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2024 Trial Examination

STUDENT NUMBER									Letter

ECONOMICS

Units 3 & 4 Written examination

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 examination room: pens, pencils, highlighters, erasers, sharpeners and rulers and one scientific calculator.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.

Materials supplied

- Question and answer book of 16 pages.

Instructions

- Print your name in the space provided on the top of this page.
- All written responses must be in English.

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

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SECTION A – Multiple-choice questions

Instructions for Section A
Answer **all** questions.
Choose the response that is **correct** or that **best answers** the questions.
A correct answer scores 1; an incorrect answer scores 0.
No marks will be given if more than one answer is completed for any question.

Question 1

The reduction of Australian tariffs on imported goods is most likely to lead to which type of unemployment:

A. Underemployment

B. Cyclical unemployment

C. Seasonal unemployment

D. Structural unemployment

Question 2

Declining rates of Gross Domestic Product over a 12-month period are least likely to be caused by:

A. Higher levels of taxation and tighter Monetary Policy

B. Increased cost-push inflation

C. Reduced levels of underemployment

D. Increased levels of unemployment

Question 3

Consider the following data for a hypothetical economy:

Year	Consumer Price Index Inflation
Year 1	120
Year 2	115
Year 3	114

The percentage change in the annual rate of inflation from year 1 to year 2 is:

A. -4.3%

B. -0.08%

C. -0.87%

D. -5.2%

SECTION A- continued

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Question 4

The tightening of Monetary Policy, as seen over 2022-23, is demonstrated by which of the following?

A. A reduction in the cash rate and the increase of supply within the money market
B. An increase in the cash rate and the increase of supply within the money market
C. A reduction in the cash rate and the decrease of supply within the money market
D. An increase in the cash rate and the decrease of supply within the money market

Question 5

A contraction of supply in the market for cars is most likely caused by:

A. Lower levels of consumer confidence
B. The reduction in levels of productivity
C. Lower interest rates
D. An increase in the costs associated with production

Question 6

An improvement in levels of dynamic and intertemporal efficiency are most likely to be seen following which of the following government initiatives:

A. Higher taxes placed on the production of demerit goods such as tobacco
B. Regulations to restrict the overconsumption of fishing
C. Budgetary initiatives to subsidise the costs of education courses across 2024
D. The introduction of environmentalist policies such as a carbon tax

Question 7

Which of the following would be least likely to contribute to a Current Account Deficit?

A. An appreciation of the $AUD
B. A more favourable Terms of Trade
C. Higher levels of foreign investment into Australia
D. China placing tariffs on Australian exports

Question 8

The removal of the low-middle income tax offset as of 2023 can best be described as a:

A. A cyclical component of the Budget acting in an expansionary manner
B. A structural component of the Budget acting in a contractionary manner
C. An expansionary fiscal decision designed to achieve a Budget surplus
D. A contractionary fiscal decision designed to achieve a Budget deficit

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Question 9

The price elasticity of supply for concert tickets of a popular singer is likely to decrease if:

A. The venue announces more seating will be made available for the performance

B. The artist announces their final performance of their career

C. The artist performs regularly at a venue with a large seating capacity

D. The artist has to cancel their performance of one concert due to illness

Question 10

Which one of the following would not lead to an increase in non-inflationary growth?

A. An initiative to increase the immigration ceiling from 190,000 to 210,000 in 2024

B. A Budget announcement to invest into the production of solar and hydrogen energy

C. A government initiative to introduce tariffs and quotas on agriculture and food produce

D. An announcement to make nursing and education courses free for tertiary students

Question 11

Which of the following is not considered to be a public good?

A. Military services

B. A park bench in a vineyard

C. Street lighting

D. National park

Question 12

The move towards greater trade liberalisation is most likely to:

A. Improve productivity in the short term and improve technical and dynamic efficiency in the long term

B. Improve intertemporal efficiency in the short term and lower seasonal unemployment in the long term

C. Contribute to higher technical efficiency in the short term and lower structural unemployment in the long term

D. Contribute to higher allocative efficiency in the short term and higher international competitiveness in the long term

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Question 13

Which of the following is considered to be an accurate statement?

A. Over 2023, the Australian government met its goals of full employment and strong and sustainable economic growth while struggling to achieve low inflation at 2-3% over the medium term.

B. Over 2023, the Australian government did not achieve its goals of low inflation, or full employment though their goal of strong and sustainable growth was met as GDP stayed between 3-4% over the year.

C. Over 2023, the Australian government did not achieve any of its domestic macroeconomic goals.

D. Over 2023, the Australian government achieved its goal for strong and sustainable economic growth and low inflation whilst struggling to keep full employment near the NAIRU.

