

NAME:

ECONOMICS

Unit 3&4 Examination 3

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

In the market for new cars, an increase in consumers' disposable income is most likely to lead to:

- A. a movement up along the demand curve.
- B. more elastic demand.
- C. a shift to the right of the demand curve.
- D. a shift to the right of the supply curve.

Question 2

Dynamic efficiency is best described as:

- A. the ability for an economy to quickly move resources to achieve a point of allocative efficiency.
- B. a situation in which resources are allocated towards production of goods and services that most maximises living standards and welfare.
- C. the optimal use of resources towards both current production and future production.
- D. a situation that occurs when costs are minimised and outputs maximised.

Question 3

Automatic stabilisers are:

- A. government policies that aim to increase aggregate supply so as to stabilise the business cycle.
- B. changes to the cash rate to maintain a stable price level across the economy.
- C. trade liberalisation agreements with foreign nations.
- D. changes that are built into the budget and operate without any government action, and act in a counter-cyclical manner.

Question 4

Which of the following is most likely to lead to an improvement in material living standards for Australia?

- A. A rising labour force participation rate
- B. A fall in import prices relative to export prices
- C. Increased carbon emissions
- D. Falling literacy rates

Question 5

Covid-19 vaccinations such as Pfizer and AstraZeneca:

- A. are a type of public good since they are provided by the government.
- B. will likely be undersupplied by the free market, causing market failure.
- C. will always be supplied in sufficient quantities by the free market, so there is no need for government intervention.
- D. will be abundant in markets, leading to lower prices and lower costs of production.

Question 6

Failure to achieve the goal of full employment can:

- A. be caused by an expansion in the business cycle.
- B. lead to greater income inequality.
- C. lead to an increase in tax paid by employees.
- D. lead to an improvement in material living standards.

Question 7

Complete this sentence: The price elasticity of demand for designer clothing is _____ than that for healthcare because _____:

- A. lower; designer clothing is less expensive than healthcare.
- B. lower; there are more substitutes for designer clothing than healthcare.
- C. higher; designer clothing is less necessary than healthcare.
- D. higher; designer clothing is more durable than healthcare.

Question 8

Which of the following factors would have a different effect on Australia's aggregate demand than the other three?

- A. A fall in interest rates
- B. An increase in government spending
- C. An increase in income tax rates
- D. Depreciation of the Australian dollar

Question 9

Which of the following is **not** likely to result from increased spending on research and development?

- A. A decrease in allocative efficiency
- B. Lower levels of inflation
- C. Improved material living standards
- D. An increase in productivity growth

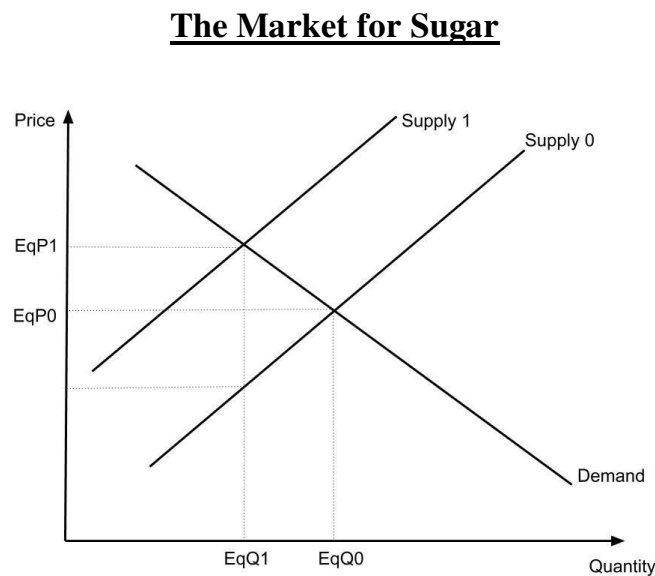
Question 10

An increase in aggregate supply is most likely to occur as a result of

- A. an increase to tax offsets for low and middle-income earners.
- B. a decrease in skilled labour migration.
- C. an increase in consumer confidence.
- D. a depreciation of the Australian dollar.

Question 11

Refer to the diagram below.



Which of the following could have caused the change shown in the above diagram?

- A. Improved growing conditions
- B. Labour productivity growth
- C. A subsidy for consumers of sugar
- D. An excise tax on sugar

Question 12

According to the circular flow model, which of the following combinations is most likely to result in leakages being greater than injections to the circular flow of income?

- A. An increase in export volumes and a decrease in government spending
- B. An increase in household savings and a decrease in business investment
- C. An increase in both import and export volumes
- D. A decrease in household savings and an increase in income tax rates

Question 13

Hard-core unemployment is best described as unemployment that occurs when:

- A. there are changes to the structure of the economy
- B. an individual is physically or mentally unable to hold a job.
- C. people not working become discouraged and stop looking for work.
- D. employed people would prefer to be working more hours than they currently are.

Question 14

In Product Market X, what would be the effect of a fall in the price of substitute product Y?

- A. A leftward shift in demand for Product X and a fall in the price of Product X.
- B. A leftward shift in supply of Product X and a fall in the price of Product X.
- C. A rightward shift in demand for Product X and a rise in the price of Product X.
- D. A rightward shift in supply of Product X and a rise in the price of Product X.

Question 15

Refer to the table below.

Table 1: Index of export and import prices for hypothetical economy

Year	Index of import prices	Index of export prices
1	100	100
2	108	103

Which of the following statements is most likely **correct** in relation to the hypothetical economy shown above?

