
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.

1. A freely operating price mechanism will result in
 - (a) an efficient allocation of scarce resources.
 - (b) stable prices in markets.
 - (c) greater equality of real incomes due to lower prices.
 - (d) higher profits and greater government taxation revenue.

2. A builder works 40 hours per week for \$2000. She is given a choice to work 50 hours a week for an extra \$750. What would be the opportunity cost to the builder of working the extra hours?
 - (a) The ability to increase her purchasing power
 - (b) The increased hourly earnings of \$75
 - (c) The ten hours of leisure time
 - (d) The additional time travelling to and from work

3. Mothers Against Dangerous Drivers (MADD) campaigned to increase the legal penalties of dangerous driving. This successful campaign _____ of dangerous driving.
 - (a) increased the marginal benefit
 - (b) decreased the marginal benefit
 - (c) increased the marginal cost
 - (d) decreased the marginal cost

4. The “law of demand” refers to the fact that, when the price of a good rises, *ceteris paribus*,
- (a) the demand curve shifts rightward.
 - (b) the demand curve shifts leftward.
 - (c) there is a movement down along the demand curve to a larger quantity demanded.
 - (d) there is a movement up along the demand curve to a smaller quantity demanded.

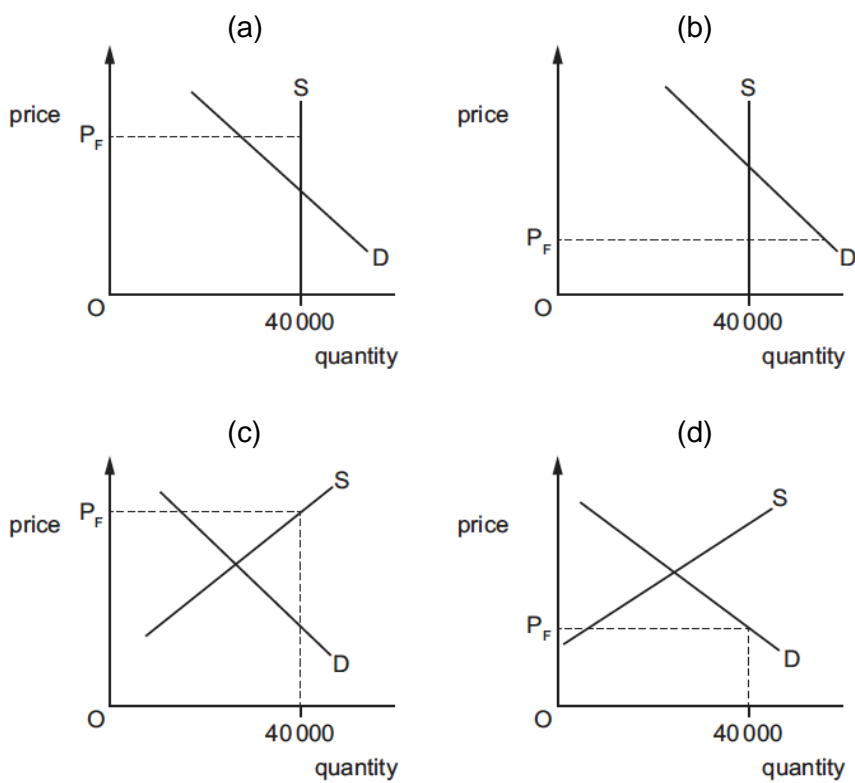
5. Oil is a close substitute for coal. If the price of oil increases, then
- (a) the supply curve for coal will shift to the right.
 - (b) the demand curve for coal will shift to the right.
 - (c) the equilibrium price and quantity of coal will not change.
 - (d) the quantity of coal demanded will decline.

6. The table shows a competitive market in equilibrium in two periods. What could explain the change from period 1 to period 2?

<i>Period</i>	<i>Market price</i> \$	<i>Quantity traded</i>
1	25	10,000
2	28	12,000

- (a) An increase in the price of a complement
 - (b) The imposition of a minimum price by the government
 - (c) An increase in the price of a substitute
 - (d) The imposition of an indirect tax on suppliers
7. The market for a product is initially in equilibrium. Which combination of changes will cause the price of the product to rise and the quantity sold to fall?
- (a) A decrease in demand that is smaller than a decrease in supply
 - (b) A decrease in demand that is larger than a decrease in supply
 - (c) An increase in demand that is larger than an increase in supply
 - (d) An increase in demand that is smaller than an increase in supply
8. The price elasticity of demand (PED) for bottled water is 0.9. What will happen to the quantity demanded for bottled water if its price increases by 10%?
- (a) Increase by 0.9%
 - (b) Increase by 9%
 - (c) Decrease by 0.9%
 - (d) Decrease by 9%

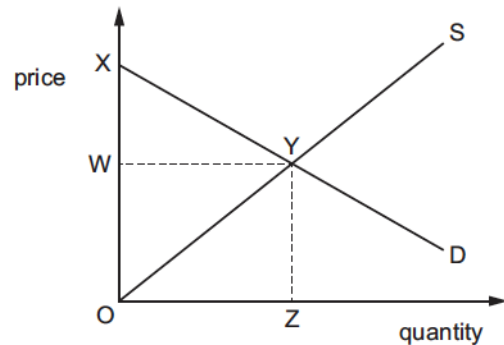
9. An Ed Sheeran concert is held in a stadium which has a fixed capacity of 40 000 people. The price for a seat is set at P_F , but when the tickets go on sale all tickets are sold very quickly with many disappointed people unable to buy a ticket. Which diagram best represents this?



