

SACE Stage 2 Economics Practice Exam (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

- 1. What will typically happen to supply when advancements in technology have occurred?**
 - A. Supply will decrease**
 - B. Supply will remain constant**
 - C. Cost of production will increase**
 - D. Supply capacity will increase**
- 2. What is the practice of selling the same product at different prices known as?**
 - A. Price Adjustments**
 - B. Price Discrimination**
 - C. Competitive Pricing**
 - D. Market Segmentation**
- 3. What result does an increase in price typically have on quantity supplied?**
 - A. No change in quantity supplied**
 - B. Decrease in quantity supplied**
 - C. Increase in quantity supplied**
 - D. It depends on consumer demand**
- 4. What type of account does the RBA maintain for banks' transactions?**
 - A. Reserve Account**
 - B. Settlement Account**
 - C. Exchange Settlement Account (ESA)**
 - D. Liquidity Account**
- 5. Which institution is responsible for managing monetary policy in Australia?**
 - A. Australian Prudential Regulation Authority**
 - B. Reserve Bank of Australia**
 - C. Australian Securities and Investments Commission**
 - D. Australian Treasury**

- 6. What is the term for the percentage paid for the use of capital?**
- A. Profit**
 - B. Wage**
 - C. Interest**
 - D. Income Provision**
- 7. What kind of rate reflects the cost of money in the financial system?**
- A. Market Rate**
 - B. Cash Rate**
 - C. Fixed Rate**
 - D. Variable Rate**
- 8. What is one primary benefit that businesses gain from improved quality and lower prices?**
- A. Increased market competition**
 - B. Higher production costs**
 - C. Expansion of product offerings**
 - D. Decreased customer satisfaction**
- 9. Which of the following refers to the elements that influence decisions made by individuals and businesses?**
- A. Economic Factors**
 - B. Government Policies**
 - C. Market Research**
 - D. Societal Trends**
- 10. Which classification of wants can fulfill similar needs but are not identical?**
- A. Complementary Wants**
 - B. Substitute Wants**
 - C. Alternative Wants**
 - D. Generic Wants**

Answers

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

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Explanations

1. What will typically happen to supply when advancements in technology have occurred?

- A. Supply will decrease**
- B. Supply will remain constant**
- C. Cost of production will increase**
- D. Supply capacity will increase**

Advancements in technology generally lead to improvements in the efficiency of production processes, which often results in an increase in supply capacity. When new technologies are introduced, they can allow firms to produce more goods at the same or lower costs, thereby increasing the overall available supply of those goods in the market. Enhanced production methods can also lead to improvements in product quality and reductions in wastage, further contributing to an increase in supply. When supply capacity increases, it means that producers can generate more output without significantly increasing their costs per unit. This shift in supply dynamics is essential in responding to changes in consumer demand and can help stabilize prices by making more products available. Thus, advancements in technology typically have a positive influence on supply, leading to greater efficiency and potentially lower prices for consumers.

2. What is the practice of selling the same product at different prices known as?

- A. Price Adjustments**
- B. Price Discrimination**
- C. Competitive Pricing**
- D. Market Segmentation**

The practice of selling the same product at different prices is known as price discrimination. This occurs when a seller charges different prices to different consumers for the same good or service, based on various factors such as demand elasticity, customer characteristics, or purchasing conditions. The main goal of price discrimination is to capture consumer surplus and maximize profits by charging higher prices to those willing to pay more while still selling to price-sensitive consumers at lower prices. For example, airlines often use price discrimination by offering different prices for the same flight depending on when the ticket is purchased, how far in advance it's booked, or the class of service. This allows them to optimize their revenue based on varying willingness to pay among different consumer segments. The other terms, while related to pricing strategies, do not specifically denote selling the same product at different prices. Price adjustments generally refer to changes in prices based on supply and demand but do not inherently involve consumer differentiation. Competitive pricing is about setting prices based on competitors' actions rather than varying prices for the same consumer. Market segmentation involves dividing a market into distinct groups of buyers, which may use different pricing strategies but is not the same as the practice itself.

