1. **INSTRUCTIONS TO CANDIDATES:**
   1.1 The examination has three sections
   
   **Section A:**
   - Suggested Time: 40 minutes
   - Multiple Choice Questions: Answer ALL 20 questions. Marks as indicated on paper

   **Section B:**
   - Suggested Time: 80 minutes
   - Short Answer Questions: Answer ALL 5 questions. Marks as indicated on paper

   **Section C:**
   - Suggested Time: 60 minutes
   - Short Essay Questions: Answer ALL 2 questions. Marks as indicated on paper

   Section A, Section B and Section C are to be answered in the answer booklet provided.

   1.2 Note that questions ARE NOT of equal value.
   1.3 Attempt all questions
   1.4 Read **ALL** questions carefully.
   1.5 Do not commence writing until instructed to do so.

2. **ATTACHED MATERIALS:**
Scrap Paper

3. **PERMITTED MATERIALS:**
Calculators - Non Programmable
Dictionary - English (Unannotated)
Dictionary - Other Lang Translation (Unannotated)

4. **EXAMINATION BOOKLETS:**
   1 16-pages Booklet(s)
   Answers on Exam Paper: NO
Section A
Multiple Choice Questions
Total no. of marks for this section: 20
Answer all questions

This section should be answered in the Answer Booklet provided (16 page booklet). Marks for each question are indicated. Suggested Time Allocation: 40 mins.

Question 1:
As more of a good, such as television sets, is produced, the opportunity cost of producing it increases. This most likely occurs because:
A) as more of a good is produced the inputs used to produce that good will increase in price
B) as more of a good is produced the quality of the technology available to produce additional units of the good declines and therefore the costs of production increase
C) resources are not equally well-suited to producing all goods and as more of a good is produced it is necessary to use resources less well-suited to the production of the good
D) consumers would be willing to pay higher prices for the good as more of the good is produced

(1 mark)

Question 2:
In factor markets:
A) factors of production flow from firms to households in exchange for wages and other payments
B) goods and services are exchanged between firms and households
C) factors of production flow from households to firms in exchange for wages and other payments
D) goods and services flow from households to firms in exchange for income

(1 mark)

Question 3:
A perfectly elastic demand curve implies that, ceteris paribus:
A) a firm can raise its price and not lose all its customers
B) if a firm raises its price even a bit above the market price, it will sell nothing at all
C) a firm can sell more by lowering its price
D) the price a firm charges is irrelevant since it will sell the same amount regardless of the price charged

(1 mark)
Question 4:
Gross domestic product measured in current dollars is:
A) current GDP
B) constant GDP
C) nominal GDP
D) real GDP

(1 mark)

Question 5:
If the economy were in recession, we would expect:
A) government expenditure to be low and tax revenues to be high so that the government might have a large surplus
B) government expenditure to be high and tax revenues to be low so that the government might have a large deficit
C) government expenditure to be high and tax revenues to be high so that the government might have a large deficit
D) government expenditure to be low and tax revenues to be low so that the government might have a large surplus

(1 mark)

Question 6:
What will happen to the price and quantity sold of iPhones if consumers' incomes rise and technological change reduces the cost of producing mobile phones?
A) quantity sold will rise, but it is not possible to say what will happen to price.
B) price and quantity sold will fall.
C) price will fall, but it is not possible to say what will happen to quantity sold.
D) price and quantity sold will rise.

(1 mark)

Question 7:
Economic growth is measured by:
A) the level of output in a given year
B) the percentage increase in nominal GDP over a period of time
C) the percentage change in the price level over a period of time
D) the percentage increase in real GDP over a period of time

(1 mark)
Question 8:
Which of the following actions by the RBA will result in a decrease in the cash rate?
A) buying government securities in the open market
B) selling government securities in the open market
C) a decrease in government spending
D) decreasing interest rates on outstanding credit card debt

(1 mark)

Question 9:
Which one of the following correctly describes how price adjustments eliminate a surplus?
A) as the price rises, the quantity demanded will decrease while the quantity supplied increases.
B) as the price rises, the quantity demanded will increase while the quantity supplied decreases.
C) as the price falls, the quantity demanded will increase while the quantity supplied decreases.
D) as the price falls, the quantity demanded will decrease while the quantity supplied increases.

