Neap

VCE Economics Units 3&4

Question and Answer Booklet

2024 Trial Examination

Reading time: 15 minutes

Writing time: 2 hours

Student's Name: _____

Teacher's Name: _____

Materials supplied

- Question and Answer Booklet of 24 pages
- Multiple-Choice Answer Sheet

Instructions

- Write **your name** and your **teacher's name** in the spaces above on this page.
- Follow the instructions on your Multiple-Choice Answer Sheet.
- At the end of the examination, place your Multiple-Choice Answer Sheet inside the front cover of this booklet.

Students are **not** permitted to bring mobile phones and/or any unauthorised electronic devices into the examination room.

Contents

Section A (15 questions, 15 marks) .....
Section B (5 questions, 65 marks) .....

Students are advised that this is a trial examination only and cannot in any way guarantee the content or the format of the 2024 VCE Economics Units 3&4 Written Examination.

Neap® Education (Neap) Trial Exams are licensed to be photocopied or placed on the school intranet and used only within the confines of the school purchasing them, for the purpose of examining that school's students only for a period of 12 months from the date of receiving them. They may not be otherwise reproduced or distributed. The copyright of Neap Trial Exams remains with Neap. No Neap Trial Exam or any part thereof is to be issued or passed on by any person to any party inclusive of other schools, non-practising teachers, coaching colleges, tutors, parents, students, publishing agencies or websites without the express written consent of Neap.

Copyright © 2024 Neap Education Pty Ltd ABN 43 634 499 791 Level 1 223 Hawthorn Rd Caulfield North VIC 3161 Tel: (03) 9639 4318

Section A – Multiple-choice questions

Instructions

- Answer **all** questions in pencil on the Multiple-Choice Answer Sheet.
- 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

When the price of good X increases, it is expected that there will be

A. an increase in the quantity of good X demanded by consumers.

B. a decrease in the quantity of good X supplied to consumers.

C. a decrease in the amount of resources producers allocate to the production of good X.

D. an increase in the amount of resources producers allocate to the production of good X.

Question 2

Consider the following data.

Year	Increase in consumer price index (CPI) (%)
1	1.8
2	3.0
3	4.2
4	2.7

Based on the data, which one of the following conclusions can be made?

A. The rate of inflation as measured by the CPI is 4%.

B. The CPI for year 4 does not fall within the Australian Government's inflation target range.

C. The average annual inflation rate is approximately 3%.

D. The rate of inflation is increasing.

Question 3

Fish in the ocean can be considered a common access resource because they are

A. privately owned by fishing companies.

B. not protected by government regulations.

C. available for anyone to access and use without exclusive property rights.

D. allocated based on market demand.

Copyright © 2024 Neap Education Pty Ltd

Question 4

When the Australian Government provides foreign aid to other countries, it is recorded as a

A. credit in net primary incomes.

B. debit in net primary incomes.

C. credit in net secondary incomes.

D. debit in net secondary incomes.

Question 5

Which one of the following would most likely lead to an increase in the participation rate?

A. an increase in the unemployment rate

B. an increase in the rate of growth of employment

C. an increase in government taxes

D. raising the minimum school-leaving age

Question 6

Which one of the following policies does **not** contribute to environmental protection?

A. subsidies to address positive externalities

B. promoting freer trade so that local industries have access to global markets

C. taxes to address negative externalities

D. the use of rules and regulations to force economic agents to behave in certain ways

Question 7

Which one of the following identifies the most likely effects of a rise in commodity prices on Australia's terms of trade and the Australian dollar?

	Australia's terms of trade	Australian dollar
A.	favourable movement	depreciation
B.	favourable movement	appreciation
C.	unfavourable movement	depreciation
D.	unfavourable movement	appreciation

Question 8

Which one of the following is an example of unconventional monetary policy?

A. lowering the policy interest rate

B. selling government securities in open market operations

C. implementing quantitative easing

D. raising reserve requirements for banks

Copyright © 2024 Neap Education Pty Ltd

Question 9

Contractionary monetary policy would most likely lead to

A. an appreciation of the Australian dollar.

B. an increase in the terms of trade.

C. a decrease in the trade weighted index.

D. more lending to foreign entities by Australian financial institutions.

Question 10

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

A. skills shortages

B. a long production period

C. percentage of income

D. durability of goods

Question 11

Which one of the following is **not** a strength of budgetary policy?

