

Trial Examination 2023

## 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

<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 permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners, rulers and one scientific calculator.

Students are NOT permitted to bring into the examination room: blank sheets of paper and/or correction fluid/tape.

#### Materials supplied

Question and answer booklet of 24 pages

Answer sheet for multiple-choice questions

Additional space is available at the end of the booklet if you need extra paper 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 2023 VCE Economics Units 3&4 Written Examination.

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## 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.

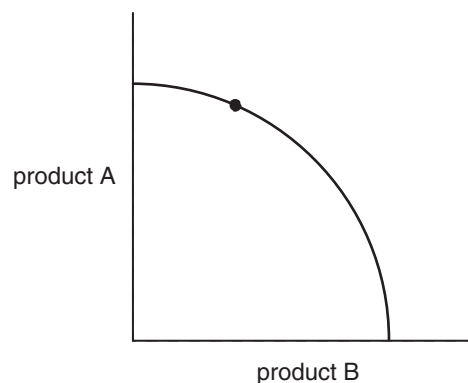
### Question 1

The three basic economic questions ask

- A. what and how many goods and services will be produced, in which quantities will these goods and services be produced, and for whom will these goods and services be produced.
- B. what and how many goods and services will be produced, for how much should these goods and services be sold, and for whom will these goods and services be produced.
- C. what and how many goods and services will be produced, how will these goods and services be produced, and how much will these goods and services cost to produce.
- D. what and how many goods and services will be produced, how will these goods and services be produced, and for whom will these goods and services be produced.

### Question 2

Consider the following production possibility frontier (PPF).



The point indicated on the PPF best represents

- A. intertemporal efficiency.
- B. allocative efficiency.
- C. productive efficiency.
- D. dynamic efficiency.

### Question 3

According to the law of demand, the quantity demanded increases when there are

- A. higher prices and few substitutes.
- B. lower prices and many substitutes.
- C. higher prices and many substitutes.
- D. lower prices and few substitutes.

**Question 4**

Which one of the following factors does **not** affect the price elasticity of demand?

- A. degree of necessity
- B. time
- C. durability of goods
- D. availability of substitutes

**Question 5**

An airport has a flight curfew that prohibits aircraft from taking off or landing between 11:00 pm and 6:00 am every day.

This curfew would have been implemented to limit the market failure associated with

- A. public goods.
- B. externalities.
- C. asymmetric information.
- D. common access resources.

**Question 6**

Which one of the following aggregate supply policies is **not** likely to increase aggregate supply?

- A. an increase in childcare subsidies
- B. an increase in tax concessions
- C. an increase in welfare indexation
- D. an increase in a targeted immigration program

**Question 7**

What is the impact of higher wage growth on the budget outcome?

- A. The budget outcome becomes more expansionary.
- B. The budget outcome becomes more contractionary.
- C. The budget outcome becomes balanced.
- D. The budget outcome is not impacted.

**Question 8**

An appreciation in the Australian dollar against the world's major currencies will most likely

- A. assist Australian exporters to sell their products in overseas markets.
- B. cause the Reserve Bank of Australia (RBA) to raise interest rates.
- C. lead to job losses in the Australian tourism industry.
- D. produce an increase in Australia's rate of inflation.

**Question 9**

Which one of the following is **not** a consequence of failing to achieve the goal of low and stable inflation?

- A. higher return on investment
- B. delayed consumption
- C. development of a wage-price spiral
- D. erosion of purchasing power

**Question 10**

The component in the balance of payments that records Australia's foreign aid is

- A. balance on merchandise trade
- B. net secondary incomes
- C. net services
- D. net primary incomes

**Question 11**

Which one of the following environmental policy regulations is **not** financial in nature?

- A. government subsidies
- B. labelling laws
- C. carbon taxes
- D. Emissions Reduction Fund

**Question 12**

Decreases in aggregate demand lead to higher

- A. frictional unemployment.
- B. structural unemployment.
- C. hidden unemployment.
- D. underemployment.

**Question 13**

Australia has signed many free trade agreements with other countries that reduce or eliminate barriers to trade and investments.

When tariffs (taxes) on imported products are reduced,

- A. the number of job opportunities at overseas suppliers decreases.
- B. the prices of Australian products decrease.
- C. the prices of Australian products increase.
- D. employment in Australia increases.

**Question 14**

Based on the stance of monetary policy during 2022, the transmission mechanism channel that will negatively impact households the most is

- A. savings and investment.
- B. cash flow.
- C. the exchange rate.
- D. asset prices and wealth.

**Question 15**

Consider the following budget aggregates table from the *Budget October 2022–23: Budget Paper No. 1 – Budget Strategy and Outlook*.

