

# SACE Stage 2 Economics Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## **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.**

## **7. Use Other Tools**

**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!**

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## Questions

- 1. Which term describes powers that are exclusively held by the federal government?**
  - A. Concurrent Powers**
  - B. Exclusive Powers**
  - C. Residual Powers**
  - D. Public Sector**
- 2. Which wants need to be satisfied repeatedly over time?**
  - A. Recurring Wants**
  - B. Recurrent Wants**
  - C. Regular Wants**
  - D. Periodic Wants**
- 3. What does the term 'tax free threshold' refer to?**
  - A. Income level below which no income tax is paid**
  - B. Maximum tax rate applied to high earners**
  - C. A method of tax evasion**
  - D. A method of tax avoidance**
- 4. When individuals allocate funds into tangible resources, this is referred to as what?**
  - A. Invest in Bonds**
  - B. Invest in Assets**
  - C. Saving for Retirement**
  - D. Consumption Spending**
- 5. Which policy is aimed at maintaining price stability within an economy?**
  - A. Expansionary policy**
  - B. Contractionary policy**
  - C. Monetary policy**
  - D. Fiscally neutral policy**



- 6. Which type of demand indicates a proportional response to price changes?**
- A. Elastic Demand**
  - B. Unit Elastic Demand**
  - C. Inelastic Demand**
  - D. Perfectly Inelastic Demand**
- 7. Which type of government is integral in developing local infrastructure?**
- A. Commonwealth Government**
  - B. State Government**
  - C. Local Government**
  - D. Federal Government**
- 8. What is often the outcome when the government budgets for a surplus?**
- A. Increased government debt**
  - B. Reduced inflation**
  - C. Higher unemployment rates**
  - D. Increased public spending**
- 9. What is the term for the need for cash for day-to-day purchases?**
- A. Transaction Motive**
  - B. Speculative Motive**
  - C. Investment Motive**
  - D. Financial Planning**
- 10. According to the law of demand, what happens when price rises?**
- A. Quantity demanded increases**
  - B. Quantity demanded falls**
  - C. Supply exceeds demand**
  - D. Production levels remain constant**

## **Answers**

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

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## **Explanations**

**1. Which term describes powers that are exclusively held by the federal government?**

- A. Concurrent Powers**
- B. Exclusive Powers**
- C. Residual Powers**
- D. Public Sector**

The term that describes powers exclusively held by the federal government is "Exclusive Powers." These powers are specifically outlined in the constitution, granting the federal government the authority to exercise certain rights and responsibilities that are not shared with state governments. This includes powers such as regulating interstate commerce, conducting foreign affairs, and coining money. Understanding the concept of Exclusive Powers is crucial in distinguishing the delineation of responsibilities between different levels of government. For instance, while both federal and state governments may have some overlapping responsibilities, known as concurrent powers, exclusive powers highlight the authority that is distinctly federal. This clarity helps manage the governance structure and ensures that specific key functions are managed by the national government, contributing to a cohesive national policy framework. In contrast, concurrent powers refer to those shared by both federal and state governments, such as the power to tax or create laws. Residual powers, often associated with the state governments, are those not specifically delegated to the federal government by the constitution. The public sector, meanwhile, refers broadly to portions of the economy that are controlled by the government but does not specifically denote any powers. Each of these concepts plays a vital role in understanding the balance of power within a federal system.

**2. Which wants need to be satisfied repeatedly over time?**

- A. Recurring Wants**
- B. Recurrent Wants**
- C. Regular Wants**
- D. Periodic Wants**

The term that accurately describes wants that need to be satisfied repeatedly over time is "recurrent wants." This concept refers to needs or desires that individuals find themselves addressing on a regular basis, such as food, clothing, and housing. Unlike one-time purchases or desires that do not need to be met again, recurrent wants arise from ongoing human needs and preferences. For example, individuals must eat regularly, as the need for food is a recurring desire in their lives. This definition encompasses the idea that some wants are not just temporary; they emerge again and again, requiring repeated attention and expenditure. Recognizing the nature of recurrent wants helps in understanding consumer behavior and the continuous nature of demand in the economy. The other terms, while they may seem similar, do not capture this ongoing need in the same way.

