

COMMERCE PRESENTATIONS AND PUBLICATIONS



Figures											Letter
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Name _____

VCE ECONOMICS UNIT 3/4

CPAP Practice Examination B 2024

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.
- A scientific calculator is allowed in this examination

Materials supplied

- Question and answer book of 21 pages.
- Answer sheet for multiple choice questions (page 22).
- 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 book.

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

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 the **best answers** the question.

A correct answer scores 1, an incorrect answer scores 0.

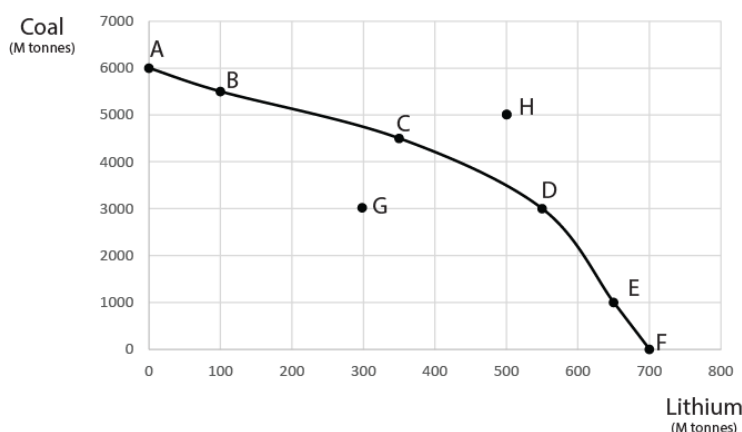
Marks will **not** be deducted for incorrect answers.

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

SECTION A

Question 1

Production Possibility Frontier (PPC)



Analyse the diagram/model above and determine which of the following statements is inaccurate.

- A. Production taking place at Point G is inefficient and production at point H is currently unattainable
- B. The opportunity cost of moving from D to C are the net benefit(s) associated with the foregone production of 1500 tonnes of coal
- C. Given that lithium is used in battery production, the push towards renewable energy that results in a movement away from point A and towards point F is both intertemporally efficient and allocatively efficient
- D. An economy can produce at point H if the quality and quantity of factors of production increases over time

Question 2

Which of the following is likely to have an effect on aggregate supply that is different to the other three?

- A. An increase in the skilled migration intake
- B. An increase in the labour force participation rate
- C. A decrease in personal income tax rates
- D. An increase in government regulations

Question 3

Which of the following is most likely to be associated with government intervention that has had negative consequences for efficiency?

- A. Excessive rises in the indirect taxes on tobacco
- B. The incidence of transactions that have been undertaken on the basis of asymmetric information
- C. Excessive production of goods that are associated with negative externalities
- D. Excessive use of common access resources

Question 4

The price elasticity of supply for electric cars produced in Chinese factories is likely to fall if:

- A. productivity at factories increase and it takes half the time to produce any given electric vehicle
- B. Chinese electric car manufacturers become monopoly suppliers in the global market
- C. the costs of labour for Chinese manufacturers rise
- D. there is a war and the Chinese government requires all factories to devote half their resources to military production

Question 5

Which of the following is most likely to result in a fall in structural unemployment?

- A. The more rapid uptake of technology, such as AI, by the business sector
- B. A loosening of monetary policy
- C. Budgetary policy tax concessions for firms investing in training and development
- D. A rise in the terms of trade

Question 6

A structural factor that will increase the current account surplus is

- A. Stronger economic growth in the economies of our trading partners
- B. A reduction in national savings
- C. A reduction in Australian Real Unit Labour Costs
- D. A stronger rate of national spending in Australia

Question 7

What is the name given to the monetary policy transmission channel that influences aggregate demand via the impact on the willingness to borrow money?

- A. Cash flow
- B. Savings and investment
- C. Exchange rate
- D. Asset prices and wealth

Question 8

Excise duties on fuel and tobacco are examples of Australian taxes that are:

- A. Indirect and regressive
- B. Indirect and progressive
- C. Indirect and proportional
- D. Direct and regressive

Question 9

Which of the following combinations of policy options is most likely to promote non-inflationary economic growth.

- A. Expansionary monetary policy and expansionary budgetary policy
- B. Personal tax cuts and increased infrastructure spending
- C. Increased welfare spending and a loosening of monetary policy
- D. A larger budget surplus and a higher target cash rate

Question 10

Consider the following hypothetical data relating to the movement in real GDP over time.

Quarter	Real GDP (\$m)
Dec 2021	585401
Mar 2022	589801
June 2022	594852
Sep 2022	595314
Dec 2022	600176
Mar 2023	603591
June 2023	606197
Sep 2023	607529
Dec 2023	609521
Mar 2024	610298

The most recent annualised rate of economic growth is:

- A. 0.1%
- B. 0.5%
- C. 4.4%
- D. 1.1%

Question 11

Which of the following will have an effect on Australia's exchange rate that is different to the other three?

- A. A decrease in commodity prices
- B. A decrease in Australia's credit rating
- C. A loosening of monetary policy
- D. A decrease in the Consumer Price Index

Question 12

In relation to the five-sector circular flow model of income

- A. The business sector provides resources to the household sector in return for income
- B. An increase in savings should contribute to injections rising faster than leakages and a higher level of real GDP
- C. An increase in government spending relative to taxation should contribute to leakages rising faster than injections and a higher level of GDP
- D. An increase in imports relative to exports should contribute to leakages rising faster than injections and a lower level of GDP

Question 13

Which of the following statements is most accurate in relation to the Australian economy during 2023-24?

