



# University of Queensland School of Economics QETA Economics Competition 2021

## YEAR 12 Test Paper

### INSTRUCTIONS:

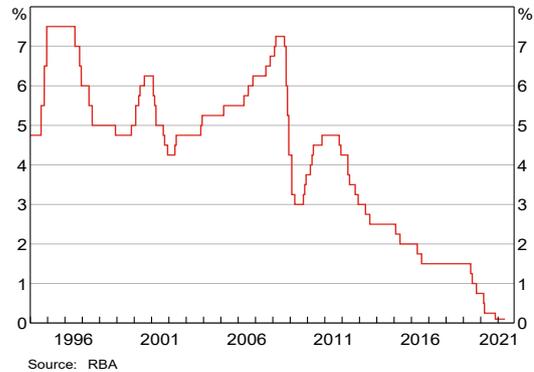
1. **TIME – 45 minutes only.**
2. **CONDITIONS**
  - **Supervised examination.**
  - **No access to text-books or internet.**
  - **No collaboration or help from other students or teacher(s).**
3. **RESPONSES**
  - **Record your answers on the separate answer sheet provided.**
  - **Use 2B pencil to shade in the circle which indicates your choice of the correct answer from the alternatives provided.**
  - **Only one choice per question is allowed.**
  - **Ensure your name, school name and teacher's name are printed legibly.**

QUEENSLAND ECONOMICS TEACHERS' ASSOCIATION INC. acknowledges the support of the School of Economics, University of Queensland for their continuing sponsorship of the Student Economics Competition for Queensland Schools.

## 2021 UQ ECONOMICS COMPETITION Year 12 Questions

- The current inflation rate is:
  - 2.5%
  - 2.0%
  - 1.6%
  - 1.1%
- Since 2010, Australia's Gross Domestic Product Per Capita has:
  - Increased
  - Decreased
  - Been volatile
  - Remained stable
- The AUD/US exchange rate at the end of the 2020-21 financial year was approximately:
  - 0.55
  - 0.65
  - 0.75
  - 0.85
- Queensland's treasurer is:
  - Steven Miles
  - Cameron Dick
  - David Crisafulli
  - Josh Frydenberg
- The minimum hourly wage for an adult in Australia is:
  - > \$20
  - \$19 - \$20
  - \$18 - \$19
  - < \$18
- The unemployment rate at the end of June 2021 was closest to:
  - 5.0%
  - 5.5%
  - 6.0%
  - 6.5%
- The RBA reports in June 2021, that of the following Australian industries, the most productive in terms of output is:
  - Mining
  - Construction
  - Manufacturing
  - Health and Education
- Economic output of the Australian states shows that the powerhouse state is:
  - Victoria
  - Queensland
  - New South Wales
  - Western Australia

- The image (below) showing the Australian cash rate over time indicates for the last decade:
  - Expansionary fiscal policy
  - Contractionary fiscal policy
  - Expansionary monetary policy
  - Contractionary monetary policy



- In June 2021, the RBA recorded China's current GDP growth rate as closest to:
  - 5%
  - 5%
  - 12%
  - 18%
- The years 2010-2014 were notable as the last time the Australian-US dollar exchange rate was:
  - At parity
  - Above parity
  - Below parity
  - I have absolutely no idea
- Which of the following combination of policies would most likely provide the greatest stimulus to domestic employment and output in the short run?
  - Increased interest rates, lower tax rates, and increased government expenditure.
  - Lower interest rates, higher tax rates, and reduced government expenditure.
  - Increased interest rates, higher tax rates, and reduced government expenditure.
  - Lower interest rates, lower tax rates and increased government expenditure.
- Which of the following is an example of an automatic stabiliser?
  - Reduced government spending on schools due to a smaller school age population.
  - Increased funding for education due to growing illiteracy.
  - Increased company tax revenue due to high growth rates in the economy.
  - Reduced income tax rates as a result of a budget surplus.