Question 14

Expansionary monetary policy is least likely to:

A. Increase the discretionary incomes of Australians

B. Decrease the desire of Australians to save relative to spending their income

C. Increase the value of property in Australia's housing market

D. Appreciate the value of the Australian Dollar on the foreign exchange market

Question 15

A weakness associated with monetary policy is that it:

A. May become pro-cyclical

B. Is prone to implementation lag

C. May be prone to recognition lag

D. May be influenced by political bias

END OF SECTION A
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SECTION B- Written responses

Instructions for Section B
Answer **all** questions in the space provided

Question 1 (20 marks)

In 2023, the Australian government increased the excise tax on alcohol production to just over $100 per litre of pure alcohol.

a. Define the term 'excise tax'. 2 marks

b. Outline why the government has intervened in the market for alcoholic beverages. 3 marks

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c. Illustrate and explain how one contemporary example of a government failure has impacted the market mechanism. 6 marks

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d. Discuss the price elasticity of demand for alcoholic beverages. 4 marks

e. Evaluate the role of competitive markets in achieving an efficient allocation of resources. 5 marks

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Question 2 (19 marks)

a. Using contemporary examples, explain how supply-shocks and excessive demand both have influenced the levels of inflation across 2023.

5 marks

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b. Over 2022-2023, CPI inflation surged to levels above 7%. Explain how high levels of inflation are likely to impact the allocation of resources in the Australian economy. 4 marks

The September quarter of 2023 saw the core rate of inflation increase by 1.2% for the quarter, however, the annualised rate of inflation fell to 5.4%.

c. Distinguish between disinflation and deflation. 3 marks

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d. Discuss the use of one conventional Monetary Policy tool which could be used to address the high levels of inflation. 4 marks

e. Outline how the policy suggested in Question 2d would impact the asset price channel. 3 marks

SECTION B- continued

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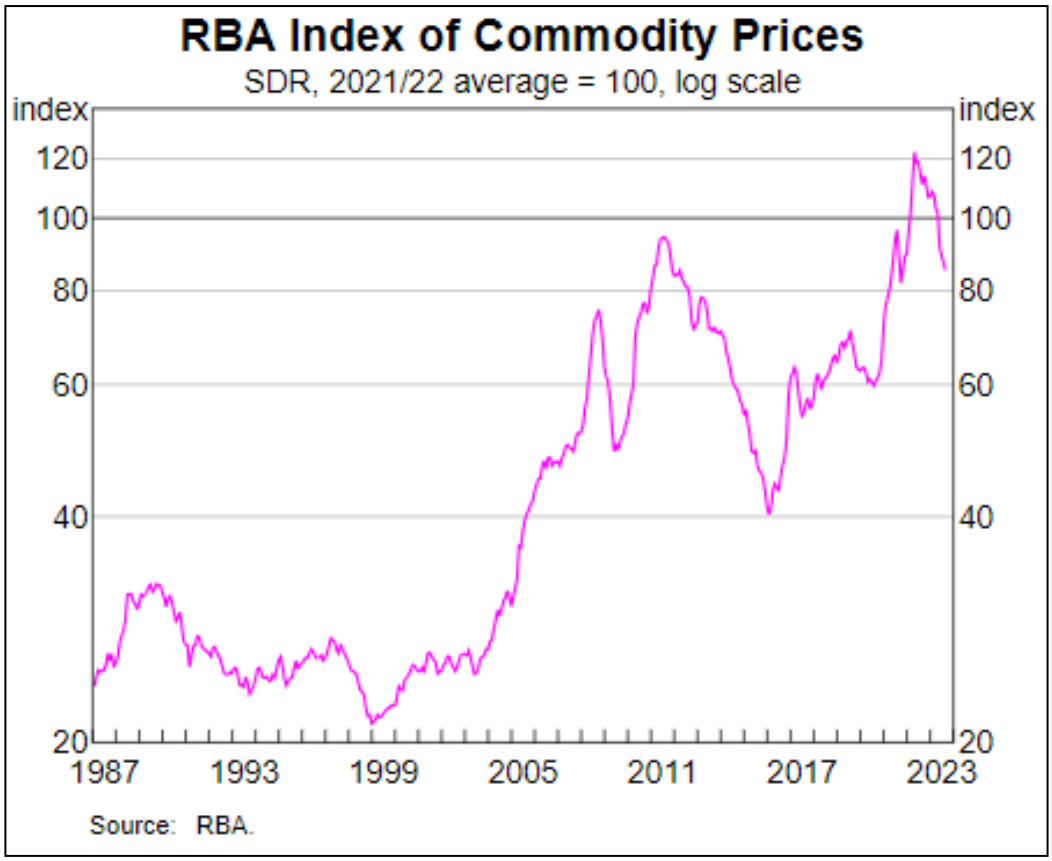
Question 3 (14 marks)



a. Describe the trend in commodity prices between 2022 – 2023. 2 marks

SECTION B- Question 3- continued

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b. Outline **one** reason for the trend identified in Question 3a. 2 marks

c. Discuss how a weaker Dollar across 2023 is likely to impact the Current Account.
4 marks

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d. Outline **one** impact that the trend in commodity prices will likely have on the Budget outcome.

3 marks

e. Distinguish between the structural and the cyclical components of the Budget.

3 marks

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Question 4 (12 marks)

a. Discuss how an increase in skilled migration is likely to impact the Australian economy's:

i. Budget Outcome 4 marks

ii. Productive capacity 4 marks

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b. Describe the effect of **one** market-based environmental policy on the levels of efficiency and living standards withing Australia. 4 marks

END OF QUESTION-AND-ANSWER BOOK

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