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Sample assessment 2020

Multiple choice question book

Economics



Queensland
Government



Queensland Curriculum
& Assessment Authority

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Section 1

Instructions

- Answer all questions in the question and response book.
 - This book will not be marked.
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QUESTION 1

What is the fundamental role of fiscal policy?

- (A) controlling the budget deficit
- (B) establishing automatic stabilisers
- (C) reducing government regulations
- (D) making revenue and expenditure decisions

QUESTION 2

Of the following microeconomic reforms, which is most likely to reduce unemployment?

- (A) increasing the minimum wage
- (B) increasing unemployment benefits
- (C) increasing tariffs on imported goods
- (D) increasing protection against unfair dismissal

QUESTION 3

Which of the following Australian Federal Government policy decisions would increase inflationary pressures (*ceteris paribus*)?

- (A) raising personal income taxes
- (B) setting a surplus federal budget
- (C) appreciating the Australian dollar
- (D) increasing government expenditure

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QUESTION 4

Which of the following is an example of a time lag when policymakers decide on a fiscal course of action?

- (A) the time between the removal of government subsidies and the onset of higher unemployment
- (B) the time taken for the government to reduce the company tax to encourage business investment
- (C) the time between the government authorising additional health expenditure and the building of a hospital
- (D) the time taken for the government to decide how best to reduce the economic impact of a natural disaster

QUESTION 5

Identify the most likely effect of a government decision to finance a budget deficit by borrowing from domestic sources (*ceteris paribus*).

- (A) The exchange rate of the Australian dollar will depreciate.
- (B) Australian interest payments on foreign debt will fall.
- (C) Money supply in Australia will increase.
- (D) Interest rates in Australia will rise.

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Use this excerpt to answer Questions 6 and 7

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

A number of factors have contributed to this ... performance of the Australian economy. One is the strong state of Australia's financial system. Another is the significant monetary stimulus arising from the 4¼ percentage point reduction in the cash rate ... with the lower rates largely passed through to end-borrowers. A third factor has been the fiscal stimulus which, in particular, has provided a considerable lift to household disposable incomes over the past nine months. The depreciation of the exchange rate last year also provided a stimulus to domestic activity, although much of this has been unwound by the appreciation over recent months. Finally, the strong recovery in China, which has boosted commodity prices and demand for Australia's exports, has also been important.

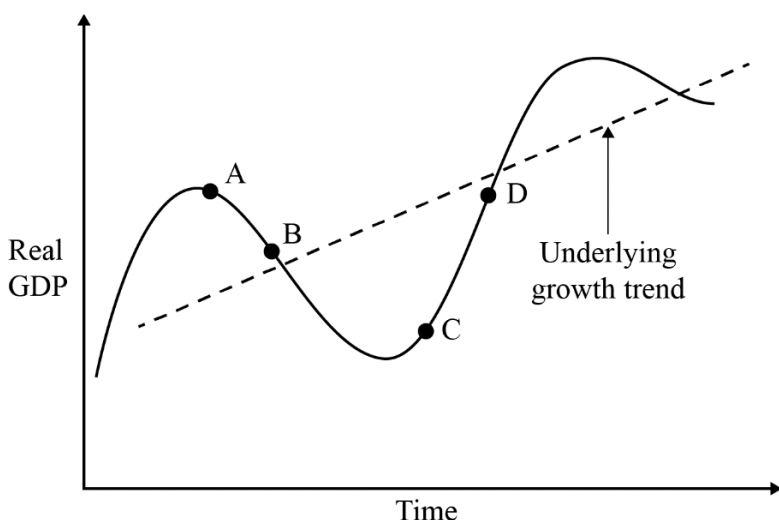
QUESTION 6

Identify the sign of external instability in the *Statement on Monetary Policy*, ceteris paribus.

- (A) increases and decreases in the exchange rate
- (B) lifting disposable income and consequent spending
- (C) China's higher demand for exports and commodity prices
- (D) effects of the cash rate reduction on households and local businesses

QUESTION 7

From the information in the excerpt above, what was the most likely position of the Australian economy on the economic cycle shown below when this statement was made?



- (A) Point A
- (B) Point B
- (C) Point C
- (D) Point D

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QUESTION 8

Which of the following best represents the effect of the Reserve Bank of Australia reducing the cash rate?

- (A) return on investments reduced, cost of investing increased
- (B) house repayments reduced, housing borrowing increased
- (C) spending decreased, rate of savings increased
- (D) inflation reduced, import prices increased

QUESTION 9

The Federal Government aims to reduce high unemployment levels. Which combination of aggregate supply and aggregate demand policies would best achieve this?

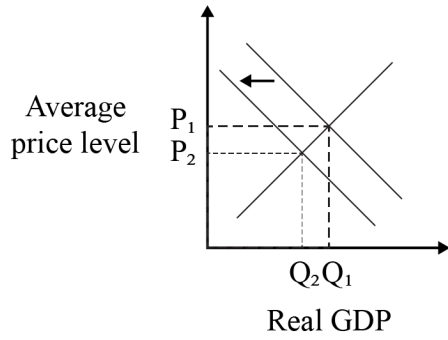
	Aggregate supply		Aggregate demand
(A)	lower fuel excise	and	reduce net foreign debt
(B)	increase the minimum wage	and	remove skill restrictions on immigration
(C)	fund research and development	and	reduce the rate of GST
(D)	raise revenue from the sale of government assets	and	increase quotas on imports of primary products

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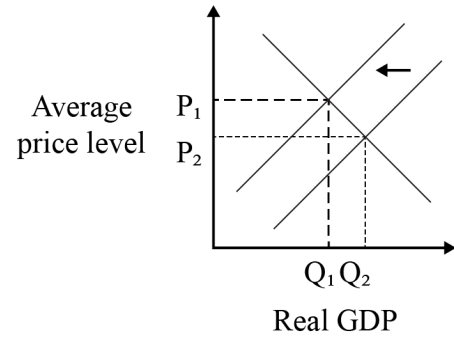
QUESTION 10

Identify the graph that shows the expected immediate effect of the transmission mechanism on real GDP following an increase in interest rates.

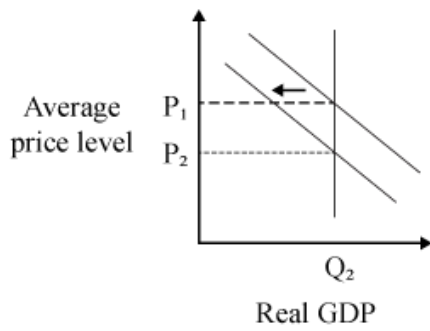
(A)



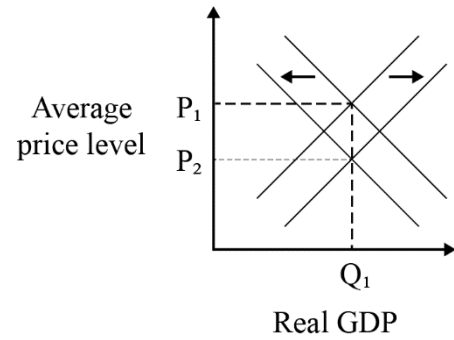
(B)



(C)



(D)



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References

Reserve Bank of Australia 2009, *Statement on Monetary Policy — August 2009*, 'Introduction', www.rba.gov.au/publications/smp/2009/aug/intro.html.

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