**Year 12 Economics Practice Questions**

**Question 1 (20 marks)**

The Australian Government’s planned budget outcome for 2017–18 was a deficit of −1.6% of GDP. The mid-year budget update revised the budget outcome to −1.3% of GDP. The underlying cash balance had improved by $9.3 billion.

Account for the difference in the budget outcomes and explain the likely government fiscal

policy stance if the economy reached a level beyond that required for full employment. Use an aggregate demand and aggregate supply (AD/AS) model to support your answer.

**Question 2 –**

(a) Describe the terms ‘structural budget balance’ and ‘cyclical budget balance’ and discuss their significance. (8 marks)

(b) Explain two advantages and two disadvantages of using fiscal policy over monetary and supply-side measures. (12 marks)

**Question 3**

(a) Outline the government’s medium term fiscal strategy. (6 marks)

(b) Discuss the whether the elimination of the budget deficit is an appropriate fiscal strategy. (14 marks)

**Question 26 (12 marks)**



Refer to the graph given below and answer the questions that follow.

(a.i.) Calculate the estimated Budget Outcome for 2018-19. (1 mark)

(a.ii) The annual economic growth rate in 2017-18 \_\_\_\_\_\_\_\_\_\_\_\_\_ (1 mark)

(b) Discuss **two** weaknesses regarding the current fiscal policy stance. (4 marks)

(c) Explain how the change in Australia’s economic growth rate (EGR) from 2015-16 to 2017-18 would have impacted the Budget Outcome of 2017-18.

(6 marks)