



Letter

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|---------|--|--|--|--|--|--|--|--|--|--|
| Figures | | | | | | | | | | |
| Words | | | | | | | | | | |

Name _____

VCE ECONOMICS 3/4 CPAP Practice Examination C 2023

[Note: This exam is a revised and updated version of the CPAP Practice Exam No. 1 2022. It is consistent with the new 2023 Study Design]

Reading time: 15 minutes
Writing time: 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 | 15 |
| B | 3 | 3 | 65 |
| | | | Total 80 |

- Students are permitted to bring into the practice examination: 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.
- A scientific calculator is allowed in this examination

Materials supplied

- Question and answer book of 21 pages.
- Answer sheet for multiple choice questions (page 22).
- Additional space is available at the end of the book if you need extra paper to complete an answer

Instructions

- Write your **student number** and **name** in the space provided above on this page.
- Check that your **name** and student number are written on your multiple choice answer sheet.
- All written responses must be in English.

At the end of this 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

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 the **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 of the following statements is inaccurate in relation to the Australian economy during 2022-23?

- A. Interest rates increased, the unemployment was below 4% and the budget was estimated to return to surplus
- B. Net foreign debt is negative, inflation increased above 3%, and the participation rate fell below 60%
- C. The exchange rate stayed below USD0.80, nominal wages growth remained positive and employment growth increased
- D. House prices started to decline, job vacancies rose, and the Balance on Merchandise Trade remained positive

Question 2

Which of the following is most likely to represent a cause of a downturn in the business cycle?

- A. High levels consumer confidence
- B. Very high market rates of interest on borrowing
- C. Growth in wages
- D. Low rates of inflation

Question 3

If an Australian tourist returns from Bali in 2023 and inadvertently spreads 'foot and mouth disease' to Australia's livestock industry, resulting in widespread loss of stock, this is an example of:

- A. A negative externality in consumption
- B. A negative externality in production
- C. A negative externality in production and consumption
- D. A positive externality in production and consumption

Question 4

Which of the following does not provide a possible explanation for the continuing slow wages growth over the past few years?

- A. Low rates of unionisation
- B. Higher labour force participation rates
- C. Continuing casualisation of labour
- D. An increase in labour market tightness

Question 5

Which of the following is most likely to be considered a public good?

- A. Healthcare services
- B. Education services
- C. Prison services
- D. Banking services

Question 6

Consider the following hypothetical Consumer Price Index (CPI) data.

| Quarter | CPI |
|-----------|-------|
| June 2021 | 100.0 |
| Sep 2021 | 105.0 |
| Dec 2021 | 106.3 |
| Mar 2022 | 110.0 |
| June 2022 | 112.5 |
| Sep 2022 | 116.0 |
| Dec 2022 | 118.0 |

The inflation rate for the year ended September 2022 is

- A. 10.5%
- B. 18.0%
- C. 16.0%
- D. 5.0%

Question 7

Assume that a hypothetical economy has the following labour market statistics?

| | |
|------------------------|-------------|
| Total population | 250 million |
| Working age population | 200 million |
| Total employed | 145 million |
| Job vacancies | 5 million |
| Unemployed persons | 5 million |
| Underemployed persons | 10 million |

The labour force underutilisation rate is:

