

External assessment 2025

Multiple choice question book

Economics

General instruction

- Work in this book will not be marked.

Section 1

Instruction

- Respond to these questions in the question and response book.
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QUESTION 1

Identify a transfer payment in the federal budget.

- (A) military personnel wages
- (B) aged pension payments
- (C) new highway costs
- (D) indirect taxation

QUESTION 2

What happens when the Reserve Bank of Australia decides to decrease the cash rate?

- (A) Bank deposit rates rise.
- (B) Banks pass on the rate change as soon as possible.
- (C) Financial institutions raise variable and fixed loan rates.
- (D) Interest rates change depending on each financial institution.

QUESTION 3

Which reason is a justification for applying a demand-side economic policy in Australia?

- (A) to decrease cyclical unemployment
- (B) to maximise real economic growth
- (C) to enhance dynamic efficiency
- (D) to reduce business regulations

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QUESTION 4

If an economy is in an expansionary phase, automatic stabilisers should

- (A) increase employment.
- (B) raise income tax rates.
- (C) increase income tax revenues.
- (D) raise unemployment payments.

QUESTION 5

Which group is the most likely to be impacted by contractionary monetary policy?

- (A) households with high levels of debt
- (B) financial institutions with high profits
- (C) state governments that provide essential services
- (D) businesses that produce relatively inelastic goods

QUESTION 6

Ceteris paribus, which pair of policies is incompatible?

	Policy 1	Policy 2
(A)	decreasing vehicle subsidies	lowering a budget deficit
(B)	minimising skilled migration	restricting national defence spending
(C)	maintaining minimum wages	enhancing international competitiveness
(D)	increasing goods and services tax	improving household equity

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QUESTION 7

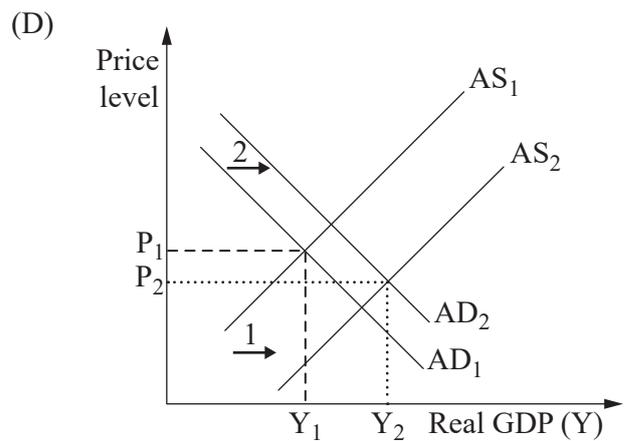
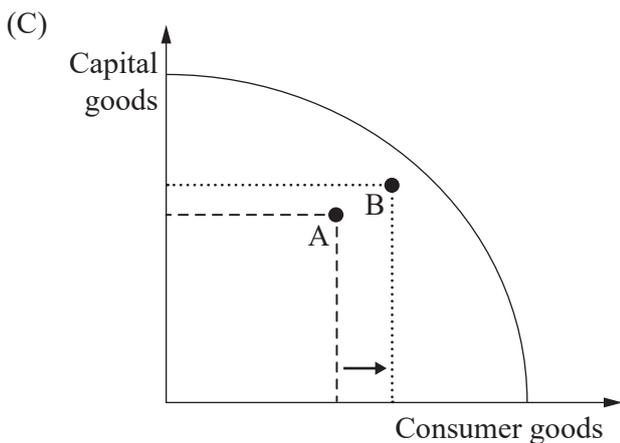
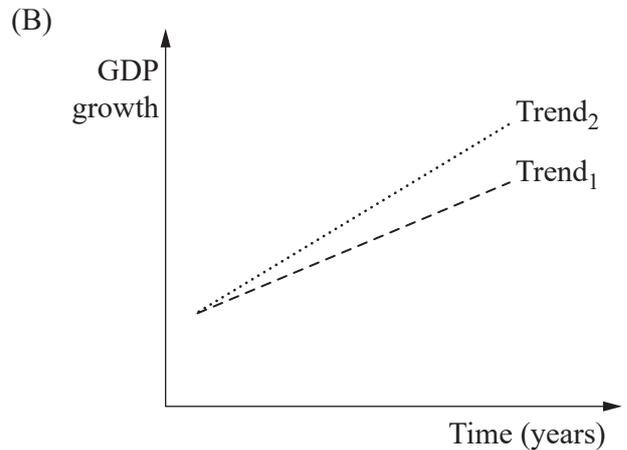
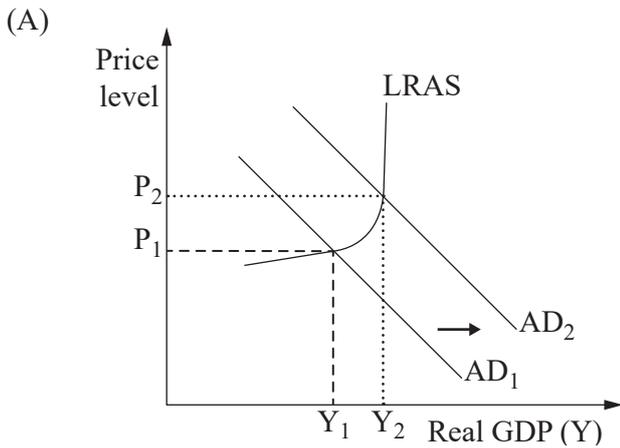
Assume the Federal Government has decided to proceed with 80 essential infrastructure projects and cease spending on 100 proposed infrastructure projects.

