

External assessment

Multiple choice question book

Economics

General instruction

- Work in this book will not be marked.



Queensland
Government



Queensland Curriculum
& Assessment Authority

Section 1

QUESTION 1

In a situation where monetary policy is changed, the transmission mechanism will depend on

- (A) changes to the structure of the economy over time.
- (B) asset and wealth values of high-income households.
- (C) the substitutability of imports and domestic goods and services.
- (D) whether households and firms respond by saving more now or later.

QUESTION 2

Assume the Australian Government tightens regulations on working holiday visas. The economic effect of this policy would be (*ceteris paribus*)

- (A) a fall in the supply of seasonal labour.
- (B) a rise in the supply of seasonal labour.
- (C) a fall in the demand for seasonal labour.
- (D) a rise in the demand for seasonal labour.

QUESTION 3

In Australia, taxation bracket creep

- (A) is the result of indexing income tax bands to inflation.
- (B) compensates taxpayers on the threshold taxation levels.
- (C) raises tax revenue without explicitly increasing tax rates.
- (D) occurs when tax revenue and expenditure work in opposition.

QUESTION 4

Within a total government budget of \$300 billion, the planned surplus for the year was \$4 billion. In that year, the actual budget recorded an unplanned increase of \$6 billion in government expenditure. In the following year, the planned deficit was \$2 billion. This suggests that

- (A) the budget outcome is expansionary.
- (B) the budget outcome is contractionary.
- (C) the government is aiming to repay debt.
- (D) the government expects a recession in the following year.

QUESTION 5

Assume the hypothetical economic scenario shown.

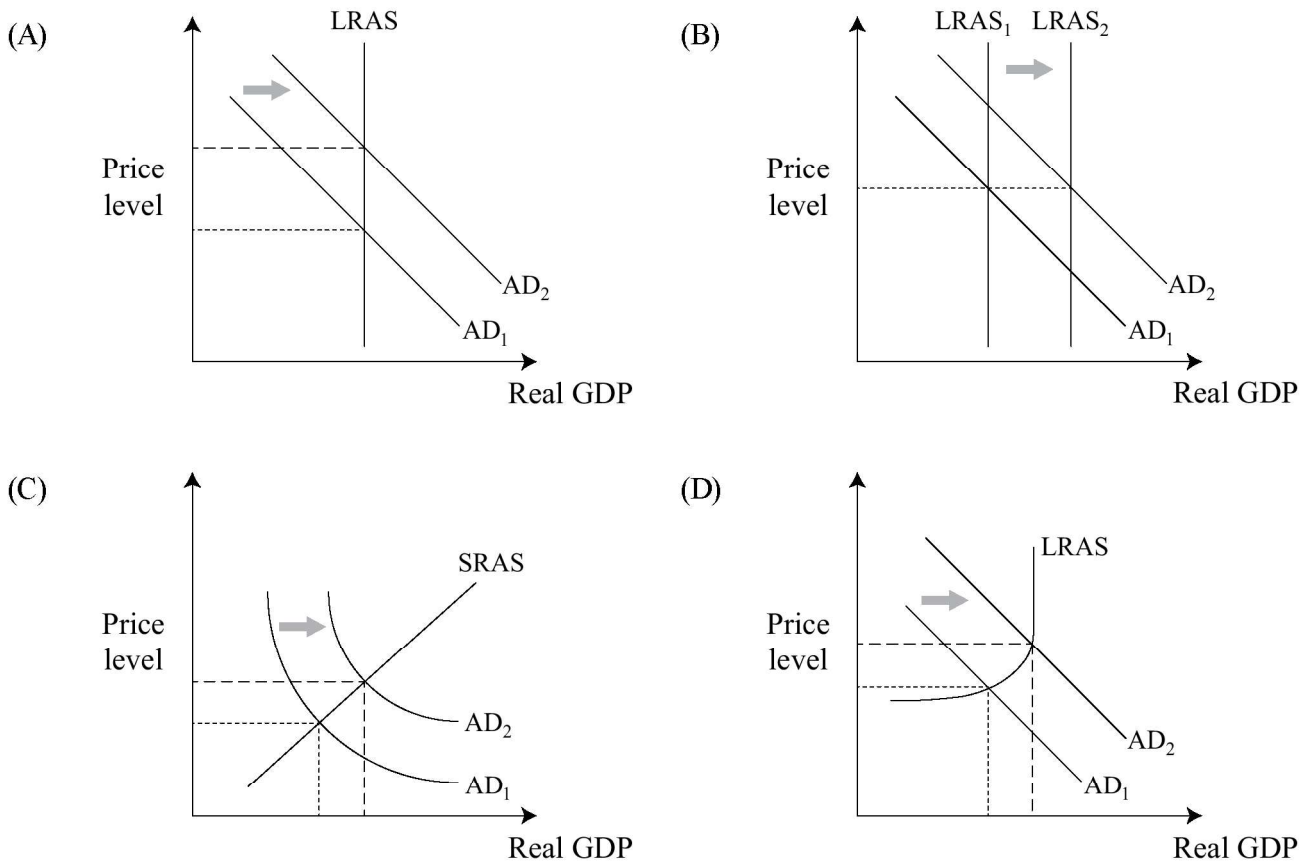
This stimulus has not been published for copyright reasons.

