

Australian Year 10 Economics Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which term defines a person over 15 who is actively looking for work and capable of starting work in the near future?**
 - A. Labour Force**
 - B. Participation rate**
 - C. Unemployment**
 - D. Underemployment**

- 2. If technology lowers production costs and shifts the Australian market's supply curve to the right, what happens to the equilibrium price and quantity?**
 - A. Equilibrium price rises and quantity falls.**
 - B. Equilibrium price falls and quantity falls.**
 - C. Equilibrium price falls and quantity rises.**
 - D. Equilibrium price rises and quantity rises.**

- 3. What describes demand pull inflation?**
 - A. When there is too much demand in the economy. This means that there are too many people chasing too few goods. So this excess demand pulls the prices up.**
 - B. When prices fall due to reduced demand.**
 - C. When the government fixes prices artificially.**
 - D. When supply costs decline, leading to lower inflation.**

- 4. If income rises and demand for a good increases, what type of good is it?**
 - A. Inferior**
 - B. Normal**
 - C. Luxury**
 - D. Giffen**

- 5. Which statement about externalities is correct?**
- A. Externalities are costs or benefits borne by the market participants.**
 - B. Externalities are costs or benefits that are fully borne by private parties involved in the market.**
 - C. Externalities are costs or benefits not borne by market participants; negative: pollution from mining; positive: vaccination reduces disease spread.**
 - D. Externalities are the same as public goods; example: national defence.**
- 6. Which statement correctly identifies a determinant of supply?**
- A. Input prices affect the cost of production, shifting supply.**
 - B. Consumer income affects demand, not supply.**
 - C. Tastes and preferences affect supply.**
 - D. Advertising affects supply.**
- 7. Which policy focuses on improving education, research and development, tax reform, and reform of trade unions to boost growth?**
- A. Fiscal policy**
 - B. Monetary policy**
 - C. Productivity policy**
 - D. Contractionary monetary policy**
- 8. Which two components are used in the unemployment rate formula?**
- A. Employed and population**
 - B. Unemployed and labour force**
 - C. Employed and labour force**
 - D. Unemployed and population**
- 9. Which occurs when producing or consuming a good imposes a cost on a third party?**
- A. Private Cost**
 - B. Negative Externality**
 - C. Social Cost**
 - D. Positive Externality**

10. Which concept measures total spending on goods and services at a given price level and time?

- A. Inflation**
- B. Aggregate Demand**
- C. Equilibrium**
- D. Circular Flow of Income**

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Answers

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

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Explanations

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1. Which term defines a person over 15 who is actively looking for work and capable of starting work in the near future?

- A. Labour Force**
- B. Participation rate**
- C. Unemployment**
- D. Underemployment**

Unemployment is the state of not having a job while actively seeking work and being available to start soon. The description fits perfectly: a person of working age who isn't employed but is actively looking for work and can start in the near future. The other terms describe broader concepts or different situations: the labour force includes both those who are employed and those who are unemployed; the participation rate measures what portion of the working-age population is in the labour force; underemployment refers to people who are employed but want more hours or a better match to their skills. So this person is best described as unemployed.

2. If technology lowers production costs and shifts the Australian market's supply curve to the right, what happens to the equilibrium price and quantity?

- A. Equilibrium price rises and quantity falls.**
- B. Equilibrium price falls and quantity falls.**
- C. Equilibrium price falls and quantity rises.**
- D. Equilibrium price rises and quantity rises.**

When technology lowers production costs, the supply curve shifts to the right, meaning firms are willing to produce more at every price. With demand unchanged, the market clears at a new intersection that has a higher quantity and a lower price. So the equilibrium price falls and the equilibrium quantity rises. This reflects cheaper production making more of the good available while buyers keep buying at the lower price.

3. What describes demand pull inflation?

- A. When there is too much demand in the economy. This means that there are too many people chasing too few goods. So this excess demand pulls the prices up.**
- B. When prices fall due to reduced demand.**
- C. When the government fixes prices artificially.**
- D. When supply costs decline, leading to lower inflation.**

Demand-pull inflation happens when overall demand for goods and services in the economy grows faster than the economy's ability to produce them. With more people wanting to buy than there are goods and services available at current prices, producers raise prices, pulling the price level up. This situation often arises when incomes rise, consumer confidence is high, or government spending and exports boost total demand, especially when there isn't much spare productive capacity to meet the extra demand. The result is a broad rise in prices across the economy, not a rise in just one item. By contrast, prices can fall if demand weakens (deflation) or if costs fall due to cheaper inputs (a supply-side factor), and government price controls can distort markets rather than describe a natural demand-driven rise in prices.

4. If income rises and demand for a good increases, what type of good is it?

- A. Inferior**
- B. Normal**
- C. Luxury**
- D. Giffen**

The key idea is that how demand responds to changes in income classifies goods. When income rises and the quantity demanded increases, the good is a normal good. This reflects positive income elasticity of demand for normal goods—their purchases grow as people have more money to spend. Inferior goods do the opposite: demand falls as income increases. Giffen goods are a special, unusual type of inferior good where the income effect can cause demand to rise as price rises, but they are still linked to income declines in typical cases. A luxury good is a subset of normal goods where demand rises more than proportionally with income; the question simply states that demand increases, so the broad category is normal.