A possible rationale for this decision is that the economy

- (A) does not require infrastructure at this time.
- (B) is at a low point on the economic cycle.
- (C) is already operating at peak capacity.
- (D) has a deflationary gap.

QUESTION 8

Identify the diagram that does **not** illustrate the result, *ceteris paribus*, of a microeconomic reform.



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QUESTION 9

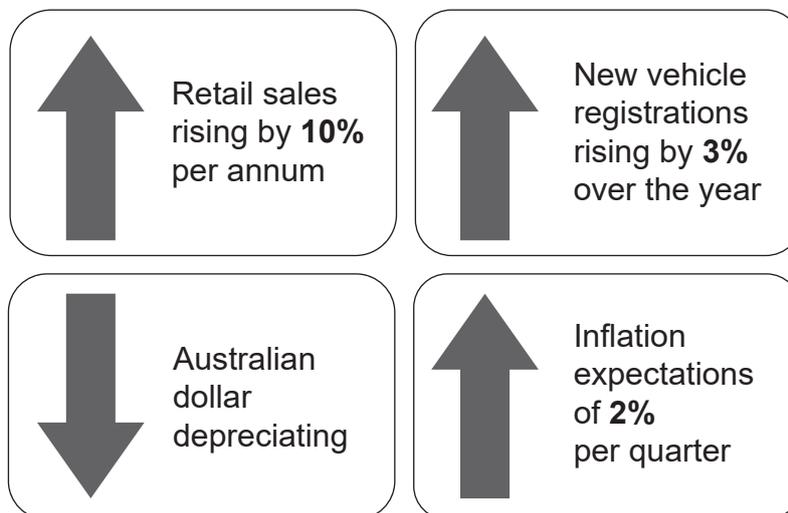
Assume the unemployment rate is 4% and wages are rising.

Ceteris paribus, what is the **least** appropriate policy response in the Australian labour market?

- (A) maintaining youth employment subsidies paid to employers
- (B) creating additional training opportunities for apprentices
- (C) raising the quota of skilled migration to Australia
- (D) introducing a retirement age of 65 years

QUESTION 10

Data for a hypothetical Australian scenario is shown.



Ceteris paribus, what are the appropriate policy responses?

- (A) increasing the cash rate and increasing the budget deficit
- (B) increasing the cash rate and increasing the budget surplus
- (C) maintaining the cash rate and increasing the budget surplus
- (D) maintaining the cash rate and making no change to the budget outcome

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