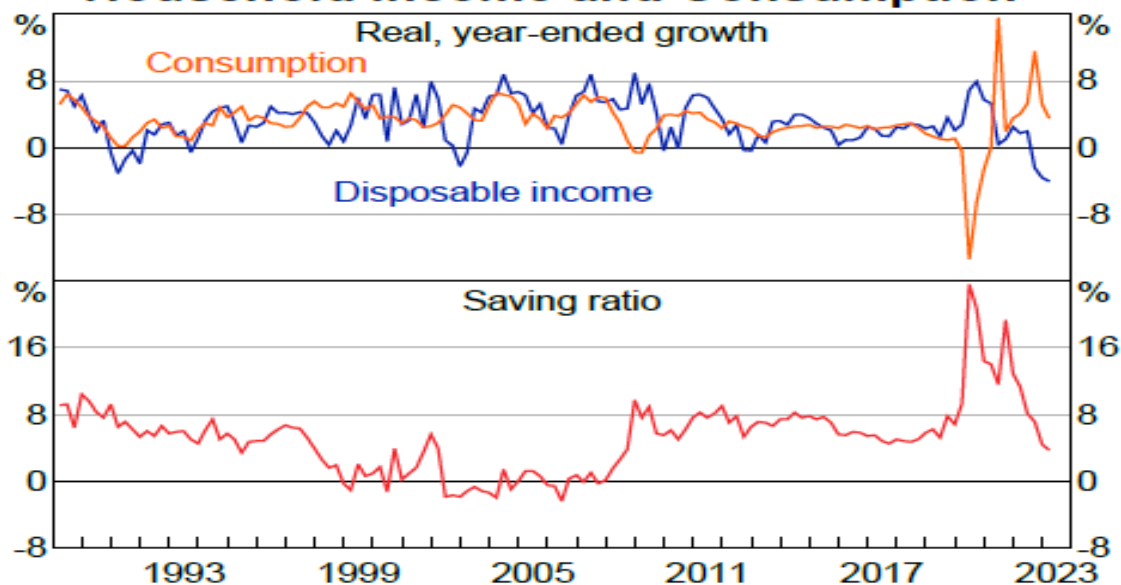
- A. 3.3%
- B. 10%
- C. 15%
- D. 7.5%

Question 8

In the cash market, a decision by the RBA to purchase Commonwealth Government Securities (or bonds) from banks will be in response to:

- A. A rise in exchange settlement account balances and a rise in the actual cash rate above the target cash rate
- B. A rise in exchange settlement account balances and a fall in the actual cash rate below the target cash rate
- C. A fall in exchange settlement account balances and a rise in the actual cash rate above the target cash rate
- D. A fall in exchange settlement account balances and a fall in the actual cash rate below the target cash rate

Question 9

Household Income and Consumption*

An analysis of the data contained in the above chart reveals that during 2020:

- A. the change in disposable income caused Consumption to increase
- B. the change in the savings ratio caused Consumption to increase
- C. the change in the savings ratio caused Consumption to decrease
- D. the change in disposable income caused Consumption to decrease

Question 10

The removal of Chinese tariffs on Australian wine is likely to have which of the following effects in the Australian wine market?

- A. The demand curve to shift to the right and a higher equilibrium price
- B. The demand curve to shift to the left and a lower equilibrium price
- C. The supply curve to shift to the right and a lower equilibrium price
- D. The supply curve to shift to the left and a lower equilibrium price

Question 11

Which of the following is not likely to be a factor contributing to the growth in cost inflationary pressure?

- A. An increase in the compulsory superannuation guarantee levy
- B. The ongoing war in Ukraine
- C. Growth in unit labour costs
- D. A rise in business confidence

Question 12

For any given period of time, production in the economy will increase and productivity will decrease if:

- A. more goods and services are being produced and there is a rise in real GDP per hour worked
- B. real GDP per hour worked rises and real GDP per capita falls
- C. aggregate demand increases and allocative efficiency falls
- D. real GDP increases and there is a decrease in output per hour worked

Question 13

Which of the following budgetary policy measures is least likely to shift the aggregate supply curve to the right?

- A. An increase in spending on training and education
- B. An increase in tax concessions on research and development expenditure
- C. An increase in the rate of payment for the JobSeeker allowance
- D. An increase in expenditure on infrastructure

Question 14

Which of the following will cause an expansion of demand for a product like beer?

- A. An increase in disposable incomes
- B. An increase in the price of Canadian Club (CC), which is a substitute for beer
- C. A decrease in the price of nuts, which can be considered a complement for beer
- D. A decrease in the excise tax applying to all alcohol

Question 15

In terms of the weaknesses of using budgetary policy to achieve macroeconomic goals, which of the statements below is most accurate?

- A. There will typically be implementation and impact lags that cause a delay between the inception of a policy and its impact on the economy
- B. Any change in interest rates affects the whole economy and is therefore 'blunt' in nature
- C. It can simultaneously achieve stronger rates of economic growth, combined with lower rates of unemployment and lower rates of inflation
- D. Australia's high household debt levels limit the effectiveness of interest rate reductions designed to stimulate AD

e. Describe how the federal government used its control over taxation to reduce cost of living pressures for households since 2022.

2 marks

f. Explain how the change to the tax system referred to in part e., or any other recent government intervention, may have unintentionally decreased efficiency in the allocation of resources.

3 marks

COMMERCE PRESENTATIONS AND PUBLICATIONS



VCE ECONOMICS 3/4 Practice Examination C 2023

Multiple choice answer sheet

Student Name _____

Answer the 15 questions by shading only one box (either A, B, C, or D) in each of the 15 rows below:

| | | | | |
|----|---|---|---|---|
| 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 |