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School code

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School name

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Given name/s

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Family name

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Book

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of

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books used

Mock external assessment 2026

Question and response book

Economics

Time allowed

- Planning time — 15 minutes
- Working time — 120 minutes

General instructions

- Answer all questions in this question and response book.
- QCAA-approved calculator permitted.
- Planning paper will not be marked.
- Multiple choice questions are in the multiple choice question book.

Section 1 (10 marks)

- 10 multiple choice questions

Section 2 (25 marks)

- 4 short response questions

Section 3 (26 marks)

- 1 extended response question



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Section 1

Instructions

- This section has 10 questions and is worth 10 marks.
- Use a 2B pencil to fill in the A, B, C or D answer bubble completely.
- Choose the best answer for Questions 1–10. The questions are in the multiple choice question book.
- If you change your mind or make a mistake, use an eraser to remove your response and fill in the new answer bubble completely.

	A	B	C	D
Example:	☒	☐	☐	☐

	A	B	C	D
1.	☐	☐	☐	☐
2.	☐	☐	☐	☐
3.	☐	☐	☐	☐
4.	☐	☐	☐	☐
5.	☐	☐	☐	☐
6.	☐	☐	☐	☐
7.	☐	☐	☐	☐
8.	☐	☐	☐	☐
9.	☐	☐	☐	☐
10.	☐	☐	☐	☐

Ensure you have filled an answer bubble for each question.

Do not write outside this box.

Section 2

Instructions

- Write using black or blue pen.
 - Respond in paragraphs consisting of full sentences unless instructed otherwise.
 - If you need more space for a response, use the additional pages at the back of this book.
 - On the additional pages, write the question number you are responding to.
 - Cancel any incorrect response by ruling a single diagonal line through your work.
 - Write the page number of your alternative/additional response, i.e. See page ...
 - If you do not do this, your original response will be marked.
 - This section has four questions and is worth 25 marks.
-

QUESTION 11 (4 marks)

Explain two reasons why Australia's unemployment rate remains above zero even when the economy is operating at full employment.

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QUESTION 12 (4 marks)

Explain the role of automatic stabilisers in fiscal policy and why they are important in managing the business cycle. Provide an example in your response.

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QUESTION 13 (7 marks)

Assume the following is a scenario experienced by Australia.

The 2026–27 Budget forecast an underlying cash deficit of \$31.5 billion, around 1% of gross domestic product (GDP), and deficits are expected to continue for at least the next decade. The deficit was forecast at a time when economic growth was above its trend rate and the unemployment rate was low, at about 4.4%. Government spending on defence, housing and renewable energy has increased, and gross government debt is expected to pass \$1 trillion in 2026–27.

Interpret the budget outcome and explain why the Australian Government may not be able to use fiscal policy effectively in a future economic downturn.

