

## Section One: Multiple Choice

(18 Marks)

This section has **18** questions. Answer **all** questions on the separate Multiple-choice Answer Sheet.

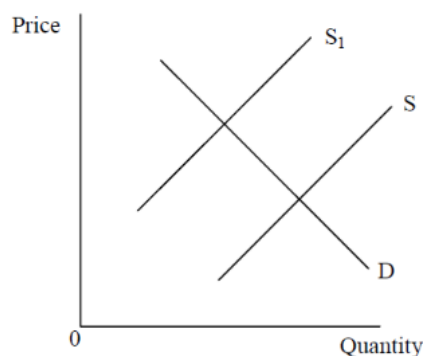
For each question shade the box to indicate your answer. Use only a blue or black pen to shade the boxes. If you make a mistake, place a cross through that square, then shade your new answer. Do not erase or use correction fluid/tape. Marks will not be deducted for incorrect answers. No marks will be given if more than one answer is completed for any question.

Suggested working time: **25** minutes.

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1. The demand and supply of labour is part of the \_\_\_\_\_ market of an economy
  - (a) secondary
  - (b) tertiary
  - (c) product
  - (d) factor
  
2. In a non-competitive market,
  - (a) there are a small number of firms that are price takers.
  - (b) there is little product differentiation and no barriers to entry or exit.
  - (c) there is product differentiation and there are barriers to entry.
  - (d) there is little variation in price and a large number of sellers.
  
3. Any point inside a nation's production possibility curve reflects a product combination which is
  - (a) currently impossible to achieve.
  - (b) productively inefficient.
  - (c) based on full employment of resources.
  - (d) productively efficient.
  
4. If apple juice producers expect that the price of apple juice is going to increase next month, this would result in
  - (a) an increase in the demand for apple juice today.
  - (b) an increase in the supply of apple juice today.
  - (c) a decrease in the supply of apple juice today
  - (d) the equilibrium quantity of apple juice will increase today.

5. Which one of the following would be most likely to cause the demand curve for cars to shift to the left?
- The imposition of an indirect tax on cars aimed at curbing pollution.
  - A fall in the price of travelling by public transport.
  - The imposition of a tariff on cheaper imported cars.
  - The removal of subsidies to car producers.
6. A simultaneous decrease in demand and supply will result in
- equilibrium quantity rising but a change in price will depend on the relative changes in demand and supply.
  - equilibrium quantity falling but a change in price will depend on the relative changes in demand and supply.
  - equilibrium price and quantity both falling.
  - equilibrium price and quantity both rising.
7. Which of the following predictions are incorrect within the supply and demand model?
- with excess demand, price will rise
  - with excess supply, price will fall
  - if there is no excess demand or supply, market will be in equilibrium
  - a market that is not in an equilibrium state will stay that way
8. The diagram below shows the demand and supply for tennis balls.



- Which one of the following could explain the shift in the supply curve from S to S1?
- An increase in the price of a complement
  - A decrease in the cost of producing tennis balls
  - An improvement in the technology for making tennis balls
  - decrease in the level of a government subsidy for tennis ball producers

9. The latest model car in a car dealer's showroom has a selling price of \$85,000. The minimum price the car dealer would like to sell it for is \$80,000. Jason, the shopper, has decided that he would pay no more than \$81,000 for the car. After almost one hour of negotiations with the saleswoman, Jason ends up purchasing the car for \$79,000. Jason has achieved a consumer surplus of \_\_\_\_\_ and the car dealer's surplus is \_\_\_\_\_.
- (a) \$2,000; -\$1000
  - (b) \$3,000; \$1000
  - (c) \$4,000; \$4000
  - (d) \$5,000; \$2000
10. The price of a product falls by 20% and, as a result, the total expenditure on the product also falls by 20%. The value of price elasticity of demand for the product is
- (a) perfectly inelastic.
  - (b) inelastic.
  - (c) unitary.
  - (d) elastic.
11. When a baker decreases the selling price of her cakes by 15%, the quantity demanded of cakes increases by 7.5%. The cakes therefore have a price elasticity of demand of \_\_\_\_\_.
- (a) 0.5
  - (b) 0.75
  - (c) 1
  - (d) 2
12. A 4% increase in the price of butter causes a 2% increase in the demand for margarine. The cross-price elasticity of demand for margarine with respect to the price of butter is
- (a) - 0.5.
  - (b) 0.5.
  - (c) - 2.0.
  - (d) 2.0.

13. A business in a more developed country believes that its product has a price elasticity of demand of - 0.1 per year. It has an income elasticity of demand of + 0.1 per year and a price elasticity of supply of 0 per year.

The business is most likely to be in which one of the following industries?

