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STUDENT
NUMBER

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ECONOMICS UNITS 3 & 4

2021

TRIAL EXAM A

Reading time: 15 minutes

Writing time: 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	15
B	4	4	65
			Total 80

- Students are permitted to bring into the practice examination: 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 21 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** and **name** in the space provided above on this page.
- Check that your **name** and student number are written on your multiple choice answer sheet.
- All written responses must be in English.

At the end of this examination

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

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

Instructions for Section A

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

Labour Force	10 million
Population	20 million
Employed persons	9 million
Unemployed persons	1 million
Underemployed persons	1 million

Table 1.1- Country X Employment data 2021

From the data above calculate the labour force underutilisation rate for Country X in 2021.

- A. 5%
- B. 10%
- C. 20%
- D. 25%

Question 2

Which combination of the following are capital factors of production?

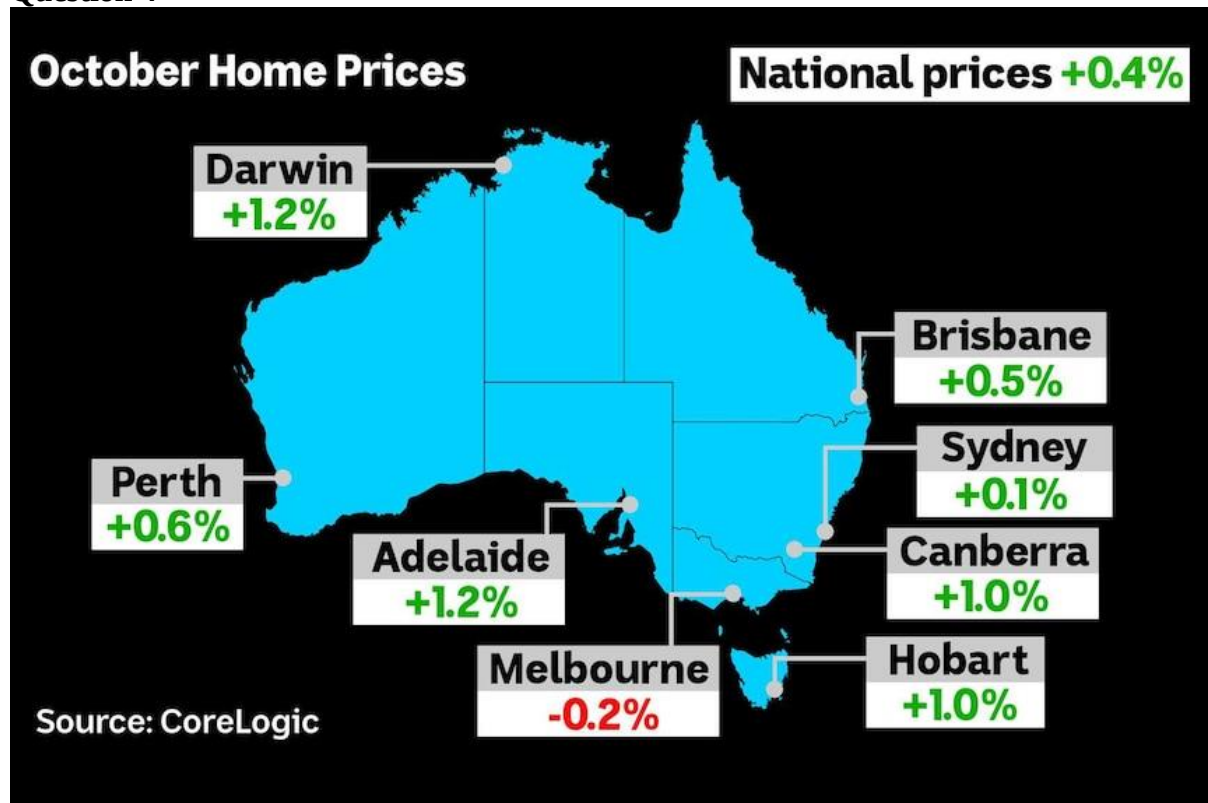
- A. an old growth forest and a car owned by a consumer
- B. a family car and mineral resources
- C. factory equipment and school desks
- D. factory buildings and farming land

Question 3

Which of the following economic events is **least likely** to be a factor contributing to a loosening of monetary policy?

