

Trial Examination 2022

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 and rulers.

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

No calculator is allowed in this examination.

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 space 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 2022 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

Which one of the following is most likely to have a positive impact on non-material living standards?

- A. an increase in the police force
- B. an increase in crime rates
- C. an increase in the unemployment rate
- D. an increase in traffic congestion

Question 2

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

- A. higher petrol prices
- B. higher subsidies paid to car manufacturers
- C. higher car prices
- D. higher raw material prices in the production of cars

Question 3

The business cycle is likely to move to the expansionary stage when

- A. income tax rates are increased.
- B. government capital expenditure is increased.
- C. government current expenditure is decreased.
- D. interest rates are increased.

Question 4

In the circular flow model of the economy, leakages are likely to increase if the

- A. unemployment rate falls below 5%.
- B. Australian Government announces tax cuts in the Budget.
- C. cash rate is reduced to 0% by the Reserve Bank of Australia (RBA).
- D. Australian dollar appreciates in value.

Question 5

Which one of the following statements about calculating the underlying cash outcome is correct?

- A. Both Future Fund earnings and net cash flows from investments in financial assets (IFAPP) are included in the calculation.
- B. Both Future Fund earnings and IFAPP are excluded from the calculation.
- C. Future Fund earnings are included in the calculation and IFAPP is excluded from the calculation.
- D. Future Fund earnings are excluded from the calculation and IFAPP is included in the calculation.

Question 6

Which one of the following is most likely to help to reduce a government's budget deficit?

- A. a slowing of growth in the world economy
- B. reducing the marginal rate of personal income tax
- C. removing the means test on some items of government welfare
- D. removing the exemptions of education and food from goods and services tax (GST)

Question 7

The most likely reason for pursuing trade liberalisation would be to

- A. appreciate the value of the Australian dollar.
- B. depreciate the value of the Australian dollar.
- C. reduce inflationary pressure.
- D. increase inflationary pressure.

Question 8

Consider the following data relating to a hypothetical country's balance of payments.

Item	Amount (billions)
net goods	+ \$110
net services	– \$50
net primary incomes	– \$90
net secondary incomes	+ \$25

From this data, the balance of payments on the capital and financial account would be a

- A. \$5 billion surplus.
- B. \$5 billion deficit.
- C. \$30 billion surplus.
- D. \$30 billion deficit.

Question 9

What is the effect of the RBA purchasing Commonwealth Government Securities in the overnight money market?

- A. The cash rate increases and liquidity decreases.
- B. The cash rate decreases and liquidity decreases.
- C. The cash rate increases and liquidity increases.
- D. The cash rate decreases and liquidity increases.

Question 10

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

- A. the addictive nature of some goods
- B. the durability of some goods
- C. the availability of substitutes that some goods have
- D. the proportion of income spent on some goods

Question 11

In the short term, the labour force participation rate will decrease when there is an increase in

- A. underemployment.
- B. unemployment.
- C. hidden unemployment.
- D. hard-core unemployment.

Question 12

The medium-term objective of the RBA is the stability of the currency of Australia.

The reason that this is a key objective of the RBA is that it helps to

- A. increase the value of the Australian dollar because it is important due to trade.
- B. decrease the value of the Australian dollar because it is important due to trade.
- C. increase economic growth in the long term.
- D. increase economic growth in the short term.

Question 13

Features of competitive markets include

- A. brand loyalty, resource mobility and full information.
- B. brand loyalty, rational choices and full information.
- C. rational choices, full information and price taking.
- D. rational choices, full information and price making.

Question 14

Which one of the following policy decisions is most likely to decrease aggregate supply?

- A. increasing the retirement age from 65 to 68 years
- B. paying a subsidy to parents to cover the cost of childcare
- C. increasing the minimum school leaving age from 15 to 17 years
- D. relaxing the entry requirement criteria for General Skilled Migration visas

Question 15

Which one of the following is **not** considered an example of an aggregate supply policy?

- A. assistance to businesses when there is a drought
- B. a reduction in interest rates to reduce the costs of production
- C. a reduction in company tax rates
- D. a temporary pause of the General Skilled Migration program