## 2021 UQ ECONOMICS COMPETITION Year 12 Questions

- 14 The Consumer Price Index measures:
- A. the price of all goods before taxes are added
  - B. the price of only those goods which are necessary to sustain life
  - C. the average price changes of a certain range of goods and services
  - D. the prices of a basket of particular goods and services produced in the economy
- 15 Aggregate expenditure is defined as:
- A. Expenditure in new capital equipment which will produce final goods and services in the future
  - B. The sum of consumption and investment expenditure undertaken by private households, firms and government
  - C. The amount that households and firms plan to spend on goods and services, both domestically and in foreign trade
  - D. The value of consumer expenditure, firms' expenditure on capital items, government expenditure, and expenditure on exports and imports
- 16 Which of the following pairs of events are more likely in the early stages of a downswing?
- A. Replacement of worn-out equipment AND inflationary pressure
  - B. Improved economic sentiment AND rising investment
  - C. Firms become uncertain AND interest rates rise
  - D. Investment falls due to previous increases in capital stock AND interest rates may fall
- 17 Jonesy has completed his Uni degree and is looking for job opportunities. This is an example of what type of unemployment?
- A. Frictional
  - B. Structural
  - C. Seasonal
  - D. Hidden
- 18 Prices in Country X rose by 3.5% over the last year, as measured by the official price index. If the price index was 120.1 at the start of the year, what is it now?
- A. 123.6
  - B. 124.3
  - C. 124.4
  - D. 125.8
- 19 Factory production, job vacancies, retail sales and new car registrations are examples of what type of Economic Indicators?
- A. Leading
  - B. Lagging
  - C. Coincident
  - D. Government
- 20 One way for people to protect the real value of their incomes if they anticipate inflation is:
- A. selling property or investments, preferring instead to hold wealth as cash
  - B. having their wages indexed to the rate of inflation
  - C. saving a higher proportion of their salary or wages
  - D. working longer hours
- 21 Which of the following combination of events would be expected to have the greatest upward influence on the inflation rate in Australia?
- A. Depreciation of the Australian currency AND a period of high inflation overseas.
  - B. There was full employment in one of the 'bottleneck' sectors of the economy AND the economy was entering the trough phase of the business cycle
  - C. Structural reforms designed to reduce the costs of business were implemented AND interest rates were falling
  - D. Economic growth in the past year was less than 2% and the level of industrial action in the workforce was at its lowest level in the last five years
- 22 Which of the following statements about the redistributive effects of inflation is TRUE?
- A. People who derive their income from pensions are worse off in periods of inflation
  - B. The redistributive effects of periods of sustained inflation are reduced if inflation has not been forecast
  - C. The real value of repayments on borrowed money rises during periods of inflation, making borrowers worse off
  - D. The portion of income paid as tax can rise during periods of sustained inflation if income levels rise and attract higher marginal levels of taxation
- 23 Structural change is an on-going process in the economy. Which of the following is *not* a common reason for it?
- A. patterns of demand change over time as new products emerge to replace old ones
  - B. invention and innovation bring new technologies to productive methods
  - C. management seeks more efficient ways of producing goods and services
  - D. workers seek change and innovation in order to become more upskilled and employable