- A. increase in capacity utilisation in some industries
- B. low levels of consumer confidence
- C. lower commodity prices
- D. slow growth rate overseas

Question 4



Source : <https://www.abc.net.au/news/2020-11-02/corelogic-october-housing-prices-rise-after-covid-pandemic>

Figure 1.1 – House Prices Change October 2020

Which of the following would **best explain** the change in the market for homes in Melbourne?

- A. rising disposable income has outpaced inflation growth
- B. an increase in the migration of people to Melbourne
- C. the RBA setting all-time low interest rates
- D. household confidence declines with ongoing lockdowns

Question 5

In Australia, **one** of the main reasons for the structural current account deficit is

- A. long-term national savings-investment gap
- B. a long-term reduction in cost-side inflationary pressures
- C. improved international competitiveness of firms
- D. a depreciation of the Australian dollar

**SECTION A – continued
TURN OVER**



Question 6

Which of the following is **not** a supply-side initiative designed to improve market efficiency?

- A. research and development grants
- B. spending on training and education
- C. subsidies
- D. discretionary stabiliser

Question 7

Which of the following is **likely** to be a weakness of Aggregate Supply policies?

- A. ability to discriminate between industries targeting specific problems
- B. simultaneously assist in achieving all macroeconomic goals in the long-run
- C. ability to stabilise short-term economic activity is limited
- D. aggregate supply reforms face few political barriers

Question 8

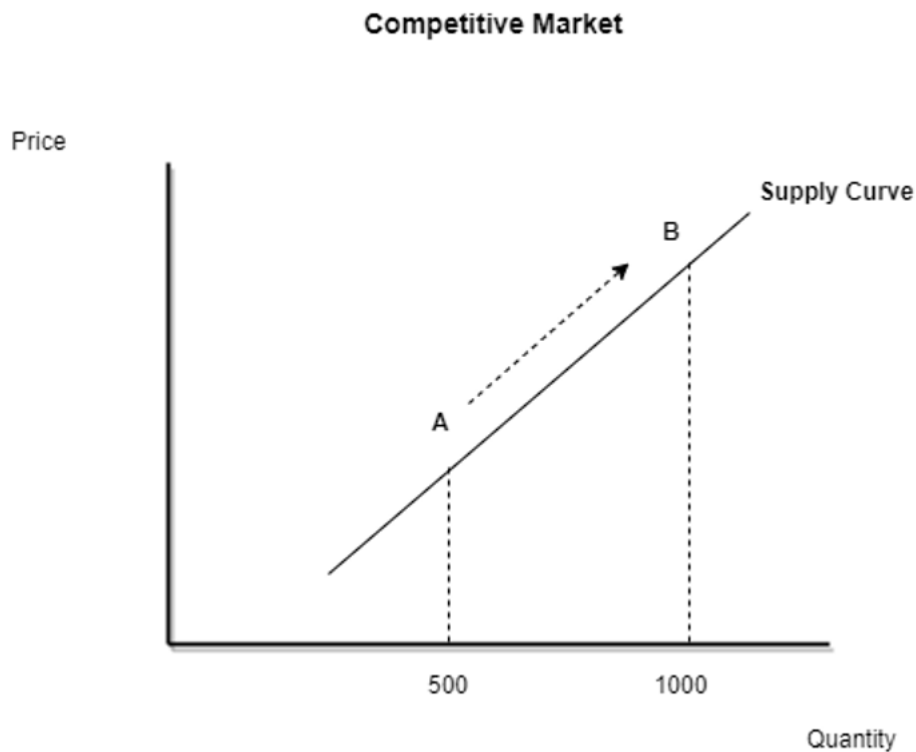
Which of the **following features** are found in the market for ocean fishing?

- A. non-excludable and non-rivalrous
- B. non-excludable and rivalrous
- C. excludable and rivalrous
- D. none of the above

Question 9

Which of the following **is not** an aggregate supply factor?

- A. the size and skill of the labour force
- B. climatic conditions such as droughts and floods
- C. changes in technological advancements
- D. changes in the level of business confidence

Question 10**Figure 1.2 – Competitive Market**

In reference to Figure 1.2, which of the following statements is correct?

- A. there is an increase in supply of 500 units
- B. there is a contraction in supply of 500 units
- C. there is an expansion in supply of 500 units
- D. there is a decrease in supply of 500 units

Question 11

New technology that improves the storage life of fruit and vegetables will tend to

- A. increase the price elasticity of demand
- B. reduce the price elasticity of demand
- C. increase the price elasticity of supply
- D. reduce the price elasticity of supply

Question 12

Which of the following policy settings is **most likely** to increase aggregate demand?

