



Letter

Figures										
Words										

Name _____

VCE ECONOMICS 3/4 CPAP Practice Examination D 2023

[Note: This exam is a revised and updated version of the CPAP Practice Exam No. 2 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.
- No calculator is allowed in this examination

Materials supplied

- Question and answer book of 22 pages.
- Answer sheet for multiple choice questions (page 23).
- 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.

SECTION A

Question 1

Material living standards are likely to rise and non-material living standards are likely to fall if:

- A. life expectancy falls and crime rates increase
- B. real GDP per person increases and literacy rates rise
- C. access to goods and services rises and pollution increases
- D. mental health improves and there is a decrease in the rate of depletion of natural resources

Question 2

Which of the following types of government intervention is best suited to addressing a market failure in the form of asymmetric information?

- A. Indirect taxation
- B. Government regulations
- C. Government subsidies
- D. Direct taxation

Question 3

For the year ended 30 June 2022, the CPI increased from 118.8 to 126.1, resulting in a headline inflation rate of 6.1%. For inflation to remain at this level, it means that:

- A. Prices need to increase above the current high levels and the CPI needs to remain at 126.1
- B. Prices need to increase above the current high levels and the CPI needs to increase above 126.1
- C. Prices need to remain at the current high levels and the CPI needs to remain at 126.1
- D. Prices need to remain at the current high levels and the CPI needs to increase above 126.1

Question 4

A lower price of electricity should result in all of the following except:

- A. A decrease in the production of electric cars
- B. A decrease in the costs of production for most businesses
- C. A decrease in the rate of inflation
- D. An increase in the relative price of a substitute such as natural gas

Question 5

The government's medium term fiscal strategy is to achieve budget balance, on average, over the course of the economic cycle. Which of the following is least likely to represent a rationale for this strategy?

- A. to improve or maintain Australia's AAA credit rating
- B. to reduce the debt burden on future generations
- C. to reduce government expenditure relative to revenue
- D. to reduce the interest expense for the federal government

Question 6

If the government was determined to achieve budget balance (a balanced budget outcome) every year, then

- A. booms and recessions would be more severe
- B. booms and recessions would be avoided
- C. during a boom, the government must reduce expenditure and raise revenue
- D. during a recession, the government must raise expenditure and reduce revenue

Question 7

Which of the following statements is inaccurate?

- A. Rising prices of crude oil over recent years are having a negative influence on inflation and economic growth
- B. Rising interest rates increase both costs of production and inflation as well as reduce AD and economic growth
- C. COVID-19 induced global supply constraints up until 2023 added to inflationary pressures and reducing the rate of growth in real GDP
- D. The effects of natural disasters over recent years reduced living standards and raised prices

Question 8

If nominal GDP for a nation increases from \$2.0 trillion to \$2.2 trillion over a period when inflation was 5%, then

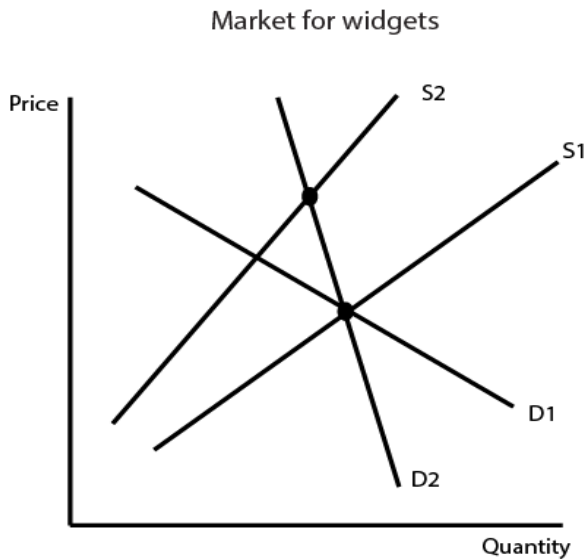
- A. Real GDP will be \$2.0 trillion and economic growth will be 0%
- B. Real GDP will be \$2.2 trillion and economic growth will be 10%
- C. Real GDP will be \$2.3 trillion and economic growth will be 15%
- D. Real GDP will be \$2.1 trillion and economic growth will be 5%

Question 9

The increase in the target cash rate from 1.35% to 1.85% in August 2022 meant that:

- A. the RBA has tightened monetary policy and the monetary policy stance has become restrictive
- B. the RBA has tightened monetary policy and the monetary policy stance has become more restrictive
- C. the RBA has loosened monetary policy and the monetary policy stance has become less expansionary
- D. the RBA has tightened monetary policy and the monetary policy stance has become less expansionary

