

NAME:

ECONOMICS

Unit 3&4 Examination 2

Reading time: 15 minutes

Writing time: 120 minutes

QUESTION AND ANSWER BOOK

Structure of book

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	15	15	15
B	4	4	65
			Total 80

- Students are to write in blue or black pen.
- 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 permitted.

Materials supplied

- Question and answer book
- 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 **name** in the space provided above on this page.
- All written responses must be in English.

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

Correct answers score 1, while incorrect answers score 0

No marks will be deducted for incorrect answers

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

Question 1

From the list below, select the situation that best represents an example of opportunity cost:

- A.** A business chooses to use its resources to produce a product which is not popular with consumers, and makes a loss of \$15 000.
- B.** A person chooses to go cycling and consequently gets wet from the rain.
- C.** A government chooses to allocate \$2 million towards building a new hospital, so sacrifices the new school that could have been built with the money.
- D.** A business chooses to lower the price of its product by 10% and gains 20% more customers.

Question 2

Which of the following markets is the closest example to a perfectly competitive market?

- A.** The market for carrots.
- B.** The market for bicycles.
- C.** The market for air fares from Sydney to Melbourne.
- D.** The market for houses in Melbourne.

Question 3

Which of the following is **not** a source of government revenue?

- A.** Welfare payments
- B.** Goods and services tax (GST)
- C.** Excises
- D.** Income tax

Question 4

A deterioration in Australia's terms of trade:

- A. would likely lead to an increase in the current account surplus.
- B. could be caused by an increase in demand for Australia's major exports.
- C. would likely lead to an increase in the capital and current account deficit.
- D. could be caused by higher prices of Australia's imports.

Question 5

Refer to Table 1:

Table 1: Consumer Price Index (CPI) Data for a hypothetical economy

Year	CPI
2019/20	310
2020/21	350

What is the inflation rate for 2020/21 for the above hypothetical economy?

- A. 0%
- B. 11.4%
- C. 12.9%
- D. 8.8%

Question 6

Which of the following is an example of an automatic stabiliser?

- A. Income tax revenue rises as the business cycle contracts.
- B. Welfare payments rise as GDP falls.
- C. Discretionary spending on infrastructure rises as GDP falls.
- D. Net exports fall as the Australian dollar appreciates.

Question 7

Which of the following combinations of factors would have the most positive impact on Australia's aggregate supply?

- A. A decrease in population and an increase in productivity.
- B. An increase in the labour force participation rate and lower input prices.
- C. A depreciation of the Australian dollar and increases to company tax rates.
- D. An increase in productivity and a severe drought.

Question 8

An increase in the price of Product X is most likely to result in:

- A. a rightward shift of the demand curve for Product X.
- B. a rightward shift of the supply curve for Product X.
- C. a movement up along the supply curve for Product X.
- D. a movement up along the demand curve for Product X.

Question 9

Which of the following combinations of factors are best described as factors that influence non-material living standards?

- A. Access to goods and services; literacy rates
- B. Environmental quality; level of income
- C. Crime rates; mental health
- D. Level of income; life expectancy

Question 10

Cost inflation could be caused by:

- A. an increase in transfer payments to households.
- B. an increase in wage rates.
- C. a decrease in income tax rates.
- D. an increase in aggregate demand.

Question 11

A manufacturing business pays a supplier to install new machinery in a factory. This transaction would be:

- A. included in the Investment (I) component of GDP.
- B. included in the Consumption (C) component of GDP.
- C. included in the Government (G) component of GDP.
- D. not included in GDP.

Question 12

Failure to achieve the macroeconomic goal of full employment is likely to result in

- A. an increase in the inflation rate.
- B. a decrease in the budget deficit.
- C. an increase in income inequality.
- D. an increase in productive efficiency.

Question 13

Refer to Table 2.

Table 2: Employment data for a hypothetical economy

Working age population	20 million
Labour force	14 million
Employed people	13 million
Underemployment	2 million
Hidden unemployment	0.5 million

What is the unemployment rate for the above hypothetical economy?

- A. 14.2%
- B. 7.1%
- C. 3.5%
- D. 10%

Question 14

Which of the following factors would be **unlikely** to cause an increase in aggregate supply for Australia?

- A. A decrease in the global oil price.
- B. Lower company tax rates.
- C. An increase in government spending on research and innovation.
- D. A decrease in the number of skilled migrants moving to Australia.

Question 15

It is feared that many jobs will soon be lost to automation, whereby technological advancements will enable machines and robots to perform the roles of human employees. What type of unemployment is this situation best classified as?