- A. Interest rates increased, the unemployment rate remained below 4% and the budget was estimated to be in surplus
- B. Inflation fell below 4%, the terms of trade index declined and the unemployment rate rose above 4%
- C. The exchange climbed above USD0.80, wages growth accelerated and employment growth increased
- D. the Balance on Merchandise Trade remained positive, net foreign debt fell below zero, and inflation was in the range of 2-3%

Question 14

Which of the following will contribute to a decline in Australia's international competitiveness?

- A. An increase in the trade weighted index
- B. An increase in labour productivity
- C. A decrease in business taxes
- D. A decrease in the rate of inflation

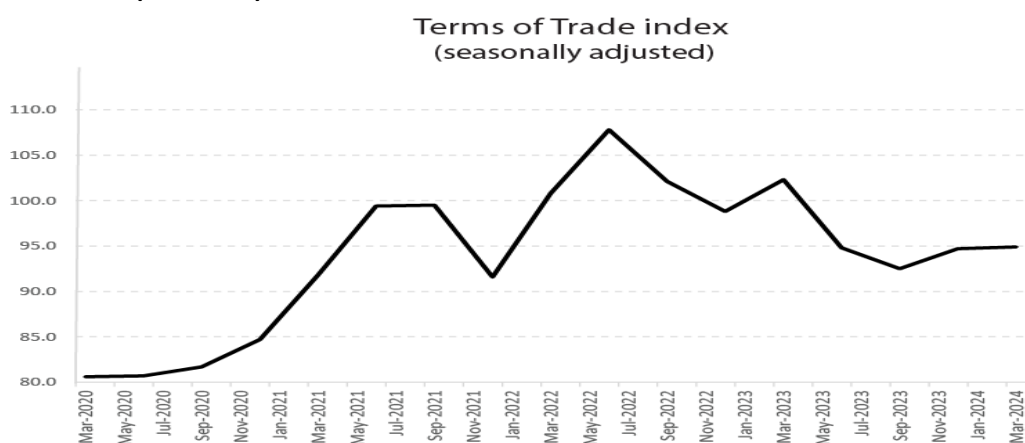
Question 15

Which of the following is likely to be a negative consequence associated with a failure to achieve a strong rate of economic growth?

- A. Environmental degradation and pollution
- B. A high rate of inflation
- C. An increased budget deficit
- D. A higher current account deficit

SECTION B

Question 1 (16 marks)



- a. Describe the trend movement in the TOT over the past year.

2 marks

- b. Predict how higher production costs for iron ore and coal producers overseas might influence Australia's terms of trade.

3 marks

c. Distinguish the Trade Weighted Index (TWI) from the terms of trade (TOT).

3 marks

- d. Describe how the movement in the terms of trade (TOT) over the past year is likely to have influenced both the budget balance and the current account balance.

5 marks

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- e. Describe how the movement in the budget balance, as described in your response to the previous question, is likely to influence the level of public debt.

3 marks

Question 2 (24 marks)

During the middle of 2024, avian influenza has resulted in many egg farmers being forced to cull birds, which has resulted in a market shortage.

- a. Use the area below to construct a fully labelled demand and supply diagram for eggs that includes reference to equilibrium(s).

4 marks

Eggs



- b. Explain the impact on the market for eggs as a result of avian influenza and describe how the market moves to its new equilibrium. Use the diagram drawn in part a to illustrate your response and refer to market shortage.

6 marks

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c. Explain whether shortages and/or a surpluses in markets are examples of a market failure.

2 marks

[illegible]

- d. In relation to the laws of demand and supply, distinguish the profit motive from the substitution effect. Illustrate your response with reference to the market for eggs.

4 marks

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- e. Evaluate the role of free and competitive markets in achieving an efficient allocation of resources. In your answer, make reference to both relative prices and market failure.

8 marks

[illegible]

Question 3 (16 marks)

The use of budgetary policy and monetary policy over recent years have been designed in a way to assist with the achievement of the Australian government's macroeconomic goals and to boost living standards.

- a. Explain what is meant by the natural rate of unemployment.

2 marks

- b. Discuss one implication that could stem from the rate of unemployment falling below or climbing above the natural rate of unemployment.

2 marks

- c. Explain how the exchange rate channel of monetary policy has influenced the rate of unemployment over 2023-24.

4 marks

- d. Identify one way that budgetary policy has been used reduce inflationary pressures over the past two years and explain how it helps to reduce the rate of inflation.

3 marks

- e. Evaluate the extent to which Australia has achieved the macroeconomic goals of price stability and strong and sustainable economic growth over the past year.

5 marks

[illegible]

Question 4 (9 marks)

- a. Explain how the government can use one of the following budgetary policy supply side initiatives to assist RBA efforts in reducing inflationary pressures. In your answer refer to aggregate supply.

- training and education
- research and development
- subsidies
- infrastructure
- tax reform

4 marks

[illegible]

- b. Analyse how an increase in skilled immigration can increase aggregate supply in the economy. In your response, refer to the influence on productivity and labour force participation.

5 marks

[illegible]