### 3. What does the term 'tax free threshold' refer to?

- A. Income level below which no income tax is paid**
- B. Maximum tax rate applied to high earners**
- C. A method of tax evasion**
- D. A method of tax avoidance**

The term 'tax free threshold' refers to the income level below which no income tax is paid. This threshold is established by tax regulations and means that individuals can earn up to a certain amount without incurring any tax liability. It is designed to provide relief to lower-income earners and to encourage participation in the workforce by ensuring that individuals do not feel taxed on their very basic income levels. When an individual's earnings are below this threshold, they are considered to be exempt from paying income tax, which is a critical element of many tax systems aimed at promoting equity and support for those who earn less. By providing a tax-free amount of income, the government aims to alleviate financial stress and incentivize individuals to work, ensuring they keep a larger share of their earnings. The other options, while related to taxation, do not accurately define the tax free threshold. For instance, the maximum tax rate applied to high earners describes a different aspect of the tax system, focused on how much wealthier individuals are taxed, which does not directly relate to the concept of a threshold. Similarly, methods of tax evasion and tax avoidance refer to strategies individuals may use to minimize their tax liabilities but are not concepts associated with the tax free threshold itself.

### 4. When individuals allocate funds into tangible resources, this is referred to as what?

- A. Invest in Bonds**
- B. Invest in Assets**
- C. Saving for Retirement**
- D. Consumption Spending**

Allocating funds into tangible resources is fundamentally about investing in assets. When individuals make this choice, they are directing their finances toward physical items or investments that hold intrinsic value, such as real estate, machinery, or equipment. This action typically aims to generate returns or appreciate in value over time, distinguishing it from other financial activities such as buying bonds, which are financial instruments rather than tangible resources. In contrast, other options involve different concepts within economics. For instance, saving for retirement typically refers to putting aside funds in various forms of savings or investment accounts for future use, rather than directly acquiring tangible resources. Consumption spending involves using funds to purchase goods and services for immediate use, reflecting a different aspect of economic behavior. Therefore, investing in assets directly aligns with the definition of allocating funds into tangible resources.

**5. Which policy is aimed at maintaining price stability within an economy?**

- A. Expansionary policy**
- B. Contractionary policy**
- C. Monetary policy**
- D. Fiscally neutral policy**

Maintaining price stability is primarily the responsibility of monetary policy, which involves the management of the money supply and interest rates by a central bank. The central bank adjusts these levers to influence economic activity, controlling inflation or deflation to keep prices stable. When inflation is high, the central bank might increase interest rates to reduce spending and borrowing. Conversely, if there's deflation or a recession, lowering interest rates can encourage spending and investment. Monetary policy is crucial because it directly affects the availability of money in the economy and influences the behavior of consumers and businesses. By doing so effectively, it aims to create an environment where prices remain relatively stable over time. This stability is important for economic growth, as it provides certainty for consumers and investors, helping them make informed financial decisions. The other policies mentioned, such as expansionary and contractionary, refer to specific types of monetary policy actions rather than a framework aimed specifically at maintaining price stability. Fiscally neutral policy is not inherently aimed at maintaining price stability either; it refers more to the government's budget not causing undue changes in the economy. Thus, monetary policy is recognized as the key mechanism for achieving and maintaining price stability in an economy.

**6. Which type of demand indicates a proportional response to price changes?**

- A. Elastic Demand**
- B. Unit Elastic Demand**
- C. Inelastic Demand**
- D. Perfectly Inelastic Demand**

Unit elastic demand is characterized by a proportional response to price changes, meaning that when the price of a good or service changes, the quantity demanded changes by the same percentage. For instance, if the price of a product increases by 10%, the quantity demanded would also decrease by 10%. This situation reflects a situation where the price elasticity of demand is exactly one. Understanding the concept of unit elastic demand is critical because it represents a balance between consumers' sensitivity to price changes and the nature of the good itself. With unit elastic demand, total revenue remains constant when the price changes, as the percentage change in quantity demanded offsets the percentage change in price. This concept is particularly important for businesses in making pricing decisions and for economists assessing market behaviors.

