

**Victorian Certificate of Education
2022**

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER Letter

ECONOMICS
Written examination

Friday 4 November 2022

Reading time: 11.45 am to 12.00 noon (15 minutes)

Writing time: 12.00 noon to 2.00 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	15
B	4	4	65
			Total 80

- 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 correction fluid/tape.
- No calculator is allowed in this examination.

Materials supplied

- Question and answer book of 28 pages
- Answer sheet for multiple-choice questions
- Additional space is available at the end of the book if you need extra space 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 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 one of the following is likely to be classified as structural unemployment?

- A. a person who loses their job as a tour operator due to a recession
- B. a person who loses their job as a fruit picker when there is no fruit left to pick
- C. a person who loses their job as an accountant because they stole from their employer
- D. a person who loses their job as an Economics teacher due to a decline in the number of students studying Economics

Question 2

A movement along the supply curve for broccoli is most likely to have been caused by

- A. a shortage of skilled farm workers.
- B. a decrease in the price of fertiliser.
- C. a decrease in personal income tax rates.
- D. the removal of the excise tax on petrol used by farmers.

Question 3

Which one of the following reasons is most likely to explain why the unemployment rate in a country remains high despite strong rates of economic growth?

- A. a fall in the labour force participation rate
- B. an increase in the number of part-time workers
- C. raising the school leaving age to 18 years old
- D. an increase in the rate of labour productivity growth

Question 4

Which one of the following factors is likely to have a different effect on Australia's rate of economic growth than the others?

- A. an increase in the cash rate
- B. an increase in the tax-free threshold
- C. an increase in the rate of economic growth in China
- D. an increase in government spending on infrastructure

Question 5

Consider the following data for a hypothetical economy.

Quarter	Real GDP (\$ billion)
June 2021	50
September 2021	56
December 2021	57
March 2022	40
June 2022	48

Using this data, the rate of economic growth for the year ended June 2022 was

- A. -2%
- B. -4%
- C. -20%
- D. 12%

Question 6

Which one of the following goods and services is likely to have the highest price elasticity of demand?

- A. cigarettes
- B. haircuts
- C. soft drinks
- D. international travel

Question 7

How could the 2022–23 Australian Government budget deficit be financed?

- A. by increasing company tax rates
- B. by reducing welfare spending
- C. by selling government bonds to foreign companies
- D. by all of the options listed above

Question 8

A depreciation of the Australian dollar is most likely to be caused by an increase in

- A. Australia's terms of trade.
- B. foreign travel expenditure by Australians.
- C. the value of primary income credits in the balance of payments.
- D. the value of foreign direct investment by multinational corporations into Australia.

Question 9

Consider the following data for a hypothetical economy.

	\$ billion
Government spending	20
Imports	55
Taxation receipts	25
Private investment	15
Exports	65
Savings	30

Using this data, which one of the following statements about the hypothetical economy is correct?

- A. It is contracting, because savings are greater than taxation receipts.
- B. It is contracting, because leakages are greater than injections.
- C. It is expanding, because injections are greater than leakages.
- D. It is expanding, because imports are greater than private investment.

Question 10

Which one of the following international transactions would be recorded as a primary income debit in the current account section of Australia's balance of payments?

- A. the sale of education services by Australian universities to international students
- B. the purchase of Australian Government securities by American investment banks
- C. the purchase of electronic devices by Australian retailers from Chinese distributors
- D. the payment of rent by Australian companies for retail space owned in Melbourne by Japanese companies

Question 11

Australia's current account balance is likely to worsen if

- A. China's rate of economic growth decreases.
- B. there is an increase in Australia's national savings.
- C. there is an increase in the price of iron ore in world markets.
- D. Australian superannuation funds invest more in international shares.

Question 12

If an economy moved into the contraction phase of the business cycle, which combination of outcomes would result?

- A. an increase in interest rates and a decrease in the value of business investment
- B. an increase in household savings and a decrease in consumer confidence
- C. an increase in cyclical unemployment and an increase in business confidence
- D. a decrease in cyclical unemployment and a higher labour force participation rate

Question 13

Which one of the following Australian Government policy initiatives is the least likely to increase both aggregate demand and aggregate supply?