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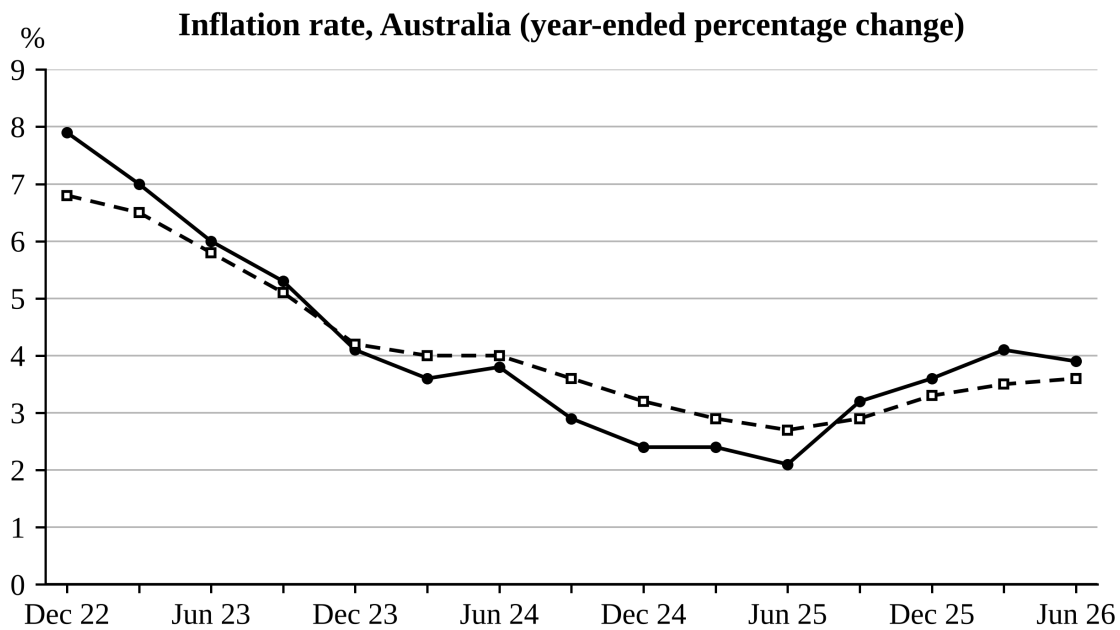
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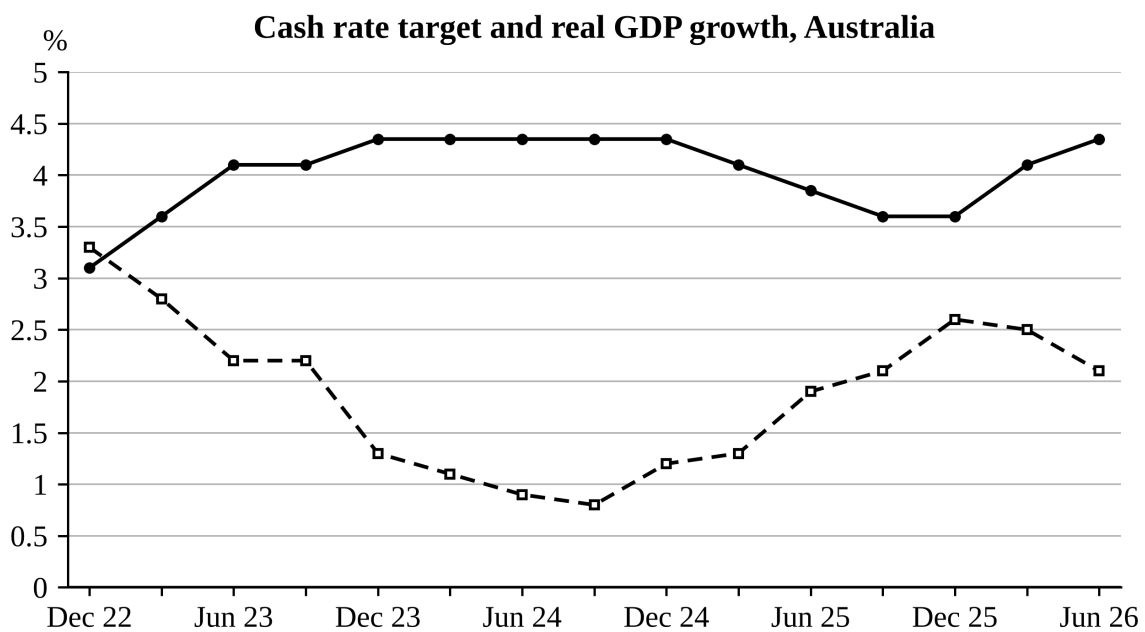
QUESTION 14 (10 marks)

Data for an economic issue in Australia is shown.



Key

—●— Consumer price index (CPI) - -□- - Trimmed mean (underlying inflation)



Key

—●— Cash rate target (end of quarter) - -□- - Real GDP growth (year-ended)

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[illegible]