Question 10



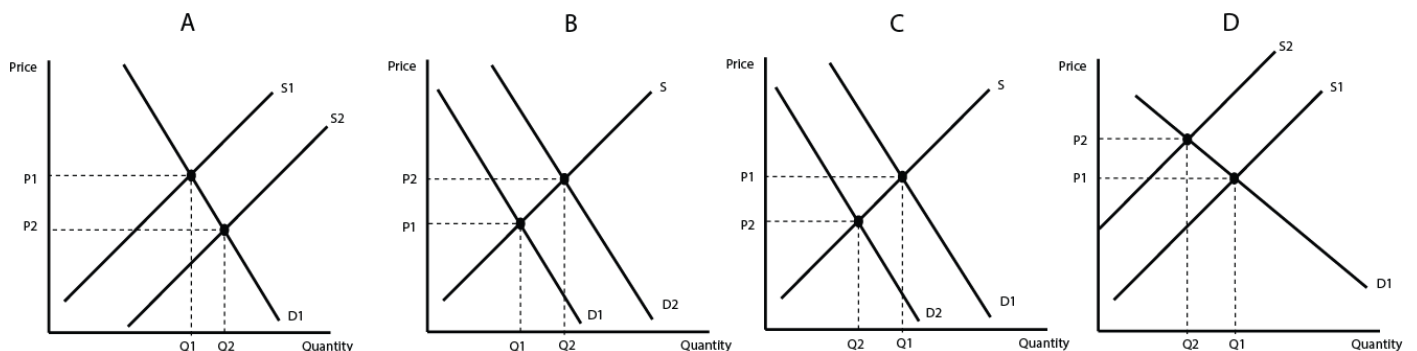
The diagram above illustrates that in the market for widgets

- i The quantity supplied of widgets has decreased
- ii The quantity supplied of widgets has remained unchanged
- iii The quantity demanded of widgets has decreased
- iv The quantity demanded of widgets has remained unchanged
- v The price elasticity of supply has decreased
- vi The price elasticity of supply has increased
- vii The price elasticity of demand has increased
- viii The price elasticity of demand has decreased

- A. i, iv, v, viii
- B. i, iv, v, vii
- C. i, iii, v, viii
- D. i, iii, vi, vii

Question 11

Which of the following diagrams best illustrates the law of supply?



- A. Diagrams A and D
- B. Diagram B and C
- C. Diagram A and B
- D. Diagram C and D

Question 12

The cost to rent a house or apartment has increased significantly over the past two years. Which of the following is a supply factor contributing to the movement in house rents over this period?

- A. The return of international students to Australia
- B. The trend to smaller sized households due to COVID-19
- C. Stricter rental laws favouring tenants
- D. Falling house prices encouraging owners to supply houses to the rental market

Question 13

In relation to the effects of both a consumer subsidy and a producer subsidy on the market for a good or service:

- A. a consumer subsidy results in a higher quantity and a higher price whereas a producer subsidy results in a higher quantity and a lower price
- B. a consumer subsidy results in a higher quantity and a lower price whereas a producer subsidy results in a higher quantity and a lower price
- C. a consumer subsidy results in a higher quantity and a lower price whereas a producer subsidy results in a higher quantity and a higher price
- D. both a consumer subsidy and a producer subsidy result in a higher quantity and a lower price

Question 14

Which of the following examples most accurately represents a market failure in the form of a positive externality in consumption or production?

- A. The consumption of a soft drink where 10% of the purchase price goes towards research into a cure for cancer
- B. The production of electricity that results in carbon emissions
- C. The use of motor vehicles that contributes to road congestion
- D. A person attending a private first aid training course which provides them with the skills to render first aid

Question 15

Each of the following is an example of an aggregate supply factor leading to the level of aggregate supply rising, with the exception of:

- A. a rise in productivity
- B. a reduction in the exchange rate
- C. a reduction in real unit labour costs
- D. a rise in the quality of human capital

f. Describe how growth in the labour force participation rate might cause the unemployment rate to rise.

2 marks

g. Explain how the movement in the unemployment rate since 2020-21 has helped to exert downward pressure on the cyclical budget deficit.

3 marks

COMMERCE PRESENTATIONS AND PUBLICATIONS



VCE ECONOMICS 3/4 2023 Practice Examination D

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