3. What result does an increase in price typically have on quantity supplied?

- A. No change in quantity supplied**
- B. Decrease in quantity supplied**
- C. Increase in quantity supplied**
- D. It depends on consumer demand**

An increase in price typically leads to an increase in quantity supplied due to the incentives that higher prices create for producers. When the price of a good or service rises, it becomes more profitable for producers to supply more of it. This relationship is a fundamental principle in economics known as the law of supply, which states that, all else being equal, an increase in price results in an increase in the quantity supplied. Producers are driven by profit motives; thus, they are more willing to allocate resources and increase production when they expect higher prices will cover their costs and yield greater revenues. Additionally, higher prices can enable producers to cover any increased production costs associated with expanding output. In contrast, other choices imply scenarios that do not align with this principle. A situation where quantity supplied remains unchanged would suggest a perfectly inelastic supply, which is generally not the case for most goods. A decrease in quantity supplied with an increase in price contradicts the typical market behavior described by the law of supply. Finally, the dependency on consumer demand does play a role in overall market equilibrium, but it does not negate the direct relationship between price and quantity supplied in this context.

4. What type of account does the RBA maintain for banks' transactions?

- A. Reserve Account**
- B. Settlement Account**
- C. Exchange Settlement Account (ESA)**
- D. Liquidity Account**

The Reserve Bank of Australia (RBA) maintains an Exchange Settlement Account (ESA) for transactions conducted by banks. ESAs are specialized accounts that allow banks to settle their obligations with one another on an ongoing basis during the day. These accounts facilitate the clearing and settlement of interbank transactions, ensuring that there are sufficient funds transferred between banks to meet their respective obligations. The term "exchange settlement" refers specifically to the system where banks can settle their debts with one another using these accounts. This accounts for real-time adjustments and a streamlined process in monetary transactions, which is critical for the stability and efficiency of the banking system. The other types of accounts mentioned do not accurately describe the specific function and designation of the accounts maintained by the RBA for banks. For instance, while reserve accounts may refer to the funds that banks are required to hold at the central bank, they do not encapsulate the specific transactional purpose of the ESA. Similarly, a settlement account generally refers to a broader category that does not specifically highlight the exchange settlement mechanism unique to ESAs. Lastly, while liquidity accounts might pertain to funds available for immediate use, they don't specifically denote the interbank transfer framework that ESAs facilitate.

5. Which institution is responsible for managing monetary policy in Australia?

- A. Australian Prudential Regulation Authority**
- B. Reserve Bank of Australia**
- C. Australian Securities and Investments Commission**
- D. Australian Treasury**

The Reserve Bank of Australia (RBA) is the institution responsible for managing monetary policy in Australia. Its primary role includes setting the official cash rate, which influences interest rates across the economy and affects borrowing and spending levels. By adjusting the cash rate, the RBA targets inflation rates and aims to promote stable economic growth and full employment. The RBA uses various tools and mechanisms to implement its monetary policy, primarily focusing on the balance between controlling inflation and supporting economic activity. The decisions made by the RBA are crucial in guiding economic expectations and influencing financial conditions within the market. Other institutions mentioned, while important for Australia's financial and economic framework, have different mandates. The Australian Prudential Regulation Authority oversees financial institutions to ensure stability and protection for depositors. The Australian Securities and Investments Commission regulates the corporate sector and enforces laws to protect investors. The Australian Treasury provides advice on economic policy and manages the federal budget but does not directly implement monetary policy.

6. What is the term for the percentage paid for the use of capital?

- A. Profit**
- B. Wage**
- C. Interest**
- D. Income Provision**

The term for the percentage paid for the use of capital is interest. Interest represents the cost of borrowing money or the return on invested capital, typically expressed as a percentage of the principal amount. It serves as a reward for lenders who provide funds and compensates them for the opportunity cost of using their money in one investment rather than another. In the context of economics, capital can refer to financial capital, which businesses and individuals use to fund their operations and investments. When capital is borrowed, the lender expects to be compensated for the risk and the time value of money, which is expressed through the interest rate. This concept is crucial in understanding how investments and borrowing function in the economy.