A. The budget can target particular sectors of the economy.

B. The budget has a short impact lag to influence economic activity.

C. The budget has a long implementation lag to influence economic activity.

D. The budget can target a greater range of economic goals.

Question 12

The income effect refers to

A. the satisfaction obtained from each additional item consumed.

B. the perceived value of an item.

C. alternative items that consumers can spend their incomes on.

D. how changes in earnings affect the purchasing power of consumers.

Question 13

Which one of the following policies is likely to decrease aggregate supply?

A. increasing spending on training and education

B. increasing direct taxes

C. increasing subsidies

D. increasing research and development grants

Copyright © 2024 Neap Education Pty Ltd

Question 14

Consider the following information for a hypothetical economy.

Gross Domestic Product (GDP)	2.9%
unemployment rate	4.8%
inflation rate	2.4%

What phase of the business cycle is this economy in?

A. expansion

B. contraction

C. peak

D. trough

Question 15

The following table shows the labour market data for a hypothetical country.

Category	Number
population aged 15 and over	350 000
labour force	300 000
employed persons – full time	200 000
employed persons – part time and casual	90 000
unemployed persons	10 000
unfilled vacancies	2000

Based on this data, what is the unemployment rate?

A. 2.5%

B. 3.3%

C. 5.0%

D. 10.0%

End of Section A

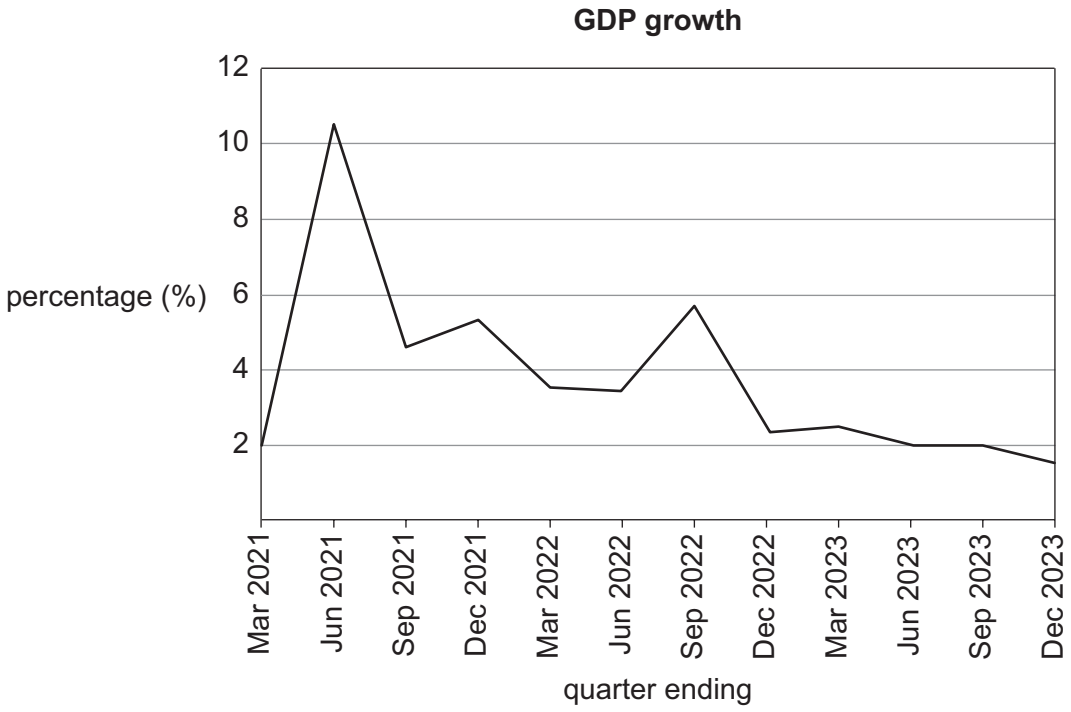
Copyright © 2024 Neap Education Pty Ltd

Section B

Instructions

- Answer **all** questions in the spaces provided.
- Write your responses in English.

Question 1 (11 marks)
Consider the following graph.