5. Which statement about externalities is correct?

- A. Externalities are costs or benefits borne by the market participants.**
- B. Externalities are costs or benefits that are fully borne by private parties involved in the market.**
- C. Externalities are costs or benefits not borne by market participants; negative: pollution from mining; positive: vaccination reduces disease spread.**
- D. Externalities are the same as public goods; example: national defence.**

Externalities happen when the effects of a market transaction spill over to people who aren't directly involved. Because of this, the price in the market doesn't capture all the costs and benefits, leading to outcomes that aren't socially optimal. A negative externality, like pollution from mining, imposes costs on others—people in the community may bear health or cleanup costs that the miner doesn't pay for. A positive externality, such as vaccination reducing disease spread, provides benefits to others beyond the person who gets vaccinated, even though those others didn't pay for it. So externalities are about impacts on third parties that aren't reflected in market participants' costs and benefits, not simply costs or benefits borne by those directly involved. They aren't the same as public goods, which have different characteristics.

6. Which statement correctly identifies a determinant of supply?

- A. Input prices affect the cost of production, shifting supply.**
- B. Consumer income affects demand, not supply.**
- C. Tastes and preferences affect supply.**
- D. Advertising affects supply.**

Supply is influenced by the costs of production. When input prices rise, producing goods becomes more expensive, so firms are willing to supply less at each price, and the supply curve shifts left. When input prices fall, production becomes cheaper, and supply increases, shifting the curve right. This direct link between input costs and the amount firms are willing to supply makes input prices a determinant of supply. Consumer income and tastes affect demand, not supply, and advertising mainly influences demand as well. So the statement about input prices affecting production costs and shifting supply correctly identifies a determinant of supply.

7. Which policy focuses on improving education, research and development, tax reform, and reform of trade unions to boost growth?

- A. Fiscal policy**
- B. Monetary policy**
- C. Productivity policy**
- D. Contractionary monetary policy**

Long-run economic growth hinges on improvements in productivity—how effectively inputs like labor and capital are turned into goods and services. A policy focused on boosting growth by targeting education, research and development, tax reform, and reforms to how trade unions operate aims to lift that productivity. Education builds human capital, giving workers the skills to use new technologies and perform more efficiently. Research and development drive innovation, creating smarter processes and new products that make production more productive. Tax reform can alter incentives, encouraging investment, entrepreneurship, and work effort, which all support higher output. Reform of trade unions and other labor-market arrangements can reduce rigidities, make hiring and firing more flexible, and help the economy adapt to changing conditions, boosting overall efficiency. Taken together, these measures shift the long-run growth path by raising potential output, rather than merely influencing demand in the short run. That's why this policy approach is described as productivity policy.

8. Which two components are used in the unemployment rate formula?

- A. Employed and population**
- B. Unemployed and labour force**
- C. Employed and labour force**
- D. Unemployed and population**

Unemployment rate compares how many people who want a job but don't have one to the total number of people who could work. The two numbers involved are the number of unemployed people and the labour force (which is all people who are employed plus those who are unemployed and actively seeking work). So the rate is unemployed divided by labour force, times 100. The labour force is the key denominator because it represents everyone who could be working or is looking for work, while the number of unemployed is the numerator that shows those currently without work but seeking it. Using employed with population would mix in people not looking for work, and using unemployed with population would distort the measure by including people outside the labour force.

9. Which occurs when producing or consuming a good imposes a cost on a third party?

- A. Private Cost
- B. Negative Externality**
- C. Social Cost
- D. Positive Externality

When producing or consuming a good imposes a cost on someone who isn't part of the transaction, that extra cost is an external cost to others. If the impact on a third party is negative, it's a negative externality. For example, a factory polluting a river makes nearby residents pay health or clean-up costs that aren't included in the price of the factory's product. Private cost is what the producer or consumer directly pays, while social cost is the total cost to society (private costs plus any external costs). If the effect on others was a benefit, it would be a positive externality. So the situation described fits negative externality.

10. Which concept measures total spending on goods and services at a given price level and time?

- A. Inflation
- B. Aggregate Demand**
- C. Equilibrium
- D. Circular Flow of Income

Aggregate demand measures total spending on the economy's goods and services at a given price level and over a specific time. It combines household consumption, business investment, government spending, and net exports ($C + I + G + NX$). This means it's the total amount people and institutions are willing and able to spend on domestically produced output at that price level. The concept is downward-sloping: as prices rise, purchasing power falls, interest rates can rise, and foreign buyers may buy fewer domestic goods, all of which reduce overall spending. That's why it best describes the idea in the question. Inflation looks at how prices change over time, not how much is spent at one price level; equilibrium is a state where demand equals supply; the circular flow of income is a model of money moving between sectors, not a single spending measure at a price level.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://australianyr10econ.examzify.com>

We wish you the very best on your exam journey. You've got this!

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