7. What kind of rate reflects the cost of money in the financial system?

A. Market Rate

B. Cash Rate

C. Fixed Rate

D. Variable Rate

The cash rate reflects the cost of money in the financial system because it is the interest rate set by a country's central bank for lending money to commercial banks overnight. This rate influences the broader economy by determining the rates at which banks can borrow and lend money. When the cash rate is adjusted, it directly impacts interest rates throughout the economy, including those for loans, mortgages, and deposits. The cash rate serves as a benchmark for other interest rates in the financial system, making it a critical tool for monetary policy. Changes to the cash rate can affect consumer spending, business investment, and overall economic activity. As such, it represents the foundational cost of obtaining money, affecting liquidity and the availability of credit in the economy.

8. What is one primary benefit that businesses gain from improved quality and lower prices?

A. Increased market competition

B. Higher production costs

C. Expansion of product offerings

D. Decreased customer satisfaction

Improved quality and lower prices primarily enable businesses to enhance customer satisfaction and attract a broader customer base. When a business successfully offers high-quality products at lower prices, it can lead to increased sales and market share. This enhancement in the value proposition may allow the business to innovate and expand its product offerings. By providing better quality at competitive prices, businesses can diversify their products to meet varying customer needs and preferences. This not only helps in fulfilling existing customer demands but also positions the business to explore new market segments or introduce new products that may have been unviable at higher price points. Thus, the primary benefit of improved quality and lower prices lies in the ability for businesses to expand their offerings, which can ultimately contribute to sustained growth and profitability.

9. Which of the following refers to the elements that influence decisions made by individuals and businesses?

- A. Economic Factors**
- B. Government Policies**
- C. Market Research**
- D. Societal Trends**

The correct answer highlights economic factors as the primary elements that influence the decisions made by individuals and businesses. Economic factors encompass a wide range of influences, including but not limited to supply and demand, inflation rates, employment levels, and overall economic growth. These factors directly impact the resources available to consumers and firms, their purchasing power, and ultimately their decision-making processes. For instance, during periods of economic downturn, individuals may decide to save more and spend less, while businesses may cut back on hiring or investment due to uncertainty about future profitability. Conversely, in a robust economy, increased consumer confidence can lead to higher spending and businesses expanding operations or investing in new projects. While government policies can affect economic conditions and market research provides valuable insights into consumer preferences, the broader category of economic factors encompasses these elements as they relate to the overall economic environment impacting decision-making. Societal trends, on the other hand, represent cultural and social influences that can shape consumer behavior but are not the core economic principles that drive financial decisions.

10. Which classification of wants can fulfill similar needs but are not identical?

- A. Complementary Wants**
- B. Substitute Wants**
- C. Alternative Wants**
- D. Generic Wants**

The classification of wants that can fulfill similar needs but are not identical is indeed Substitute Wants. Substitute wants refer to different products or services that can satisfy the same basic need or desire, even though they may offer different features or benefits. For example, if a consumer is thirsty, they might choose between water, juice, or soda; each of these options satisfies the fundamental need for hydration but does so in distinct ways. This concept is important in understanding consumer behavior and market dynamics. When the price of one substitute good increases, consumers may shift to another substitute that meets their need at a lower cost, leading to changes in demand. Thus, the correct understanding of substitute wants helps in analyzing how consumers make choices and how businesses compete in the marketplace. Other classifications like complementary wants involve goods that are used together, such as cars and fuel, and do not fit the definition of fulfilling similar needs. Alternative wants might suggest different categories of choices but do not specifically highlight the relationship of substitution between them. Generic wants can be too broad and lack the specificity required for categorizing wants that serve the same purpose differently.

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://sacestage2econ.examzify.com>

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