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Section 3

Instructions

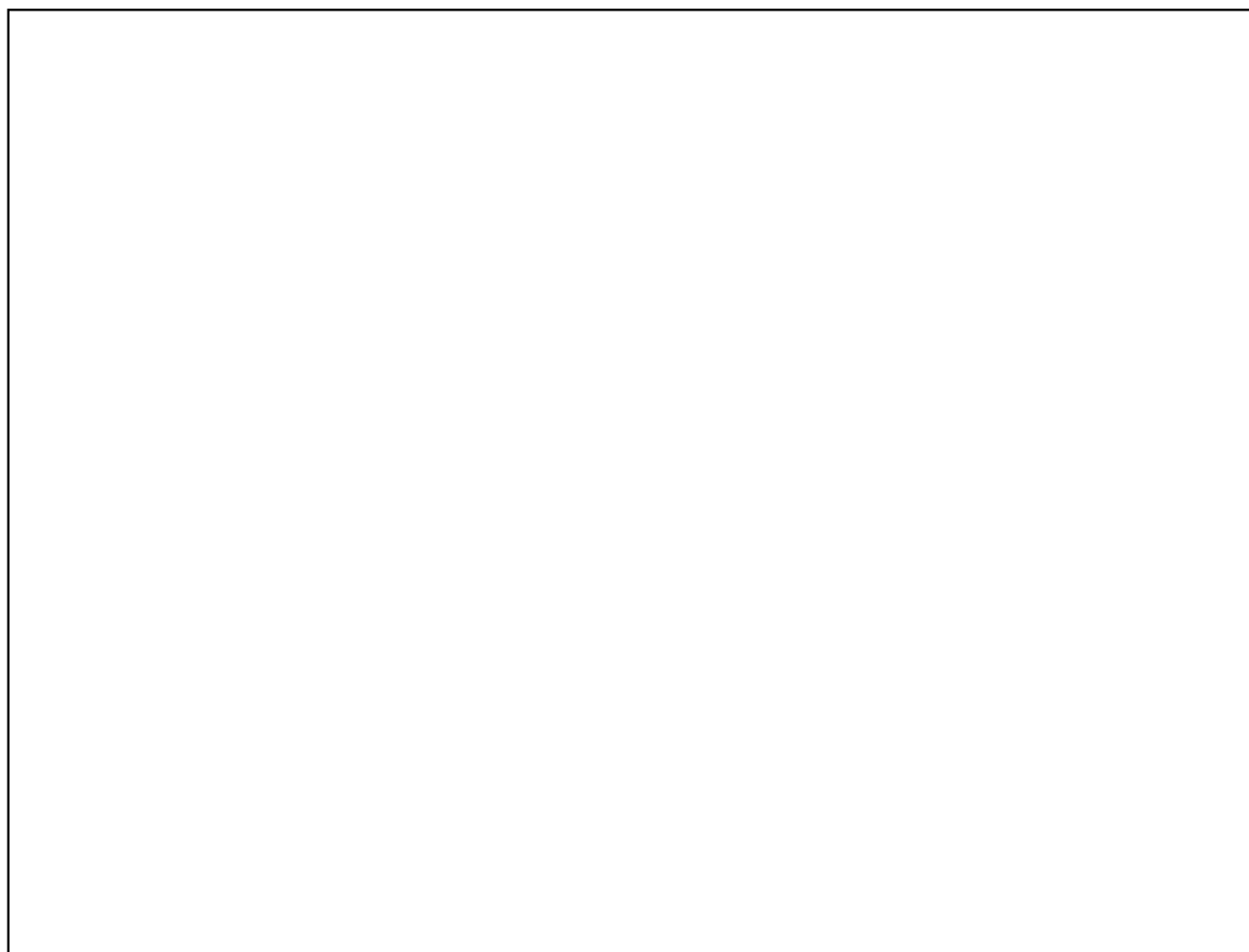
- Respond in 400–600 words.
 - This section has one question and is worth 26 marks.
-

QUESTION 15 (26 marks)

The Australian Government is reviewing the economic issue of productivity.

- a) Draw an aggregate demand and aggregate supply diagram that represents a situation where an increase in productivity raises the productive capacity of the Australian economy.

[4 marks]



Note: If you make a mistake, cancel it by ruling a single diagonal line through your work and use the additional response space at the back of this book.

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- b) Analyse the economic issue of productivity in Australia. Using the criterion of economic growth, recommend the most appropriate government policy option from the table shown to address this issue.

In your response, use all sources 1–8 in the stimulus book. Refer to the aggregate demand and aggregate supply diagram from Question 15a) where appropriate.

[illegible]



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[illegible]

[illegible]



ADDITIONAL PAGE FOR STUDENT RESPONSES

Write the question number you are responding to.

Do not write outside this box.

References

Question 13

Figures from the Australian Government's 2026–27 Budget, as reported in National Australia Bank 2026, *Fiscal Update: Australian Federal Budget 2026–27*, 12 May, www.nab.com.au; Commonwealth Bank 2026, *2026–27 Federal Budget: Big ambitions, mixed results*, 12 May, www.commbank.com.au; Department of Finance 2026, *Commonwealth Monthly Financial Statements, July–August 2026*, www.finance.gov.au.

Question 14

Inflation data from Reserve Bank of Australia 2026, *Measures of Consumer Price Inflation*, updated 30 September 2026, www.rba.gov.au/inflation/measures-cpi.html. Cash rate data from Reserve Bank of Australia 2026, *Cash Rate Target*, www.rba.gov.au/statistics/cash-rate. GDP data from Australian Bureau of Statistics 2026, *Australian National Accounts: National Income, Expenditure and Product, June 2026*, www.abs.gov.au.

This is a mock paper prepared for practice. It is not a QCAA publication and has not been reviewed or endorsed by the QCAA. Data is drawn from the published sources referenced above and is current to September 2026. Source extracts were written for this paper from those figures.

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Prepared as a practice paper for QCE Economics Unit 4. The layout follows the format of QCAA external assessment papers so that students can practise under exam conditions.