- A. higher childcare rebates
- B. lower company tax rates
- C. higher tariffs on imported goods
- D. increased spending on road and rail infrastructure

Question 14

The international competitiveness of a country is most likely to fall if

- A. labour productivity decreases.
- B. real unit labour costs decrease.
- C. its currency can buy less of a foreign currency.
- D. its inflation rate is lower than that of its trading partners.

Question 15

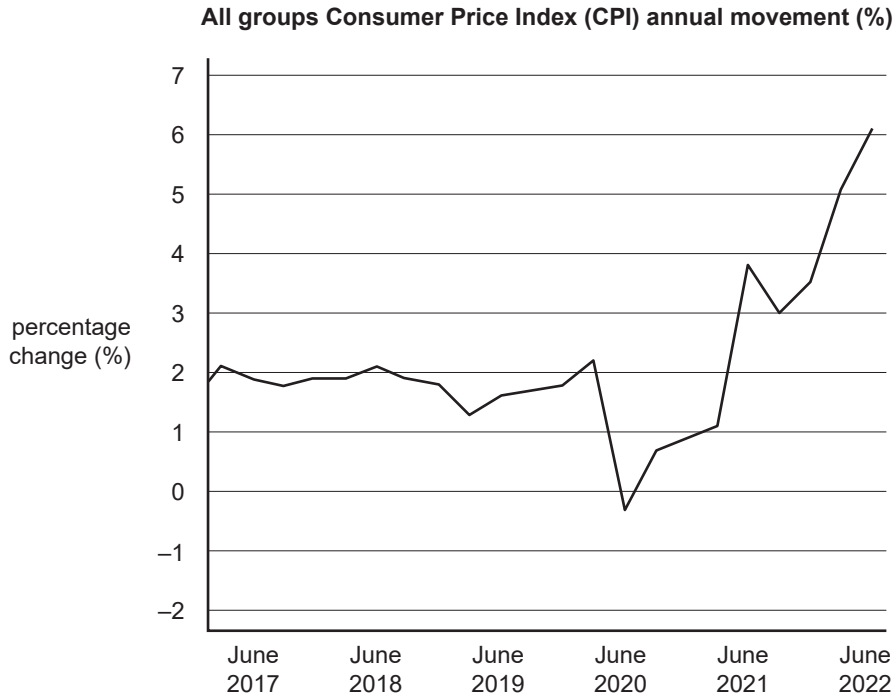
Which one of the following would not be classified as a direct tax in the Australian Government's federal budget?

- A. company tax
- B. capital gains tax
- C. goods and services tax
- D. pay-as-you-go income tax

SECTION B – Written responses

Instructions for Section B
Answer **all** questions in the spaces provided.

Question 1 (19 marks)



Source: Australian Bureau of Statistics, 'Consumer Price Index, Australia', reference period June 2022, <www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

- a. With reference to the graph above, describe the trend in Australia’s inflation rate since June 2020. 2 marks

DO NOT WRITE IN THIS AREA

b. Distinguish between demand inflation and cost inflation.

3 marks

DO NOT WRITE IN THIS AREA

- c. Explain how one aggregate demand factor and one aggregate supply factor have influenced the inflation rate over the past 12 months.

4 marks

Aggregate demand factor _____

Aggregate supply factor _____

- d. Examine **one** economic consequence of a high inflation rate on the efficiency of resource allocation.

2 marks

DO NOT WRITE IN THIS AREA

e. Explain how movements in Australia's inflation rate and the unemployment rate may have influenced the stance of monetary policy since January 2022.

4 marks

DO NOT WRITE IN THIS AREA

- f. Considering the exchange rate transmission mechanism, explain how the stance of monetary policy may have affected the achievement of **one** of the Australian Government’s domestic macroeconomic goals.

4 marks

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

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**SECTION B – continued
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Question 2 (14 marks)

a. Outline how the stance of budgetary policy might be determined.

2 marks

DO NOT WRITE IN THIS AREA

- b. Explain how automatic stabilisers have affected the Australian Government's budget outcome for 2021–22.

