

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 2, 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

An economy is in recession.

A recommended policy mix might be to

- A. increase interest rates, increase government spending and decrease taxes.
- B. increase interest rates, decrease government spending and increase taxes.
- C. decrease interest rates, increase government spending and decrease taxes.
- D. decrease interest rates, decrease government spending and increase taxes.

Question 2

Which of the following will result in a shift in the demand curve for motorcycles?

- A. falling petrol prices
- B. higher motorcycle prices
- C. a subsidy paid to producers of motorcycles
- D. higher raw material prices in the production of motorcycles

Question 3

The most likely effect of a fall in commodity prices would be

- A. a favourable movement in Australia's terms of trade and a depreciation of the Australian dollar.
- B. a favourable movement in Australia's terms of trade and an appreciation of the Australian dollar.
- C. an unfavourable movement in Australia's terms of trade and a depreciation of the Australian dollar.
- D. an unfavourable movement in Australia's terms of trade and an appreciation of the Australian dollar.

Question 4

Which of the following concerning the measurement of Gross Domestic Product (GDP) is **not** correct?

- A. GDP measures output at market prices.
- B. GDP excludes illegal economic activity.
- C. GDP measurements are subject to revision.
- D. GDP excludes imputed rent on owner-occupied dwellings.

Question 5

If the federal government were always required to balance its budget, then in a time of economic downturn this might be achieved by

- A. an increase in tax rates and a decrease in federal government expenditure.
- B. a decrease in tax rates and an increase in federal government expenditure.
- C. an increase in tax rates and an increase in federal government expenditure.
- D. a decrease in tax rates and a decrease in federal government expenditure.

Question 6

Government spending on the construction of a new public hospital is an example of

- A. government social security outlays.
- B. government current expenditure.
- C. government capital expenditure.
- D. government transfer payments.

Question 7

Unfavourable climatic conditions in fruit-growing areas in Victoria are most likely to lead to

- A. an increase in demand for fruit and increased prices.
- B. an increase in supply of fruit and decreased prices.
- C. a decrease in demand for fruit and decreased prices.
- D. a decrease in supply of fruit and increased prices.

Question 8

The table below shows selected data for an economy that uses a floating exchange rate.

Balance of payments item	\$bn
Exports	180
Imports	205
Net services	10
Net income	-50
Current transfers	-5
Capital account	2
Financial account	68

For this economy the balance on goods and services is

- A. -\$15bn and the balance on current account is -\$70bn.
- B. -\$35bn and the balance on current account is -\$70bn.
- C. \$15bn and the balance on current account is \$30bn.
- D. \$35bn and the balance on current account is \$90bn.

Question 9

Which of the following would lead to a decrease in the supply of Australian dollars on the foreign exchange market?

- A. an increase in imports into Australia and an increase in Australian interest rates
- B. a decrease in exports from Australia and a decrease in Australian interest rates
- C. a decrease in imports into Australia and an increase in Australian interest rates
- D. an increase in exports from Australia and a decrease in Australian interest rates

Question 10

The table shows the unemployment rate for an economy over a three-year period.

Year	Unemployment rate %
2006	4.8
2007	5.0
2008	5.5

In theory, which of the following is **not** likely to be a factor contributing to the trend in the unemployment rate shown in the table?

- A. a fall in interest rates
- B. a rise in labour force participation rates
- C. a fall in business confidence
- D. an increase in the size of the budget surplus

Question 11

In a market economy, a private producer is unlikely to provide street lighting because

- A. there would be little demand for street lighting.
- B. it would be too costly to produce such a service.
- C. not all consumers could afford to pay for such a service.
- D. it would be difficult to exclude non-payers from enjoying the benefits of the service.

Question 12

The implementation of microeconomic reform policies is likely to

- A. have no effect on price stability and improve external stability.
- B. improve price stability and have no effect on external stability.
- C. improve price stability and improve external stability.
- D. improve price stability and worsen external stability.

Question 13

Which of the following measures affecting equity in personal income distribution has an impact which is different from the others?

- A. increasing the excise duty on petrol
- B. increasing spending on public sector housing
- C. increasing the tax-free threshold of personal income tax
- D. increasing the amount of funding to government schools

Question 14

In Australia, which of the following would be most likely to increase as a result of a global economic downturn?

- A. the cash interest rate
- B. the employment rate
- C. the current account deficit
- D. the size of the government budget surplus

Question 15

A redistribution of income away from the poorest 10 per cent of society towards the richest 10 per cent of society will move the Lorenz Curve

- A. closer to the 45 degree line and increase the Gini Coefficient.
- B. closer to the 45 degree line and decrease the Gini Coefficient.
- C. further from the 45 degree line and increase the Gini Coefficient.
- D. further from the 45 degree line and decrease the Gini Coefficient.

SECTION B – Written responses

Instructions for Section B
Answer **all** questions in **pen** in the spaces provided.

Question 1

- a. Outline what is meant by an ‘equitable distribution of personal income’.

2 marks

- b. Explain how **each** of the following is likely to impact on equity in personal income distribution.

rising levels of unemployment in Australia _____

falling levels of inflation in Australia _____

4 marks

- c. Explain **two** government policy actions which are designed to achieve a more equitable distribution of personal income in Australia.

first policy action _____

second policy action _____

6 marks

Question 2

‘Given the extraordinary economic developments in recent months, the immediate and overriding priority for fiscal policy at the current time is to support economic growth and jobs.’

Source: The Commonwealth Government Updated Economic and Fiscal Outlook

- a. Outline the relationship between the economic objectives of strong, sustainable economic growth and full employment.

4 marks

- b. Explain how the behaviour of economic growth in Australia over **the past year** has been influenced by each of the following.

one domestic demand or supply factor _____

one global demand or supply factor _____

4 marks

- c. Discuss **two** examples of budgetary/fiscal policy action that have been used over **the past year** to support ‘economic growth and jobs’.

example 1 _____

example 2 _____

4 marks

Question 4

- a. On 28 February 2008, one Australian dollar purchased US\$0.94. On 2 February 2009, one Australian dollar purchased US\$0.63. Explain one factor that might have contributed to this change in the value of the Australian dollar.

2 marks

- b. Explain the likely effect of this change in the value of the Australian dollar on each of the following.

Australia's balance of payments on current account _____

Australia's inflation rate _____

4 marks