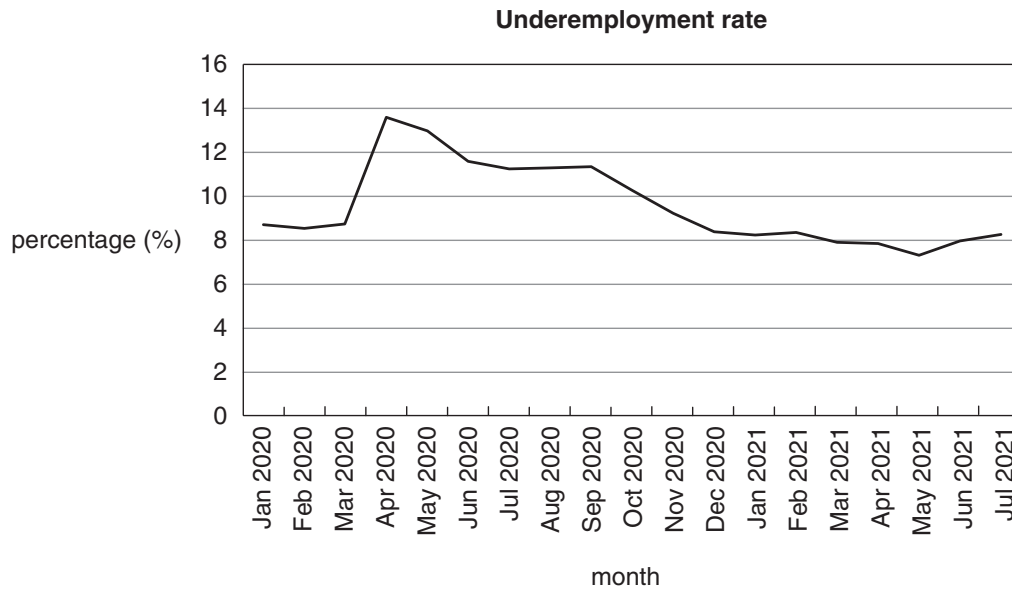
END OF SECTION A

SECTION B – WRITTEN RESPONSES**Instructions for Section B**

Answer **all** questions in the spaces provided.

Question 1 (18 marks)

The following graph shows the underemployment rate from January 2020 to July 2021.



Source: Based on Australian Bureau of Statistics data. Australian Bureau of Statistics (ABS) (2021), *Labour Force, Australia*, reference period July 2021. Accessed 7 July 2021. <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>. Licensed under CC BY 4.0, <https://creativecommons.org/licenses/by/4.0/legalcode>.

- b.** Based on the impact explained in **part a.**, construct a fully labelled demand and supply diagram to illustrate the effect of this change on the macroeconomy.

2 marks



- c.** Select **one** recent example of government intervention in markets and explain how it unintentionally led to a decrease in the efficiency of resource allocation. 3 marks

- d.** Explain how recreational fishing is an example of a market failure. 3 marks

- e. Explain **one** form of government intervention that might be taken to reduce the degree of the market failure explained in **part d.** 3 marks

- f. Explain how relative prices influence the allocation of resources and material living standards in a competitive market. 3 marks

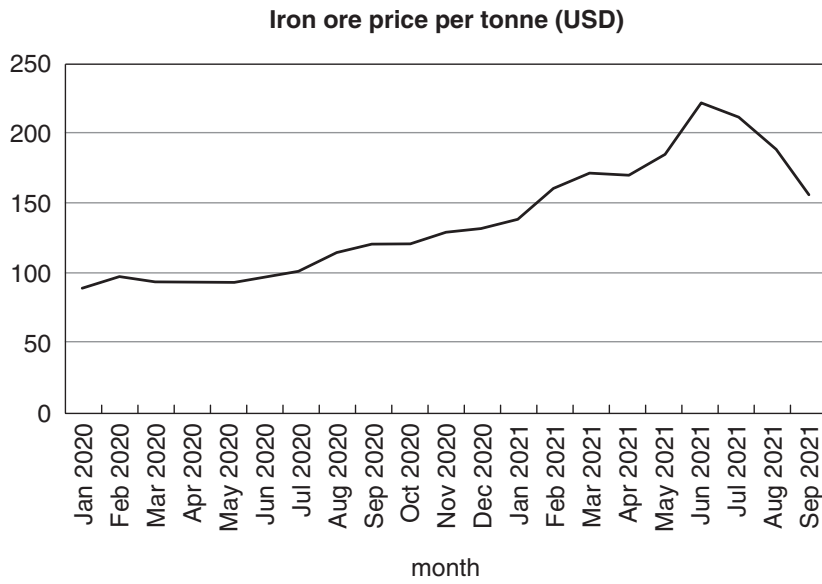
b. Using the availability of credit transmission mechanism and the cash flow transmission mechanism, explain the role of monetary policy in countering economic conditions in Australia during 2021 **or** 2022.

6 marks

Question 3 (13 marks)

- a.** Distinguish between the balance on merchandise trade and the terms of trade. 3 marks

The following graph shows the price of iron ore from January 2020 to September 2021.



Source: Based on Trading Economics data (2021). Reproduced with permission. 'Iron Ore USD/T'. Accessed 28 September 2021. <https://tradingeconomics.com//commodity/iron-ore>

- b.** With reference to the graph above, describe the trend in the price of iron ore since the start of 2021 and explain how this trend will impact the terms of trade and Australia's material and non-material living standards.

6 marks

c. Outline how the impact on the terms of trade identified in **part b.** would influence the exchange rate and the goal of price stability. 4 marks

Question 4 (16 marks)

- a.** With reference to **one** policy announced in the past two years, explain the relationship between training and education and an efficient allocation of resources. 4 marks

b. Explain how the policy referred to in **part a.** will decrease the rate of unemployment. 3 marks

d. Distinguish between production and productivity.

3 marks

END OF QUESTION AND ANSWER BOOKLET

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