**Budget aggregates**

	Actual	Estimates					Projections
	2021–22 (\$ billion)	2022–23 (\$ billion)	2023–24 (\$ billion)	2024–25 (\$ billion)	2025–26 (\$ billion)	Total <sup>*</sup> (\$ billion)	2032–33
<b>Underlying cash balance</b>	<b>–32.0</b>	<b>–36.9</b>	<b>–44.0</b>	<b>–51.3</b>	<b>–49.6</b>	<b>–181.8</b>	
Per cent of gross domestic product (GDP)	–1.4	–1.5	–1.8	–2.0	–1.87		–1.9
<b>Gross debt<sup>†</sup></b>	<b>895.3</b>	<b>927.0</b>	<b>1004.0</b>	<b>1091.0</b>	<b>1159.0</b>		
Per cent of GDP	39.0	37.3	40.8	42.5	43.1		46.9
<b>Net debt<sup>‡</sup></b>	<b>515.6</b>	<b>572.2</b>	<b>634.1</b>	<b>702.8</b>	<b>766.8</b>		
Per cent of GDP	22.5	23.0	25.8	27.4	28.5		31.9
<sup>*</sup> Total is equal to the sum of amounts from 2022–23 to 2025–26. <sup>†</sup> Gross debt measures the face value of Australian Government Securities (AGS) on issue. <sup>‡</sup> Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).							

Source: Based on Commonwealth of Australia data. Commonwealth of Australia (2022), *Budget October 2022–23: Budget Paper No. 1 – Budget Strategy and Outlook*. Budget website. Accessed November 2022. <https://budget.gov.au>. Licensed under CC BY 3.0 AU, <https://creativecommons.org/licenses/by/3.0/au/legalcode>.

Based on the information in the table above, the stance of budgetary policy in 2022–23 is

- A. expansionary.
- B. neutral.
- C. contractionary.
- D. balanced.

**END OF SECTION A**



- Dynamic efficiency \_\_\_\_\_

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- b.** Outline the effect of the floods on the government's goal of low and stable inflation. 3 marks

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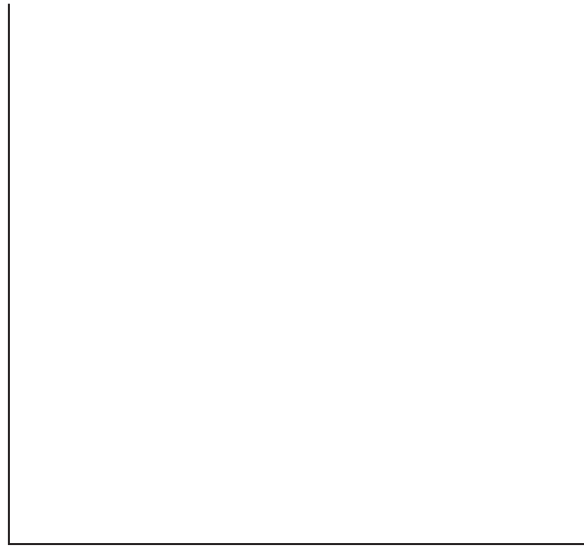
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- c. Based on the effect outlined in **part b.**, construct a fully labelled PPF that illustrates the impact of the floods on the Australian economy.

2 marks



- d. Australia's renewable energy target is to have 82% renewable energy by 2030.  
Outline the effect that increasing the use of renewable energy will have on intertemporal efficiency.

2 marks

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- e. Distinguish between a public good and a common access resource. 3 marks

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- f. Explain why a public good is considered a type of market failure and, with reference to an example, outline **one** way the government can intervene to prevent this market failure. 3 marks

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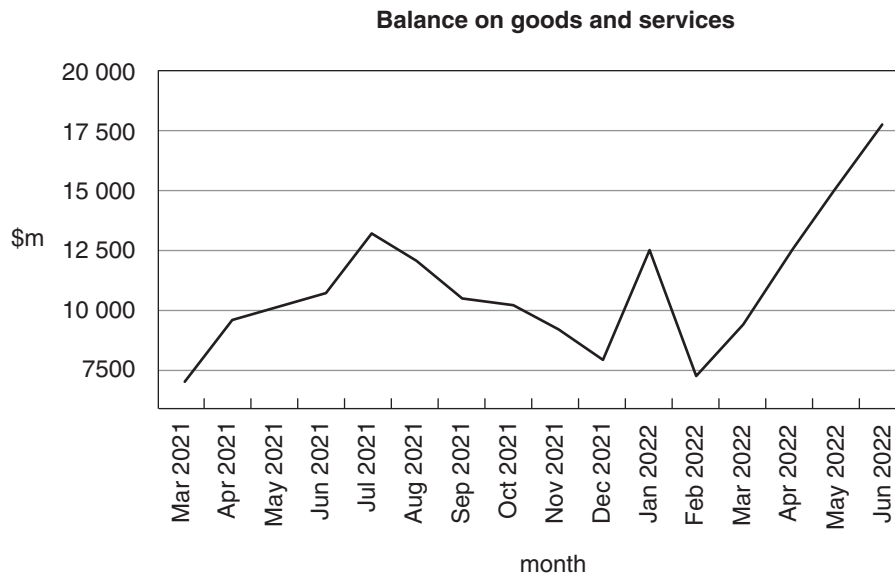
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**Question 2** (12 marks)