- A. an increase in the Federal Budget deficit and the RBA tightens monetary policy
- B. cash bonuses to taxpayers and the RBA increases the official cash rate
- C. the RBA decreases the official cash rate and tax on PAYG incomes increase by 5%
- D. an increase in the Federal Budget deficit and the RBA lowers the official cash rate

Question 13

Consider the following data for Country X

Year	CPI
2018	92
2019	96
2020	100
2021	101

What happened to the rate of change of inflation from 2019 to 2021?

- A. the level of general prices increased at a slower rate
- B. the level of general prices increased at a faster rate
- C. the rate of inflation increased by 5%
- D. the rate of underlying inflation increased by 5%

Question 14

The purchase by the Australian business JB HiFi of 1000 Sony Bravia televisions from Japan will appear in the balance of payments as

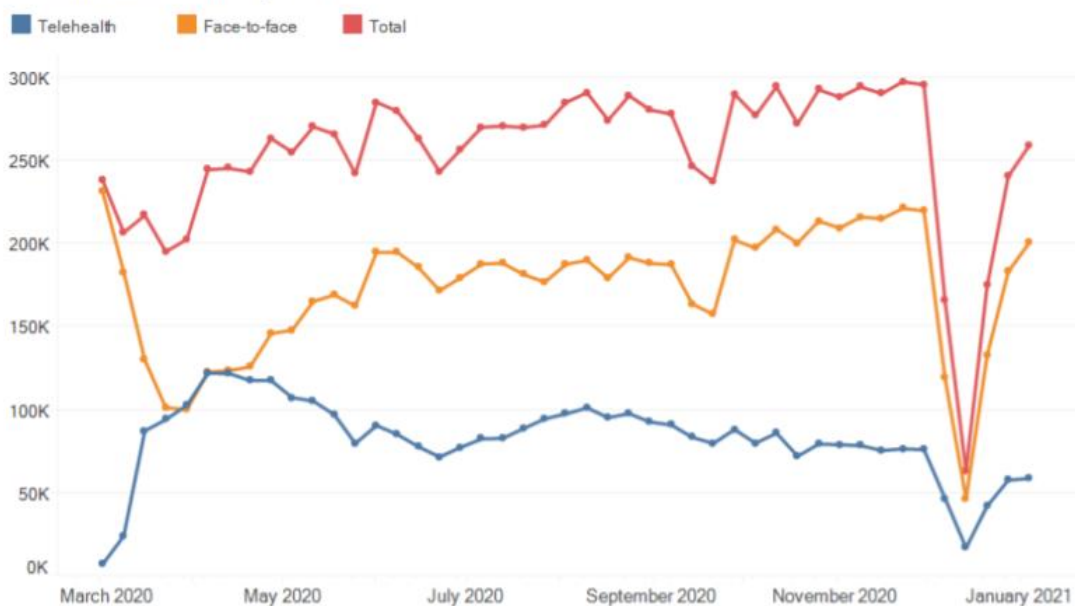
- A. a credit in the Capital and Financial Account
- B. a debit in the Capital and Financial Account
- C. a credit in the Current Account
- D. a debit in the Current Account

Question 15

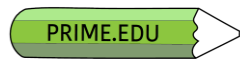
Which of the following is **likely** to have a different effect on Gross Domestic Product from the other three responses?

- A. increase in the level of government capital expenditure
- B. increase in the level of spending on imports
- C. decrease in the level of household consumption
- D. decrease in the level of business investment spending

END OF SECTION A

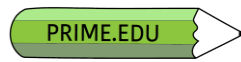
TURN OVER**SECTION B – Written responses****Instructions for Section B**Answer **all** questions in the spaces provided**Question 1 (15 marks)****Figure COVID.1: Number of MBS mental health services per week, by mode of delivery, March 2020 – January 2021****Graph 1.1 – Medicare Benefits Schedule (MBS) Mental Health Services**

- a. Describe the trend in the number of face-to-face mental health services per week from May 2020 to November 2020. (2 marks)



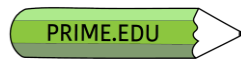
- b.** Explain the likely impact of the trend in face-to-face mental health services per week on living standards in Australia. (3 marks)

- c.** Discuss how the level of disguised unemployment during the 2020-2021 pandemic may have affected living standards and rate of economic growth in Australia. (6 marks)