- (a) Computer manufacturing
  - (b) Toys manufacturing
  - (c) Car manufacturing
  - (d) Farming
14. A subsidy would \_\_\_\_\_ the price paid by a consumer and \_\_\_\_\_ the benefit received by a producer.
- (a) decrease; decrease
  - (b) decrease; increase
  - (c) increase; increase
  - (d) increase; decrease
15. Market failure is the inability of
- (a) some unregulated markets to allocate resources efficiently
  - (b) a market to establish an equilibrium price
  - (c) buyers to place a value on the good or service
  - (d) buyers to interact harmoniously with sellers in the market
16. The government provides public goods because
- (a) free-riders make it difficult for private markets to supply the socially optimal quantity
  - (b) markets are always better off with some government oversight
  - (c) private markets are incapable of producing these types of goods
  - (d) external benefits will accrue to private producers
17. The concept of deadweight loss refers to
- (a) an inefficiency that arises due to an unavoidable decrease in total surplus.
  - (b) an inefficiency that arises due to government's lack of intervention.
  - (c) the difference between consumer surplus and producer surplus.
  - (d) the excess amount that consumers are willing to pay over the actual price of a product.

18. One method to correct the 'tragedy of the commons' is to
- (a) allocate a subsidy to the use of the resource.
  - (b) allow the government to produce the resource.
  - (c) assign property rights for the use of this resource.
  - (d) increase competition in the market using deregulation.

**End of Section 1**

**Section Two: Data interpretation/Short response****(24 Marks)**

This section contains **two (2)** questions. Answer **all** questions. Write your answers in the spaces provided.

Supplementary pages for the use of planning/continuing your answer to a question have been provided at the end of this Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

Suggested working time: **50** minutes.

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**Question 19****(12 marks)****Controlled price of chicken is too low, says trade group**

Tsubasa Nair, April 9, 2022

Jeffrey Ng, adviser to the Malaysian livestock federation, said the controlled ceiling price of RM8.90 (RM - Malaysian Ringgit) a kilogramme was too low. He said there was “a lot of changing of hands” in the supply chain and “by the time you get to the sellers, the RM8.90 price ceiling is unsustainable.”

Citing the high cost of chicken feed and the ongoing labour shortage, a senior director of Mydin, a popular hypermarket chain, has also stated that the price ceiling is proving to be unfeasible.

Recently, a video went viral in which a seller who was fined RM500 for selling chicken above the RM8.90 controlled price. He lamented that he could only earn a meagre profit of 20 sen (20 cents) per kilogram as his cost price was RM8.70. He said the ceiling price was set before the Russian invasion of Ukraine, which had affected agricultural supplies.

Chicken trader Hamzah Abdullah, who runs a stall in Kuala Lumpur, urged the government to find alternative means to address the chicken shortage. “The ministry in charge should make use of vacant plots of land and allow the kampung folk who are unemployed to breed chicken.”

(a) State the maximum price (price ceiling) for chicken in Malaysia.

(1 mark)

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(b) With reference to the extract, explain why the price ceiling may be unsustainable. (2 marks)

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(c) With the aid of a diagram, explain how using 'vacant plots of land' to breed chicken would affect the price for chicken. (4 marks)


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**Question 20****(12 marks)****Canberra Bean and Neuron e-scooter use powers ahead**

Hannah Neale March 27, 2022

The bright orange or purple electric scooters dotted throughout the city make up part of the scenery for many commuters across the ACT. However, recent research has shown more people are leaving the car at home, pocketing their MyWay card and scooting to work.

Over the past two weeks scooter providers in Canberra have seen a 15.4 per cent increase in e-scooter trips across Australia as fuel prices surge. This comes as fuel prices surpass \$2.20 in many parts of Canberra as a result of pressures from the Russian-Ukraine war.

The data has shown 45 per cent of Canberrans use Neuron e-scooter trips to replace a car journey.

Australian and New Zealand head of Neuron Richard Hannah said e-scooters were a great alternative to cars, helped reduce congestion and emissions, and provided a link to public transport. "With increasing petrol prices, and the reduced availability of fuel, people are certainly considering how they travel," he said.

- (a) With reference to the extract, state the impact of fuel price surges on the use of e-scooter trips across Australia (1 mark)

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- (b) Describe the relationship between cars and petrol. (2 marks)

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(c) With reference to the extract and the car market, explain the factor affecting (4 marks)

i. Demand:

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ii. Price Elasticity of Demand:

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- (d) Due to the price of petrol surging, the Australian government is providing a subsidy to producers in the petrol market. Demonstrate and explain the impact of this subsidy. (5 marks)


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**End of Section 2**

**Section Three: Extended response****(20 Marks)**

This section contains **two (2)** questions. Answer **one (1)** question. Write your answer in the Extended Response Answer booklet and number your answer clearly.

Supplementary pages for the use of planning/continuing your answer to a question have been provided at the end of this Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e., give the page number.

Suggested working time: **45** minutes

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**Question 21****(20 marks)**

- a) Explain the law of demand and discuss four factors affecting demand. (10 marks)
- b) Using a demand/supply model, explain the concept of equilibrium in a competitive market and how the price mechanism works to clear the market. (10 marks)
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**Question 22****(20 marks)**

- a) Using an appropriate diagram and examples, distinguish between positive and negative externalities. (12 marks)
- b) Discuss three policy options that could be used to address market failure occurring due to externalities. (8 marks)
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***End of Questions***