Based on this scenario, identify the economic management required (*ceteris paribus*).

- (A) Reduce oil price inflation by providing a short-term subsidy to the business sector.
- (B) Reduce overseas cost inflation pressures by delaying government spending.
- (C) Reduce wage inflation and price pressures by decreasing the cash rate.
- (D) Reduce expected inflation by introducing an inflation target range.

QUESTION 6

Which diagram best represents the trade-offs that should be considered with demand management policies at different points of the economic cycle?



QUESTION 7

Which statement does **not** describe a relationship between an equitable distribution of income and economic growth?

- (A) Higher aggregate supply leads to greater equality of income over time.
- (B) Economic growth over time may reduce equality of income in market-based economies.
- (C) Income inequality lowers aggregate demand due to the different propensities to consume.
- (D) Some level of income inequality should encourage business investment and economic activity.

QUESTION 8

Excerpt from the Reserve Bank of Australia's *Statement on Monetary Policy*

The increase in interest rates — the first in five years — is necessary to help sustain non-inflationary growth into the future ... Although the timing of the move has been influenced by the latest rise in US interest rates, the move itself is driven by the marked turnaround in Australia's domestic economic conditions.

...

Good growth is expected to continue into the foreseeable future, aided by a gradual pick-up in the world economy. Household spending has increased strongly over the past year and should continue to do so in the present climate of rising incomes and confidence.

Identify the most likely outcome of the movement in interest rates discussed in the statement.

- (A) Household consumption levels in Australia would continue to rise.
- (B) Production pressures in the Australian economy would decrease.
- (C) The Australian economy would be moved from its equilibrium.
- (D) The Australian dollar would depreciate against the US dollar.

QUESTION 9

Consider the following data.