The balance on goods and services refers to the total of the balance on merchandise trade (BOMT) and net services. The following graph shows the balance on goods and services from March 2021 to June 2022.



Note: seasonally adjusted

Source: Based on Australian Bureau of Statistics data. Australian Bureau of Statistics (2022), *International Trade in Goods and Services, Australia*. ABS website. Accessed November 2022. <https://www.abs.gov.au/statistics/economy/international-trade/international-trade-goods-and-services-australia/jun-2022>. Licensed under CC BY 4.0, <https://creativecommons.org/licenses/by/4.0/legalcode>.

- a. With reference to the graph above, describe the trend in the balance on goods and services since the start of 2022.

2 marks

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- b.** Explain the effect of the trend described in **part a.** on the value of the Australian dollar, cyclical influences on Australia's current account balance and net foreign debt. 6 marks

The value of the Australian dollar \_\_\_\_\_

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Cyclical influences on Australia's current account balance \_\_\_\_\_

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Net foreign debt \_\_\_\_\_

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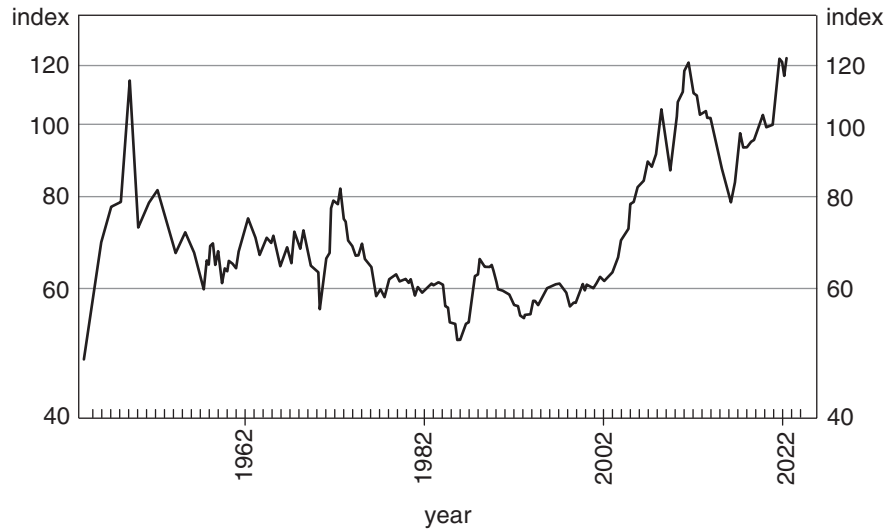
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- c.** The following graph shows Australia's terms of trade.

**Terms of trade**  
2019/20 average = 100, log scale



Note: Annual data is used prior to 1960.

Source: Adapted from Reserve Bank of Australia (2022), *Chart Pack – Commodity Prices*. RBA website. Accessed November 2022. <https://www.rba.gov.au/chart-pack/commodity-prices.html>. Licensed under CC BY 4.0, <https://creativecommons.org/licenses/by/4.0/legalcode>. Data from RBA and ABS.

With reference to the graph above, explain the effect that the movement in the terms of trade over the past two years will have on Australian living standards.

4 marks

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.









- d. Outline the likely impact on the budget outcome and the level of government (public) debt if the rate of unemployment continues to follow the trend shown in the graph from **part c**. 4 marks



- b.** Construct a fully labelled aggregate demand and aggregate supply diagram to illustrate your explanation from **part a**.

2 marks











## VCE Economics Units 3&4

### Written Examination

#### Multiple-choice Answer Sheet

Student's Name: \_\_\_\_\_

Teacher's Name: \_\_\_\_\_

#### Instructions

Use a **pencil** for **all** entries. If you make a mistake, **erase** the incorrect answer – **do not** cross it out. Marks will **not** be deducted for incorrect answers.

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

All answers must be completed like this example:

A	B	C	D
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Use pencil only

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