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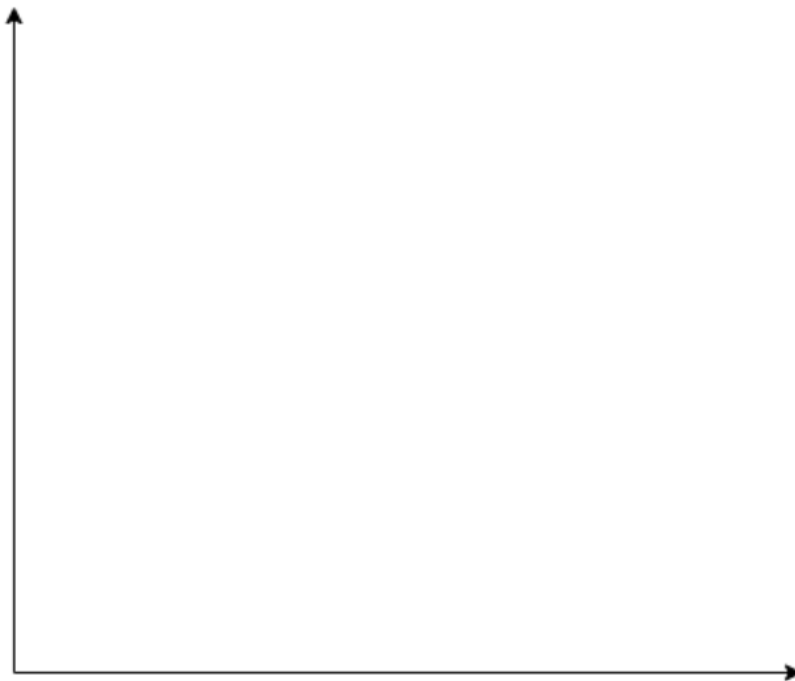
- d.** Analyse whether there is a trade-off between strong economic growth and sustainable economic growth. (4 marks)

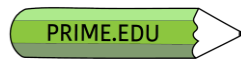
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**Question 2 (14 marks)**

- a. Explain how an increase in the price of a substitute may affect the demand for a good. Construct a fully labelled demand and supply diagram to illustrate your explanation (4 marks)





- b. Explain the effect on the equilibrium price in a competitive market that experiences an improvement in the rate of productivity growth (3 marks)

- c. Discuss the relationships between the rate of productivity growth and allocative efficiency. (4 marks)



d. Select one of the following market failures.

- externalities
- public goods

Describe why the chosen market failure has a negative effect on the efficient allocation of resources. (3 marks)

Question 3 (19 marks)**Graph of the Cash Rate Target**

Source: RBA

Graph 1.2 – Australian Cash Rate from 1990-2021

- a. What is the monetary policy stance in 2021? Use Graph 1.2 to justify your answer. (3 marks)

Australian house prices are rising at their fastest rate in more than 17 years.

Prices increased a further 1.6 per cent across the nation in July, making for a 16.1 per cent increase over the past year, according to property research firm CoreLogic.

The annual rise in national house prices is the fastest pace of annual growth since February 2004.

Source 1: <https://www.abc.net.au/news/2021-08-02/house-prices> Mon 2 Aug 2021 at 9:32pm

- b. Analyse how **one** transmission mechanism of monetary policy may be contributing to the record house price increases over the past 12 months. (4 marks)

[illegible]



c. Discuss whether both aggregate demand policies in 2021 have effectively achieved the goal of low inflation. (8 marks)

[illegible]



- d. Describe **one** strength and **one** weakness of the government using monetary policy to support jobs and growth during the pandemic. (4 marks)

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Question 4 (17 marks)

a. Define the goal of full employment.

(2 marks)

b. Select one of the following aggregate supply budgetary initiatives

- subsidies
- spending on training and education

Explain how the chosen initiative is designed to support the goal of full employment.

(4 marks)



JobKeeper initially gave businesses \$1,500 per fortnight per employee to help pay the wages.

It aimed to keep a connection between workers and employers, allowing a faster recovery when the health crisis was under control.

It also kept the unemployment rate from spiking, with workers considered 'employed' even though they were being paid by taxpayer funds, in many cases to work zero hours.

Source 2 : <https://www.abc.net.au/news/2021-03-29/jobkeeper-ends> Tue 30 Mar 2021 at 10:51am

- c. Discuss how budgetary welfare reforms over 2020 and 2021 can influence the level of aggregate demand and the level of aggregate supply. (6 marks)



- d. Examine how investment in infrastructure may impact living standards and explain one weakness of using this policy to impact living standards. (5 marks)

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END OF QUESTION AND ANSWER BOOK

Clearly number all responses in this space

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