Source: Based on Trading Economics data (2024), 'Australia GDP annual growth rate'. Accessed March 2024. https://tradingeconomics.com/australia/gdp-growth-annual.

Copyright © 2024 Neap Education Pty Ltd

a. With reference to the graph on page 6, explain whether the goal of strong and sustainable economic growth was achieved during the period between March 2022 and December 2023. 3 marks

b. Outline **one** aggregate demand **or one** aggregate supply factor that would account for the trend in GDP growth since June 2023. 2 marks

Copyright © 2024 Neap Education Pty Ltd

Consider the following information about the 2024–25 Australian Budget.

> ‘The Government’s tax cuts will provide meaningful cost-of-living relief to middle Australia and all Australian taxpayers.’
>
> Source: The Treasury, https://treasury.gov.au/sites/default/files/2024-01/tax-cuts-government-fact-sheet.pdf.
> Licensed under CC BY 3.0 AU, https://creativecommons.org/licenses/by/3.0/au/legalcode.en.
>
> ‘Around five million Australians will receive a boost to their social security payments when indexation takes effect [on 20 March 2024].’
>
> Source: © Commonwealth of Australia 2024, https://ministers.dss.gov.au/media-releases/14001.
> Licensed under CC By 4.0, https://creativecommons.org/licenses/by/4.0/legalcode.en.

c. With reference to the information above, distinguish between the automatic and discretionary stabilisers of the budget. 3 marks

Copyright © 2024 Neap Education Pty Ltd

d. Explain how tax cuts and social security indexation increases impact the goal of strong and sustainable economic growth. 3 marks

Copyright © 2024 Neap Education Pty Ltd

Question 2 (14 marks)

a. Distinguish between the headline and underlying cash balance. 3 marks

Copyright © 2024 Neap Education Pty Ltd

b. Explain what is meant by the stance of budgetary policy and predict how the stance of budgetary policy in 2024–25 will impact employment. 5 marks

Copyright © 2024 Neap Education Pty Ltd

c. With reference to the cash-flow channel, analyse how the current stance of monetary policy has impacted the achievement of low and stable inflation and living standards. 6 marks

Copyright © 2024 Neap Education Pty Ltd

Question 3 (13 marks)

a. Distinguish between aggregate supply policies and aggregate demand policies. 3 marks

Copyright © 2024 Neap Education Pty Ltd

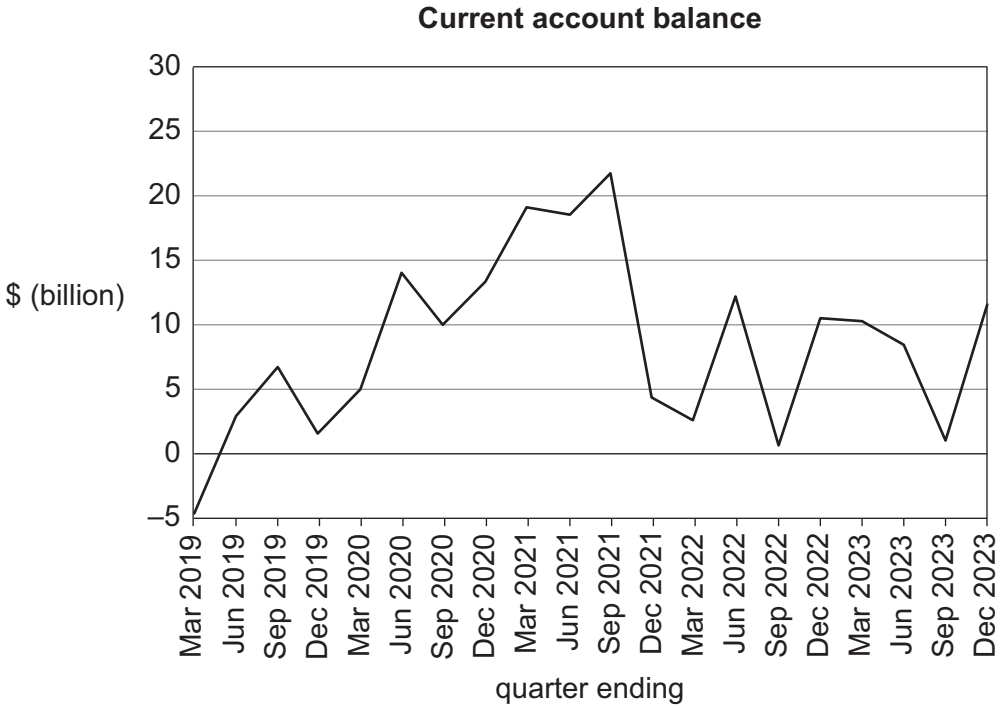
b. Using an example, explain how the implementation of aggregate supply policies impacts productive capacity and living standards. 4 marks