## 2021 UQ ECONOMICS COMPETITION Year 12 Questions

- 24 Which of the following would not be a major economic objective of the Australian government?
- full employment
  - low interest rates
  - redistribution of income
  - efficient resource allocation.
- 25 Governments use expansionary fiscal policy to:
- control demand-pull inflation
  - stimulate aggregate demand
  - reduce the general rate of investment
  - reduce total government spending and increase private investment.
- 26 Fiscal policy measures are:
- actions taken by the Reserve Bank to bring about changes in demand by reducing the volume of money in an economy
  - actions taken by the government to bring about changes in demand by increasing the cost of borrowing money
  - actions taken by the Reserve Bank to bring about changes in government budgets
  - actions taken by the government to bring about changes in public and private sector spending
- 27 International trade increases the standard of living in a country because it:
- increases the range of goods and services available
  - enables the government to increase its revenue through the collection of tariffs
  - creates employment in import-competing industries
  - overcomes high transportation costs
- 28 To suggest that Australia has a comparative advantage in the production of wheat means that:
- it is a very efficient producer of wheat
  - more wheat is produced in Australia than in other countries
  - it can produce wheat using more resources per tonne than any other country
  - the opportunity cost of producing wheat in Australia is less than that of other countries
- 29 Protection is any action that a government takes to:
- prevent restrictive trade practices
  - look after the interests of large-scale business
  - protect the underprivileged and economically weak in society
  - give a domestic industry an artificial advantage over cheap imports
- 30 Which of the following is least likely to be a reason for promoting free trade?
- to prevent an appreciation of the Australian dollar
  - to reduce inflationary pressure
  - to reduce production costs
  - to increase efficiency
- 31 How would the spending by Australian tourists attending an international surfing competition in Hawaii be recorded in Australia's balance of payments?
- An income credit
  - A financial account credit
  - A service debit
  - A capital account debit
- 32 How would an increase in economic growth in the global economy affect the market for Australian dollars?
- Demand for Australian dollars would increase and the Australian dollar would rise in value
  - Demand for Australian dollars would decrease and the Australian dollar would fall in value
  - Supply of Australian dollars would decrease and the Australian dollar would rise in value
  - Supply of Australian dollars would increase and the Australian dollar would fall in value
- 33 If the value of one Australian dollar increases from 75 cents US to 85 cents US, what would be the likely consequence?
- Australia's balance of trade would improve
  - Australia's foreign debt and inflation rate would increase
  - Australian exports would increase and unemployment would decrease
  - Australia's international competitiveness would decline and unemployment would increase
- 34 A loan by a foreign multinational mining company to its Australian subsidiary for the expansion of its plant is an example of:
- portfolio investment
  - direct investment
  - an institutional loan
  - equity naturalisation
- 35 Over the last two decades, the main change in Australia's international trading has been from:
- the Asian region to the American region
  - the Indian Ocean region to the Pacific Ocean region
  - Europe to the Asia-Pacific region
  - the American region to the Asian region

## **2021 UQ ECONOMICS COMPETITION Year 12 Questions**

- 36 If foreign residents increase their ownership of Australian assets this would help to offset:
- A. a deficit in Australia's current account
  - B. a surplus in Australia's current account
  - C. a deficit in Australia's capital and financial account
  - D. a surplus in Australia's capital and financial account
- 37 In the short term, a rise in real interest rates in Australia could, *ceteris paribus*, be expected to:
- A. cause increased levels of overseas investment in Australia resulting in an appreciation of the Australian dollar
  - B. cause increased levels of overseas investment in Australia resulting in a depreciation of the Australian dollar
  - C. cause decreased levels of overseas investment in Australia resulting in a depreciation of the Australian dollar
  - D. have no effect on the levels of overseas investment in Australia or the exchange rate
- 38 When the value of the \$A falls relative to the value of all other currencies, then:
- A. Australian demand for imported goods will fall
  - B. the current account deficit must deteriorate
  - C. the demand for Australian exports will fall
  - D. the level of foreign reserves will rise
- 39 One of the features of Australia's level of foreign debt is that:
- A. Australia has a high share of government debt relative to private sector debt
  - B. Australia has a small share of government debt relative to private sector debt
  - C. Australia's foreign debt is used to fund government infrastructure
  - D. Australia's foreign debt is used to fund government budget deficits
- 40 If the Australian dollar appreciated by 10 percent, which one of the following would be true?
- A. American buyers would pay less for Australian beef
  - B. imported European motor vehicles in the Australian market would cost less
  - C. mobile phones from China would cost more in the Australian market
  - D. Australian consumers would be encouraged to buy more domestically-produced goods