- A. More imports can be bought with a given level of exports in year 2, when compared with year 1.
- B. The terms of trade for the hypothetical economy have deteriorated.
- C. Living standards have likely improved in the hypothetical economy.
- D. The current account deficit for the hypothetical economy has likely decreased.

SECTION B – Written responses

Instructions for Section B

Answer **all** questions in the space provided

Question 1 (14 marks)

Due to closed international borders in 2020/21, Australian farmers have struggled to find fruit pickers since these seasonal jobs are often filled by international backpackers. Consequently, fruit such as strawberries has been left to rot on some farms.

- a.** Using a fully labelled demand and supply diagram, illustrate and explain the effect of the above scenario on the market for strawberries in Australia. 4 marks



b. Explain whether the price elasticity of the supply of strawberries is likely elastic or inelastic and justify your answer by outlining **one** reason. 3 marks

c. Despite fruit picking jobs being available on Australian farms, unemployment still exists in Australian cities. Outline the type of unemployment this situation is best described as. 2 marks

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Question 2 (16 marks)

In 2020, the Australian government announced the HomeBuilder scheme, a policy whereby the government would offer \$25 000 subsidies to eligible people for the purpose of building or renovating a home.

a. Explain how HomeBuilder subsidies will affect each of the following: 6 marks

(i) The price of newly-built houses in Australia

(ii) The budget outcome

(iii) The goal of full employment

b. Explain which component of GDP the spending on newly-built homes will be recorded as. 2 marks

c. Outline **two** ways in which the government may fund the increase in spending due to the HomeBuilder scheme. 2 marks

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Question 3 (20 marks)

- a.** Explain **two** factors that could have contributed to an appreciation of the Australian dollar since the middle of 2020. 4 marks

- b.** Explain **two** factors that could enable Australian exports to become more internationally competitive in 2021. 4 marks

c. Education has been one of Australia’s major exports in recent years. Due to the Covid-19 pandemic and associated border closures, Australian universities have experienced a significant decline in international students enrolled. This is also expected to impact Australia’s levels of skilled migration in the future. Explain the effect of this situation on the following:

8 marks

(i) aggregate demand

(ii) the business cycle

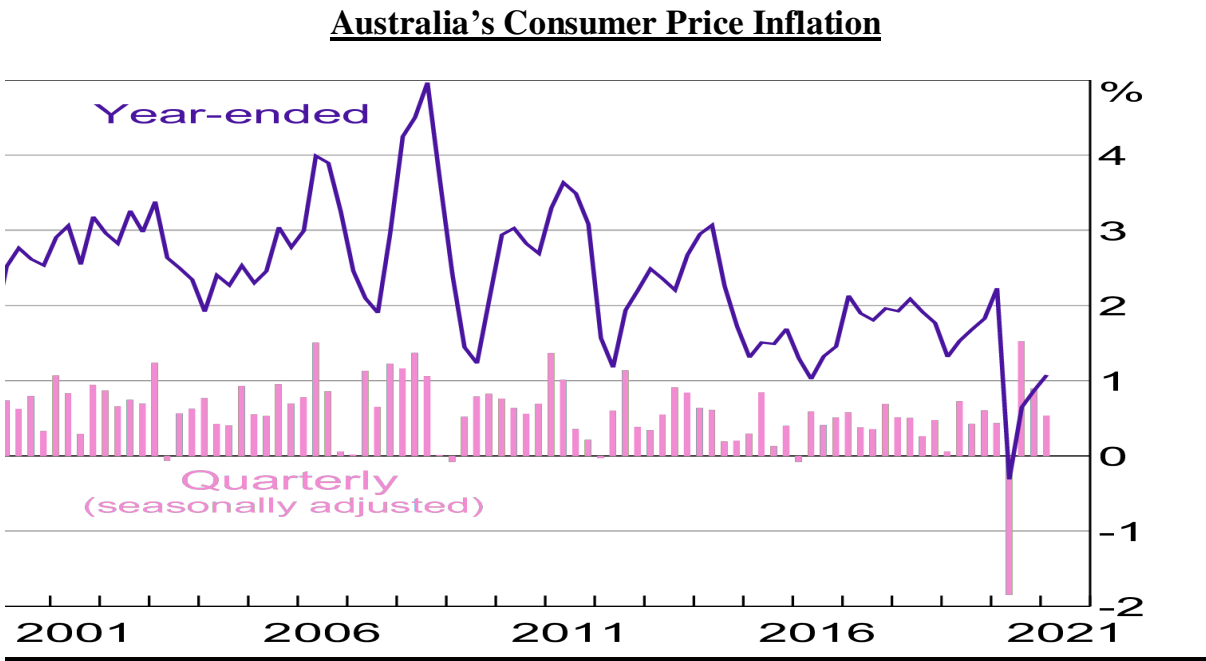
(iii) the balance of payments

(iv) aggregate supply

4 marks

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Question 4 (15 marks)



Source: adapted from <https://www.rba.gov.au/chart-pack/aus-inflation.html>

a. Referring to the graph above, describe the trend in inflation over the past two years. 2 marks

4 marks

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c. With reference to the Reserve Bank of Australia's (RBA's) charter, explain the reasons for the RBA's monetary policy stance between 2020 and 2021. 3 marks

[illegible]

d. Discuss strengths and weaknesses of using monetary policy to achieve the goal of price stability. 6 marks

Clearly number all responses in this space

[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