10. The demand for the Alpha smart phone is likely to become more price elastic when
- several competitors introduce products that have similar features to the Alpha phone.
 - consumers begin to see the Alpha smart phone as a necessity, not a luxury.
 - the cost of producing the Alpha smart phone falls.
 - Alpha launches a successful advertising campaign.
11. A firm estimates that the price elasticity of supply of its product is 0.4. Should the firm be concerned by this figure?
- No, as it implies that the firm will be able to raise revenue by raising price.
 - No, as it suggests there are few substitutes for the product.
 - Yes, as it means that demand for its product is increasing at a slow rate.
 - Yes, as it shows that the firm is not able to adjust supply easily when demand changes.

12. Consumer surplus exists in the market for rice. What does this mean?
- (a) Consumers benefit from rice production more than producers.
 - (b) Consumer demand for rice exceeds supply.
 - (c) Some consumers would be willing to pay more than the market price.
 - (d) The production of rice exceeds the supply.

13. The diagram shows the demand curve and supply curve for a product. Which area represents producer surplus?



- (a) OWYZ minus OWY
- (b) OWYZ minus OYZ
- (c) OXYZ minus OYZ
- (d) OXYZ minus WXY

14. A project to build one of the world's biggest coal mines was planned in Australia. The project was estimated to cost \$US1.5 billion. It would create employment but threaten endangered species as large coal ships would damage the Great Barrier Reef.

	Private cost	Private benefit	External cost
(a)	Decrease	Uncertain	Uncertain
(b)	Increase	Decrease	Increase
(c)	Increase	Increase	Increase
(d)	Uncertain	Increase	Increase

15. Which market is most likely to associated with market power?

	Barriers to entry	Number of sellers
(a)	High	Few
(b)	High	Many
(c)	Low	Few
(d)	Low	Many

16. What is an economic reason why hospitals are often built and funded by the government?

- (a) Hospitals are a public good.
- (b) Hospitals are very expensive to build and operate.
- (c) Hospital treatments may benefit many apart from those who use them.
- (d) Hospitals cannot use price to allocate demand.

17. Consumers would prefer the government to place a tax on a good with
- (a) inelastic demand
 - (b) elastic demand
 - (c) unitary elastic demand
 - (d) elastic supply
18. A government decides to privatise a state-owned monopoly. What should the government do to try to ensure that this will result in an improvement in efficiency?
- (a) Encourage competition
 - (b) Allowing customers to purchase shares in the company
 - (c) Impose a maximum profit margin
 - (d) Increase business tax rates

End of Section One

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.

Question 19**(12 marks)**

This question refers to the edited extract below, taken from an article by Rajendra Jadhav that appeared online on 10 April 2023.

Indian Sugar Prices

Sugar prices in India have climbed more than 6% in two weeks and are likely to rise further as production is set to fall and demand from bulk consumers to strengthen during the peak summer season, industry officials told Reuters.

Higher local prices will improve the margins of various sugar producers, helping them make cane payments on time to farmers, dealers said.

Sugar prices are rising mainly due to falling production in top sugar producing state, Maharashtra, said Ashok Jain, president of the Bombay Sugar Merchants Association.

"Prices would rise further in coming months as demand from bulk buyers is expected to rise because of summer season," he said.

Sugar demand rises as consumption of cold drinks and ice cream climbs in India during the summer months that run roughly from April to June. Demand also gets a boost in summer from the wedding season.

- (a) From the extract, state by how much sugar prices have changed in two (2) weeks.

(1 mark)

(b) With the aid of an example, describe one possible cause for the overall fall in sugar production in India. (1 mark)

(c) With the use of economic theory, explain why prices have changed sharply for a product like sugar. (4 marks)

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Question 20

(12 marks)

This question refers to the edited extract below, taken from an article by Clay Lucas that appeared online on 28 August 2022.

Funding the Healthcare sector.

The Victorian government will pay for the degrees of more than 10,000 nursing and midwifery students as part of a \$270 million initiative to help boost staffing across the state’s strained healthcare system.

Victoria needs 65,000 more healthcare care workers in the next three years to meet demand and replace people retiring.

“We’ll be putting every cent of the money from cancelling the suburban rail loop’s first stage of railway line into the health system, whether it’s recruiting nurses, whether it’s rebuilding crumbling hospitals around the state, whether it’s building new hospitals,” opposition health spokeswoman Georgie Crozie said.

Included under the plan, further scholarships will be provided for enrolled nurses to become registered nurses, with funding available for post-graduate nurses to start speciality studies in areas such as intensive care, emergency, paediatrics and cancer care.

Premier Daniel Andrews said additional funding would mean more than 20,000 current and future nurses in Victoria would have their university courses funded or be upskilled.

- (a) From the extract, state how much the Victorian government is prepared to spend to help boost staffing in Victoria’s healthcare system. (1 marks)

- (b) Using evidence from the extract, describe possible impacts of the Victorian government’s increased spending on healthcare. (2 marks)

(c) Using economic theory, explain how the market fails in the production of healthcare. (4 marks)

(d) With reference to the extract, demonstrate and explain how planned measures implemented by the Victorian government would address the market failure in healthcare.

(5 marks)

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Section Three: Extended response

(20 Marks)

This section contains **one (1)** question. Answer **one (1)** question.

Write your answer in the Extended Response Answer booklet and number your answer clearly.

Suggested working time: **45** minutes

Question 21

(20 marks)

a) With the use of examples, explain four (4) factors that affect demand.

(8 marks)

b) With the use of examples, demonstrate and explain the impact of a price ceiling and price floor on efficiency.

(12 marks)

End of Questions