4 marks

DO NOT WRITE IN THIS AREA

c. Explain how a change to **one** structural component of the 2022–23 Budget may influence aggregate demand and the achievement of the domestic macroeconomic goal of strong and sustainable economic growth. You may refer to any structural change announced in the March Budget presented by the Coalition Government or any budget updates made by the Australian Labor Party Government elected in May 2022.

4 marks

DO NOT WRITE IN THIS AREA

d. Evaluate the use of budgetary policy in achieving the Australian Government's goal of full employment.

4 marks

DO NOT WRITE IN THIS AREA

Question 3 (18 marks)

- a.** Explain how productivity growth may affect the achievement of the Australian Government’s domestic macroeconomic goal of strong and sustainable economic growth and living standards.

6 marks

Economic growth _____

Living standards _____

b. With reference to an example, select one of the following aspects of the Australian Government’s budgetary policy and explain how this aspect might influence aggregate supply and the inflation rate in Australia:

- research and development grants
- investment in infrastructure
- tax reform

4 marks

Selected aspect _____

Aggregate supply _____

Inflation rate _____

DO NOT WRITE IN THIS AREA

c. Consider the following information.

In the year ending 30 June 2021, overseas migration contributed a net loss of 89 000 to Australia’s population ...
The last time Australia saw an annual net loss due to overseas migration was 75 years ago at the end of World War 2.

Source: Australian Bureau of Statistics, ‘Overseas migration’, reference period 2020–21 financial year, <www.abs.gov.au/statistics/people/population/overseas-migration/2020-21>

Examine how changes in Australia’s overseas migration, such as the change outlined above, might have affected the labour market and aggregate supply.

4 marks

Labour market _____

Aggregate supply _____

DO NOT WRITE IN THIS AREA

- d. Explain how trade liberalisation is likely to affect Australia’s inflation rate and living standards.

4 marks

Inflation rate _____

Living standards _____

DO NOT WRITE IN THIS AREA

Question 4 (14 marks)

- The World Health Organization (WHO) [recommends] that ‘free sugars¹’ should account for less than 10% of total energy intake (approx. 50 grams/12 teaspoons) for the prevention of unhealthy weight gain and dental caries² ...
- Over half of consumers in Australia (52%) and New Zealand adults (58%) are exceeding the WHO recommended intakes, with adolescents and young adults recording the highest sugar consumption.

Source: Food Regulation, ‘Forum – Policy Context – Sugars in Australia and New Zealand’, <<https://foodregulation.gov.au/internet/fr/publishing.nsf/Content/sugar-labelling>>

¹**free sugars** – sugars added to drinks, as well as sugars in honey, fruit juice and fruit juice concentrates

²**dental caries** – tooth decay

a. Outline the potential opportunity cost of consuming sugar for an individual. 2 marks

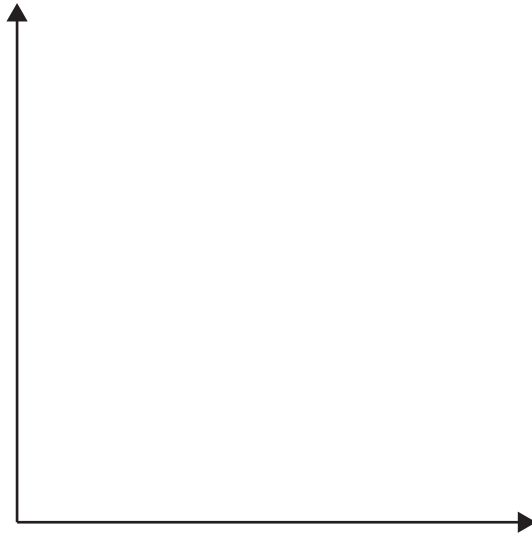
DO NOT WRITE IN THIS AREA

- b. With reference to the information provided on page 20, explain **one** reason why the excess consumption of sugar may cause market failure. 3 marks

DO NOT WRITE IN THIS AREA

- c. Using a fully labelled demand and supply diagram, illustrate and analyse how **one** form of government intervention might lead to a change in relative prices and the allocation of resources. You may refer to any market in your response.

6 marks



DO NOT WRITE IN THIS AREA

d. Explain how government intervention might unintentionally lead to a decrease in the efficiency of resource allocation. You may refer to any market in your response.

3 marks

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