(1 mark)

Question 10
The Department of Defence closes its headquarters in Canberra and transfers to a new building in Melbourne. A worker at the Canberra office is given the opportunity and finance to move to Melbourne. She turns down this opportunity because of family obligations. While she is searching for a new job she would be classified as:
A) cyclically unemployed
B) frictionally unemployed
C) structurally unemployed
D) not in the labour force because she turned down the opportunity to relocate

(1 mark)

Question 11:
M3 is equal to:
A) currency plus current deposits and other deposits with banks
B) deposits with banks plus borrowings by non-bank financial intermediaries
C) currency, bank deposits and borrowings by non-bank financial intermediaries
D) coins and notes held by the public

(1 mark)
Question 12:
If there is an endogenous money supply, this means that:
A) the supply of money is independently determined
B) the money supply depends on the rate of interest, but not on the demand for money
C) the money supply curve is vertical
D) the money supply depends on the rate of interest and the demand for money

(1 mark)

Question 13:
Structural unemployment is the:
A) portion of unemployment that is due to changes in the structure of the economy that result in a significant loss of jobs in certain industries
B) portion of unemployment that is due to the normal working of the labour market
C) unemployment that occurs during recessions and depressions
D) unemployment that results when people become disheartened about their chances of finding a job so they stop looking for work

(1 mark)

Question 14:
The extent to which a monopolist can exercise market power is limited by:
A) the costs of producing the product and the technology that is available
B) the ease with which consumers can substitute other products for the monopolist’s product
C) the price elasticity of supply
D) the income elasticity of demand

(1 mark)

Question 15:
When the aggregate expenditure curve is above the 45 degree line:
A) there will be insufficient demand in the economy and GDP will decrease
B) there will be insufficient demand in the economy and GDP will increase
C) there will be excess demand in the economy and GDP will increase
D) there will be excess demand in the economy and GDP will decrease

(1 mark)
Question 16:
The multiplier effect refers to:
A) the change in GDP brought about by multiple policy changes
B) the amount of the initial increase in aggregate demand brought about by a new injection into the economy
C) the total amount by which GDP rises after an initial injection
D) the total amount by which GDP falls after an initial injection

(1 mark)

Question 17:
The amount of output that a monopolist supplies depends:
A) only on the marginal cost curve
B) on both its average cost curve and the demand curve that it faces
C) only on the demand curve
D) on both its marginal cost curve and the demand curve that it faces

(1 mark)

Question 18:
E-commerce is a good example of a very competitive market because:
A) e-commerce increases available information
B) low start-up costs generally make entry easy
C) there are many firms
D) of all of the above

(1 mark)

Question 19:
Philippa grows lettuces commercially. This is a perfectly competitive business and Philippa faces a perfectly elastic demand curve. If she wants to try to increase revenues she should:
A) keep the price the same but produce more to increase sales
B) do nothing, there is nothing she can do to increase revenues
C) lower the price of her lettuce to try to sell more
D) raise the price of her lettuces to make more per sale

(1 mark)

Question 20:
The short-run supply curve in perfect competition is:
A) equivalent to the marginal cost curve above average variable cost
B) equivalent to the marginal cost curve
C) equivalent to the average total cost curve
D) equivalent to the average variable cost curve

(1 mark)
Section B
Written Answer Short Questions
Total no. of marks for this section: 20
Answer all questions

This section should be answered in the Answer Booklet provided (16 page booklet). Marks for each question are indicated. Suggested Time Allocation for Section B: 80 mins.

Question 1

a. Explain how the RBA might carry out monetary policy designed to reduce the rate of inflation. Draw a clear money market diagram to show the effect on interest rate. (2 marks)
b. Explain how the RBA might carry out monetary policy designed to expand the economy. Draw a clear money market diagram to show the effect on interest rate. (2 marks)

Question 2

The demand function facing a monopoly is $P=10-Q$ and total cost is $TC=2Q$. Find TR, MR, TC, MC, profit maximising price and quantity using the table format shown below. The table must be completed in the answer booklet provided.

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Price</th>
<th>TR</th>
<th>MR</th>
<th>TC</th>
<th>MC</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(4 marks)

Question 3

3) The Australian wine industry has prospered over the last two decades, expanding rapidly into overseas markets. However, in recent years it has faced the following problems:
a) A rapid increase in the production of wine grapes. Use demand and supply analysis to explain how this would affect the price and quantity of Australian wine. (2 marks)
b) Competition in overseas markets from low cost good quality wine producers in China and India. Use demand and supply analysis to explain how this would affect the price and quantity of Australian wine. (2 marks)
Question 4

A university needs to increase total revenue. The Vice Chancellor suggests that by raising fees for overseas students by 15%, total revenue will increase. However, after the fees increase, total revenue actually falls. What can you infer about the price elasticity of demand? Why is this likely to be true? (4 marks)

Question 5

Use the Keynesian income and expenditure model to show the effect of an increase in money supply on the Australian economy. (4 marks)
Section C
Written Answer Long Questions
Total no. of marks for this section: 20
Answer all questions

This section should be answered in the Answer Booklet provided. Marks for each question are indicated. Suggested Time Allocation for Section C: 60 mins.

Question 1

Explain three different types of unemployment. Give an example of each type. Given what you have learned about the different types of unemployment, suggest three policies that could be used to reduce unemployment, one for each type of unemployment. (10 marks)

Question 2

Use the Keynesian income and expenditure model to analyse the effect of increasing demand for consumer goods and housing in China. How will this impact real GDP and unemployment in China? Explain the adjustment process using the concept of income-expenditure multiplier. (10 marks)