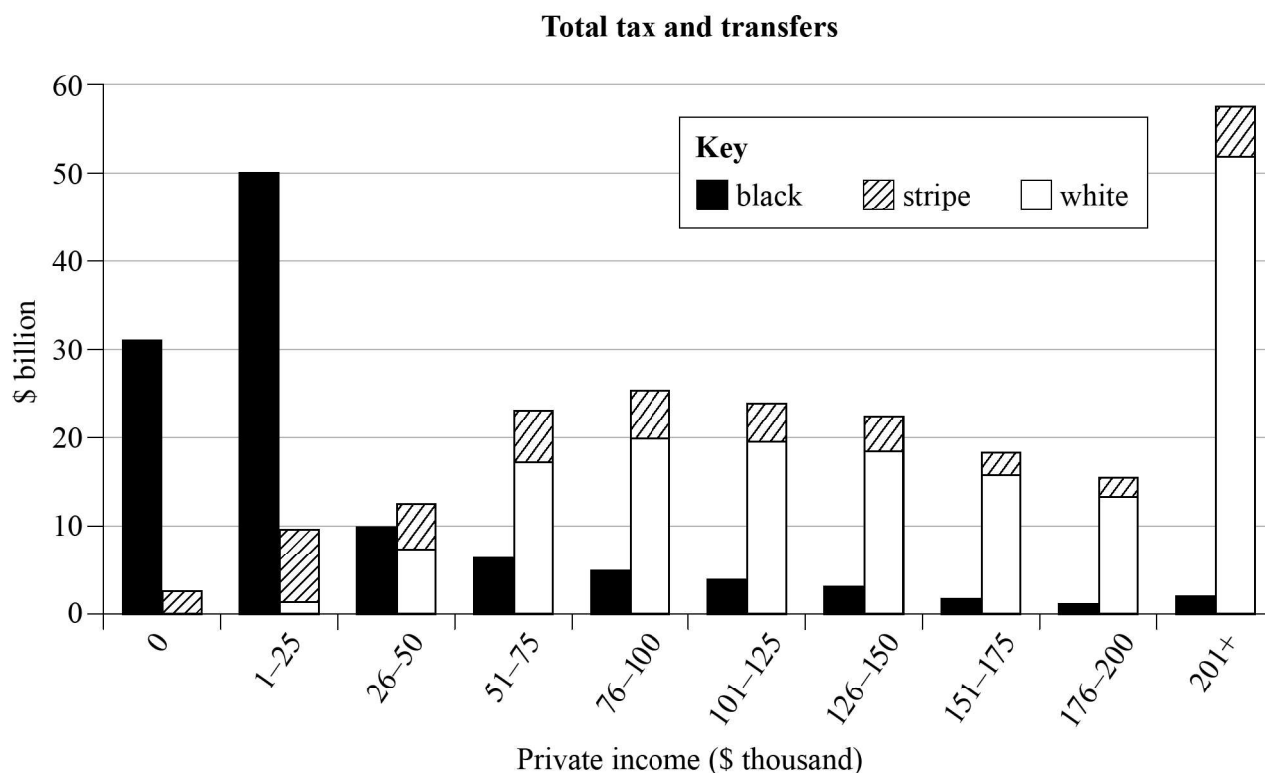
- Employment in public administration and education has risen by 2.5 percentage points.
- Employment in recreation and retail has fallen by 2.3 percentage points.

Which statement correctly identifies the economic problem and the response required?

	Economic problem		Policy response
(A)	Resources are underutilised	so	fiscal policy should be contractionary.
(B)	Total unemployment has fallen	so	demand management should be neutral.
(C)	Cyclical economic activity is slowing	so	monetary policy should be expansionary.
(D)	Structural unemployment has decreased	so	aggregate supply policies should be used.

QUESTION 10

The graph shows estimated taxes paid and transfers received by Australian householders.



Identify the components of the key in the graph.

	Black	Stripe	White
(A)	Company tax	Goods and services tax	Capital gains tax
(B)	Family tax benefits	Goods and services tax	Personal income tax
(C)	Disability payments	Age pension	Personal income tax
(D)	Unemployment benefits	Capital gains tax	Company tax

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References

Question 8

Reserve Bank of Australia 1994, *Media Release: Statement by the Governor, Mr Bernie Fraser: Monetary policy to tighten*, 17 August, <https://www.rba.gov.au/media-releases/1994/mr-94-11.html>

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Question 10

Adapted from Productivity Commission 2016, 'How does Australia's tax and transfer system redistribute income?', *PC News*, March, <https://www.pc.gov.au/news-media/pc-news/previous-editions/pc-news-march-2016/tax-and-transfer-incidence>

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