- A. Frictional
- B. Cyclical
- C. Hard-core
- D. Structural

Instructions for Section B

[illegible]

b. Using a fully-labelled demand and supply diagram, explain the likely effect of the Jobs-ready Graduate Package on resource allocation, and on the equilibrium price and quantity for priority courses. 4 marks



c. Outline how the Jobs-ready Graduate Package is expected to affect productivity in Australia. 2 marks

d. Besides investing in education or training, explain **one** other type of aggregate supply policy the government could implement to achieve the goals of full employment and strong and sustainable growth. 2 marks

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Question 2 (18 marks)

a. Explain how each of the following factors is likely to affect aggregate demand and the goal of full employment. 6 marks

(i) A decrease in the value of the Australian dollar

(ii) An increase in house prices across Australia

(iii) A fall in business confidence

b. Describe the phase of the business cycle known as a ‘contraction’. 2 marks

4 marks

[illegible]

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According to Philip Lowe, Governor of the RBA, the following factors have been influencing house prices in early 2021: ‘[R]ecord low interest rates; a shift in preferences towards houses and away from apartments; strong demand for housing outside our largest cities; large government incentives for first-home buyers and home builders; and the slowest population growth in a century.’

a. Referring to the extract above, explain two factors that could have placed upward pressure on house prices. 4 marks

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3 marks

[illegible]

5 marks

[illegible]

d. Explain the effect of ‘large government incentives for first-home buyers and home builders’ on the following: 6 marks

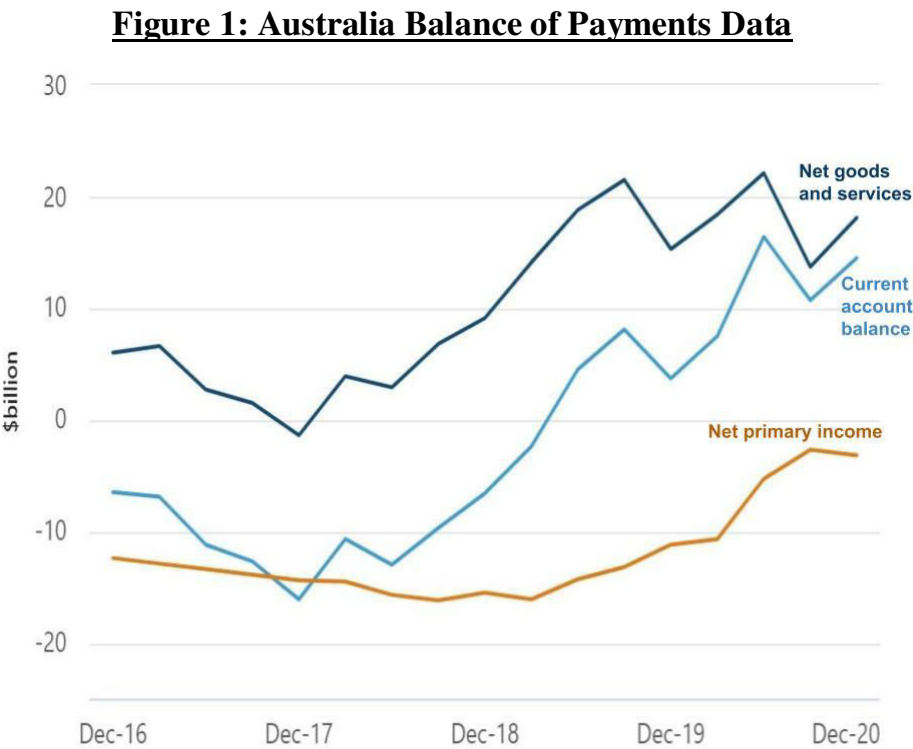
(i) The budget outcome

(ii) The goal of full employment

(iii) Living standards of Australians

Question 4 (14 marks)

Refer to Figure 1 and answer the questions that follow.



Source: adapted from Australian Bureau of Statistics;
<https://www.abs.gov.au/statistics/economy/international-trade/balance-payments-and-international-investment-position-australia/dec-2020>

a. Referring to the graph above, describe the trend in the current account during 2020. 2 marks

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6 marks

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Clearly number all responses in this space

[illegible]

[illegible]

MULTIPLE CHOICE ANSWER SHEET

1	A	B	C	D
2	A	B	C	D
3	A	B	C	D
4	A	B	C	D
5	A	B	C	D
6	A	B	C	D
7	A	B	C	D
8	A	B	C	D
9	A	B	C	D
10	A	B	C	D
11	A	B	C	D
12	A	B	C	D
13	A	B	C	D
14	A	B	C	D
15	A	B	C	D