Copyright © 2024 Neap Education Pty Ltd

c. Explain how **two** aggregate supply policies may be used to complement aggregate demand policies to promote non-inflationary economic growth. 6 marks

Copyright © 2024 Neap Education Pty Ltd

Question 4 (10 marks)
Consider the following graph.



Source: Based on Australian Bureau of Statistics data. Australian Burau of Statistics(2024), 'Australia GDP current account'. ABS website. Accessed March 2024. https://www.abs.gov.au/statistics/economy/international-trade/balance-payments-and-international-investment-position-australia.
Licensed under CC BY4.0, https://creativecommons.org/licenses/by/4.0/legalcode.en.

a. Describe the trend in the current account balance during 2023 and identify **one** aggregate supply factor **or one** aggregate demand factor that would explain the trend. 2 marks

Copyright © 2024 Neap Education Pty Ltd

b. With reference to the graph on page 16, explain how the movement in the current account balance during 2023 may have affected the value of the Australian dollar and the achievement of strong and sustainable economic growth. 4 marks

Copyright © 2024 Neap Education Pty Ltd

c. Explain how structural and cyclical influences affect the current account balance. 4 marks

Copyright © 2024 Neap Education Pty Ltd

Question 5 (17 marks)

According to the Australian Institute of Health and Welfare:

- among people aged 14 years and over, the rate of daily tobacco smoking decreased from 11.0% in 2019 to 8.3% in 2022–23
- the proportion of people using e-cigarettes and vapes nearly tripled from 2.5% in 2019 to 7.0% in 2022–23.

Source: Australian Institute of Health and Welfare, https://www.aihw.gov.au/reports/illicit-use-of-drugs/national-drug-strategy-household-survey/contents/tobacco-and-e-cigarettes-vapes.
Licensed under CC BY 4.0, https://creativecommons.org/licenses/by/4.0/legalcode.en.

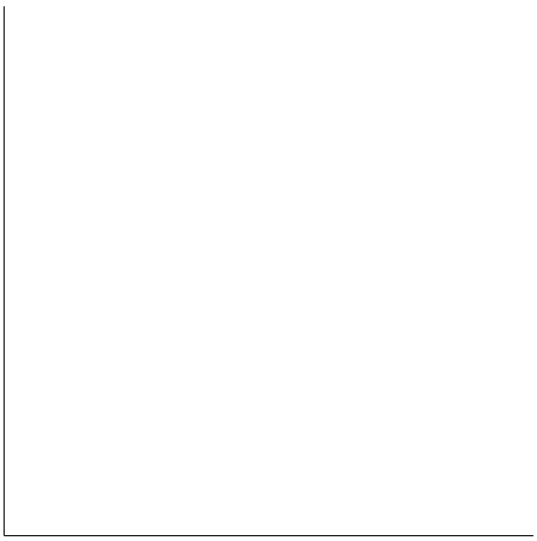
a. Explain how **two** non-price factors have contributed to the increase in demand for e-cigarettes and vapes. 4 marks

b. Explain **one** type of market failure that may be associated with vaping. 3 marks

c. Explain how **one** government intervention could be used to address the market failure identified in **part b.** 3 marks

Copyright © 2024 Neap Education Pty Ltd

d. Construct a fully labelled demand and supply diagram and use it to analyse how the government intervention explained in **part c.** could impact the e-cigarette and vape market, resulting in a new equilibrium price and quantity. 4 marks



Copyright © 2024 Neap Education Pty Ltd

e. With reference to **one** type of economic efficiency, explain how the government intervention identified in **parts c.** and **d.** could lead to a more efficient allocation of resources. 3 marks

End of examination questions

Copyright © 2024 Neap Education Pty Ltd