



# Victorian Certificate of Education 2013

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

## STUDENT NUMBER

Letter

Figures

Words


# ECONOMICS

## Written examination

Thursday 31 October 2013

Reading time: 3.00 pm to 3.15 pm (15 minutes)

Writing time: 3.15 pm to 5.15 pm (2 hours)

## QUESTION AND ANSWER BOOK

### Structure of book

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	15	15	30
B	4	4	60
			Total 90

- 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 white out liquid/tape.
- No calculator is allowed in this examination.

### Materials supplied

- Question and answer book of 24 pages.
- Answer sheet for multiple-choice questions.
- Additional space is available at the end of the book if you need extra paper to complete an answer.

### Instructions

- Write your **student number** in the space provided above on this page.
- Check that your **name** and **student number** as printed on your answer sheet for multiple-choice questions are correct, **and** sign your name in the space provided to verify this.
- 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 book.

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

**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**

Which one of the following would have a different effect on the overall level of aggregate demand from that of the other three?

- A. an increase in savings
- B. an increase in investment
- C. an increase in net exports
- D. an increase in government spending

**Question 2**

The effect of an introduction of a carbon tax of \$23 per tonne of CO<sub>2</sub> emissions on the market for electricity that is generated from burning coal would be to

- A. shift the supply curve to the left and cause a contraction in supply.
- B. shift the supply curve to the left and cause a contraction in demand.
- C. shift the demand curve to the left and cause a contraction in supply.
- D. shift the demand curve to the left and cause a contraction in demand.

**Question 3**

Which one of the following policy decisions is likely to have a different effect on aggregate supply from that of the other three?

- A. an increase in the pension qualification age from 65 to 70 years
- B. the payment of a subsidy to parents to cover the cost of childcare
- C. an increase in the minimum school leaving age from 15 to 17 years
- D. relaxation of the criteria that need to be met in order to qualify as a skilled migrant to Australia

**Question 4**

Which one of the following is **not** an example of an automatic stabiliser?

- A. unemployment benefits
- B. social welfare payments
- C. progressive income taxes
- D. salaries paid to public servants

**Question 5**

Imagine that

- the inflation rate is at a low level, well within the target range
- the rate of economic growth is slowing
- the unemployment rate is rising.

It is most likely that the Reserve Bank of Australia (RBA) will implement a monetary policy that would

- A. buy government securities and lower the cash interest rate.
- B. buy government securities and raise the cash interest rate.
- C. sell government securities and lower the cash interest rate.
- D. sell government securities and raise the cash interest rate.

**Question 6**

In a given year, an increase in the trade-weighted index (TWI) is least likely to

- A. distort income distribution in favour of Australian importing firms relative to Australian exporting firms.
- B. assist with the lessening of cost pressures for Australian businesses.
- C. result in greater leakages of spending out of the Australian economy.
- D. contribute to an improvement in net external demand ( $X-M$ ).

**Question 7**

Which one of the following statements regarding Real Gross Domestic Product (GDP) is **false**?

- A. Real GDP excludes the costs that are associated with negative externalities.
- B. Real GDP imputes the value of government services that are provided free of charge.
- C. Real GDP includes home-based production, such as do-it-yourself home maintenance.
- D. Real GDP measures the change in the value of goods and services that are produced over a period of time, adjusted for rates of inflation.

**Question 8**

If the RBA implements an expansionary monetary policy, the likely effect on consumer spending and on the household savings ratio would be that

- A. consumer spending falls and the household savings ratio rises.
- B. consumer spending rises and the household savings ratio falls.
- C. consumer spending falls and the household savings ratio falls.
- D. consumer spending rises and the household savings ratio rises.

**Question 9**

An improvement in average material living standards in Australia is

- A. not achievable if there has been a decline in non-material living standards.
- B. considered to have occurred if there has been an increase in Real GDP per capita over time.
- C. possible only if the Australian Government has successfully achieved its goal of equity in income distribution.
- D. more likely to occur in a period of macroeconomic contraction of the global economy, placing Australia in a position of global competitive advantage.

**Question 10**

Classification	Millions
unemployed persons	5
underemployed persons	7
labour force	100
total population aged over 15 years	150

Based on the data that is shown above for a hypothetical economy, the labour force under-utilisation rate is

- A. 5 per cent
- B. 7 per cent
- C. 12 per cent
- D. 66 per cent

**Question 11**

What would be the effect of an increase in net capital inflow on the Australian currency?

- A. an increase in the demand for the Australian dollar and an appreciation of the currency
- B. a decrease in the demand for the Australian dollar and a depreciation of the currency
- C. an increase in the supply of the Australian dollar and an appreciation of the currency
- D. a decrease in the supply of the Australian dollar and a depreciation of the currency

**Question 12**

The prices of imported manufactured goods in Australia have decreased in recent years.

Which one of the following is unlikely to have been a result of this trend?

- A. an expansion in demand for imports by Australian consumers
- B. reduced profitability and decreased company taxation revenue derived from domestic manufacturing industries
- C. an increase in the value of merchandise debits (merchandise import payments) in the current account of the balance of payments
- D. increased employment in import-competing (import-replacement) industries, such as the Australian car-manufacturing industry

**Question 13**

The promoter of a theatre play discounted the price of admission by 30 per cent, which resulted in average attendances rising by 50 per cent.

Based on this data, it could be concluded that there is an

- A. elastic demand.
- B. inelastic demand.
- C. elastic supply.
- D. inelastic supply.

**Question 14**

Assume that between year 1 and year 2 the top 20 per cent of income earners in a country receive a larger share of total income and the bottom 20 per cent of income earners receive a smaller share of total income. Which one of the following best describes the effect that has occurred on income distribution?

- A. The Lorenz Curve moves closer to the 45-degree line and the Gini Coefficient moves closer to one.
- B. The Lorenz Curve moves closer to the 45-degree line and the Gini Coefficient moves closer to zero.
- C. The Lorenz Curve moves further away from the 45-degree line and the Gini Coefficient moves closer to one.
- D. The Lorenz Curve moves further away from the 45-degree line and the Gini Coefficient moves closer to zero.

**Question 15**

Which one of the following characteristics is **not** shared by the market structures of perfect competition and monopolistic competition?

- A. a large number of buyers
- B. a large number of sellers
- C. low barriers to entry
- D. identical products









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- ii. Explain how the equilibrium market price and quantity adjusts from E1 to E2. 2 marks

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- iii. With reference to this market, briefly explain the role of the price mechanism (market mechanism) in changing the pattern of resource allocation. 2 marks

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