth, the outlook for real Gross Domestic Product (GDP) growth (the annualised growth rate) refers to the

A. annual rate of economic growth converted for the current year.

B. quarterly rate of economic growth converted to annual figures.

C. annual rate of economic growth converted to quarterly figures.

D. annual rate of economic growth converted for the previous year.

Question 12
Which one of the following would describe the budget outcome of an expansionary government budget?

A. balanced
B. surplus
C. deficit
D. positive

Question 13
Which one of the following is **not** a strength of budgetary policy supply-side measures?

A. simultaneous achievement of the macroeconomic goals
B. opportunity costs associated with government expenditure
C. social benefits greater than private benefits
D. reduced likelihood of electoral opposition

Question 14
When a foreign tourist spends money in Australia, it is recorded as a

A. debit in the balance on merchandise trade of the current account.
B. debit in the net services of the current account.
C. credit in the balance of merchandise trade of the current account.
D. credit in the net services of the current account.

Question 15
Which one of the following statements about the effect of immigration in Australia on the economy is true?

A. The labour force participation rate will rise.
B. Skill shortages will increase.
C. Productivity will be negatively impacted.
D. Export growth will decline over time.

SECTION B – WRITTEN RESPONSES

Instructions for Section B
Answer **all** questions in the spaces provided.

Question 1 (18 marks)

a. Using a fully labelled demand and supply diagram, explain how an economy would return to equilibrium if it was in the contractionary phase of the business cycle. 4 marks

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b. Describe how the labour market would be influenced in the contractionary phase of the business cycle. 3 marks

c. Provide **one** example of a price elastic good or service and explain why this good or service is price elastic. 3 marks

d. Explain how relative prices for solar power have impacted the market. Describe the implications of this on Australian living standards**.** 4 marks

e. Using **one** example, explain how the Australian Government amends the market failure of asymmetric information. 4 marks

Question 2 (16 marks)

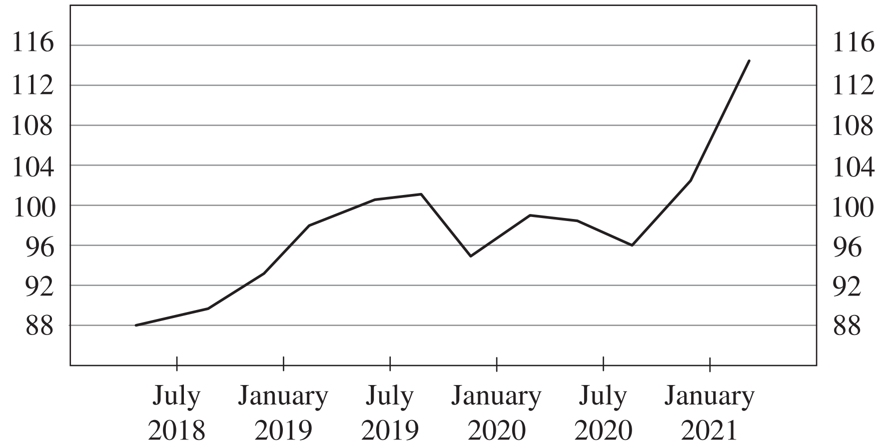
a. Using **two** examples from 2020 and 2021, explain the role that the cyclical and structural budgetary policy measures of the Australian Government's Budget play in achieving the domestic macroeconomic goal of strong and sustainable economic growth. 8 marks

b. Explain the monetary policy stance from 2020 to 2021 and evaluate the role that monetary policy has taken to support the achievement of the domestic macroeconomic goal of strong and sustainable economic growth during this time. 4 marks

c. Describe **one** strength and **one** weakness associated with using budgetary policy and explain how each does or does not help achieve strong and sustainable economic growth. 4 marks

Question 3 (16 marks)

Australia's Terms of Trade, 2018–2021



Source: Based on Australian bureau of Statistics data and Trading Economics (2021), 'Australia Terms of Trade'. Accessed August 2021. https://tradingeconomics.com/australia/terms-of-trade

a. Referring to the graph above, describe the trend in the terms of trade since 2018. Outline **one** factor that might explain this trend. 4 marks

b. Explain **one** likely effect of the trend in the terms of trade described in **part a.** on Australia's exchange rate, net exports and living standards. 6 marks

c. Referring to the graph, explain how the trend in the terms of trade from 2019 to 2020 would impact each of the following. 6 marks

- The goal of full employment

- Australia's balance of payments on current account

Question 4 (15 marks)

a. Explain how aggregate supply helps the Australian economy achieve allocative and intertemporal efficiency. 4 marks

b. Using **one** example, explain how taxation reform policies are designed to influence aggregate supply and hence affect full employment. 5 marks

c. Using **one** example, explain how aggregate supply policies increase productive capacity in Australia, and explain the impact of this on trade liberalisation and living standards. 6 marks

END OF QUESTION AND ANSWER BOOKLET

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Extra space for responses

Clearly number all responses in this space.