

Economics

Written examination – November

Introduction

The examination will be presented in a question and answer book. The examination for Economics will be two hours in length and will be scored out of 90 marks.

The examination will comprise two sections:

Section A will be worth 30 marks and will consist of 15 multiple-choice questions, each worth 2 marks. Students are required to mark their responses onto a multiple-choice answer sheet.

Section B will be worth 60 marks and will consist of 2–4 questions.

Students will be required to provide answers to questions in Section B within the spaces allocated on the paper. The number of lines provided after each question, together with the number of marks allocated, will indicate the appropriate length of response.

This new format is demonstrated in the sample examination questions to follow.

Students may request a script book if there is insufficient space to change or complete an answer.

All questions on the paper are compulsory.

All outcomes are examinable and all outcomes will be examined in both sections of the examination. Units 3 and 4 will be approximately evenly weighted.

Efficiency in resources allocation has been added to the list of economic objectives in Unit 3 Area of Study 2. The Economics examination papers from 2001 to 2003 remain a reliable guide to the types of questions which will be asked on the Economics examination paper.

Teachers and students should refer to the VCE Economics Assessment Handbook 2004, p.29 for the revised examination criteria. The examination criteria provide a focus for the key knowledge and key skills to be assessed in the examination. There have been some small changes to the wording of the 2004 examination criteria, however the intent is unchanged.

The sample questions for Section B provided on the following pages uses the 2003 examination questions to demonstrate changes to the examination format.

Instructions for Section B

Answer all questions in this section in the spaces provided.

Question 1

The Commonwealth budget aggregates in the period 2000–2003 are presented in the table below.

Commonwealth Budget Aggregates

	Actual	Estimates	
	2000–01	2001–02	2002–03
Underlying cash balance (\$bn)	5.6	–1.2	2.1
Fiscal balance (\$bn)	5.9	–3.0	0.2

Source: Budget 2002–03 Budget Statement No. 1 Fiscal Strategy and Budget Priorities Part 1 Overview at http://www.budget.gov.au2002–03/bp1/html/Bst1.html#P37_817

- a. The Commonwealth budget outcome could change from **either** surplus to deficit **or** from deficit to surplus as a result of **either** cyclical factors (automatic stabilisers) **or** structural factors (discretionary factors).
- i. Explain the difference between cyclical and structural factors.

- ii. Give one example of each.

d. Explain how budgetary/fiscal policy has influenced each of the following objectives, during the period of 2001–03. Use a different example for each objective.

i. external stability

ii. efficiency of resource allocation

3 + 3 = 6 marks

Total 22 marks

- b.** Explain the likely effect of a major drought on
 - i.** Australia's balance of payments on current account

- ii.** the value of the Australian dollar.

2 + 2 = 4 marks

c. Describe the possible effect of the drought on

i. price stability

ii. the distribution of income.

2 + 2 = 4 marks

- b.** Explain how the implementation of an expansionary monetary policy may affect the achievement of
 - i.** price stability

- ii.** external stability.

3 + 3 = 6 marks