**7. Which type of government is integral in developing local infrastructure?**

- A. Commonwealth Government**
- B. State Government**
- C. Local Government**
- D. Federal Government**

Local government plays a crucial role in the development and maintenance of local infrastructure. This level of government is closest to the community and is often responsible for providing essential services and facilities such as roads, parks, public transportation, and waste management systems. Local governments have the authority to create and implement policies that directly address the needs of their communities, including planning and executing infrastructure projects that enhance the quality of life for residents. The focus of local government on community-specific issues enables them to tailor infrastructure development to best fit the unique needs and priorities of their area, making them essential in this process. This involves not only planning new projects but also maintaining existing infrastructure to ensure it remains safe and functional for the community.

**8. What is often the outcome when the government budgets for a surplus?**

- A. Increased government debt**
- B. Reduced inflation**
- C. Higher unemployment rates**
- D. Increased public spending**

When the government budgets for a surplus, it typically means that its revenues exceed its expenditures. This outcome can lead to reduced inflation for several reasons. First, a budget surplus indicates that the government is not injecting as much money into the economy, which can help to stabilize prices. When the government spends less than it earns, it reduces the overall demand for goods and services, which can help mitigate inflationary pressures. Additionally, with a budget surplus, the government has the opportunity to reduce its debt levels, which can contribute to lower interest rates over time. Lower interest rates can also help to control inflation by making borrowing cheaper for businesses and consumers, leading to more stable spending patterns. In contrast, the other potential outcomes do not align with the implications of a budget surplus. Increased government debt typically occurs when there is a deficit, reduced public spending can be a consequence but would be contrary to the idea of stimulating the economy, and higher unemployment rates might relate to other economic situations rather than a surplus budget.



**9. What is the term for the need for cash for day-to-day purchases?**

- A. Transaction Motive**
- B. Speculative Motive**
- C. Investment Motive**
- D. Financial Planning**

The term that refers to the need for cash for day-to-day purchases is known as the Transaction Motive. This motive emphasizes the necessity individuals and businesses have to hold cash for immediate expenditures. In everyday life, this can include spending on groceries, utilities, and other routine expenses that require ready access to cash. The Transaction Motive is grounded in the idea that people need liquidity to cover their regular financial obligations without needing to sell assets or convert investments into cash. It reflects a fundamental aspect of personal finance and business operations, where managing cash flow effectively ensures that necessary expenses can be met promptly. In contrast, other terms such as the Speculative Motive and Investment Motive pertain to cash retention for different reasons—like investing in assets to generate profits or holding cash in anticipation of future price changes. Financial Planning focuses on the broader strategy of managing finances over time rather than on the immediacy of cash for daily transactions.

**10. According to the law of demand, what happens when price rises?**

- A. Quantity demanded increases**
- B. Quantity demanded falls**
- C. Supply exceeds demand**
- D. Production levels remain constant**

The law of demand states that, all else being equal, as the price of a good or service rises, the quantity demanded by consumers tends to fall. This relationship is illustrated by the downward-sloping demand curve, where higher prices generally lead to a decrease in the quantity that consumers are willing and able to purchase. When prices increase, consumers may search for substitutes, reduce consumption, or decide not to buy the product at all, leading to a decrease in the quantity demanded. Therefore, the correct response reflects this fundamental principle in economics, confirming that price increases typically result in a lower quantity demanded. The other options do not accurately align with the law of demand. An increase in quantity demanded would suggest that consumers buy more as prices rise, which contradicts the basic premise. Notions of supply exceeding demand typically relate to price adjustments in a market equilibrium context, while production levels remaining constant does not directly tie into the demand relationship concerning price changes.

## 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](mailto:hello@examzify.com).**

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

**<https://sacstage2econ.examzify.com>**

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