Year 10 Economics and Business Complete Study Guide

Complete study guide · Year 10 (Levels 9 and 10) · AceGuides

This guide follows the Economics and Business curriculum in the **Victorian Curriculum F–10 Version 2.0** (VCAA), Levels 9 and 10. It covers how the economy is measured and managed, how businesses compete and grow, work and employment, and personal finance, with worked examples, practice questions and a full practice exam. Schools choose their own topics and tasks, so check your course outline and spend most time on what your school assesses.

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About this guide

What Year 10 Economics and Business is about

Economics is the study of how people, businesses and governments make choices about using limited resources. Business is about how organisations create goods and services and try to succeed. In Year 10 you move from simple ideas (needs and wants, supply and demand) to bigger questions:

- How do we measure whether the economy is doing well?
- What can governments and the Reserve Bank do when prices rise too fast or unemployment rises?
- How do businesses stay ahead of competitors, and what do they owe their workers, customers and the environment?
- How do you make good money decisions as an individual?

Area	What it covers	Where it is in this guide
Economic thinking and markets	Scarcity, opportunity cost, supply and demand, types of economies	Section 1
Measuring the economy	GDP, growth, inflation, unemployment, living standards	Section 2
Managing the economy	Government goals, monetary policy, fiscal policy, trade and the exchange rate	Section 3
Business	Business types, objectives, productivity, competitive advantage, ethics	Section 4
Work and employment	Workers' rights, wages, Fair Work, the changing nature of work	Section 5
Personal finance	Budgeting, tax, interest, credit,	Section 6

Area	What it covers	Where it is in this guide
	investing, super, scams	

How Year 10 Economics and Business is assessed

There is no state-wide exam. Common school tasks are:

Task type	What it usually looks like	What it tests most
Test with short answers and calculations	Definitions, formulas, interpreting graphs	Knowledge and number skills
Case study or business report	A real business or economic issue researched and analysed	Research, analysis, recommendations
Data analysis	Reading tables and graphs of GDP, CPI or unemployment	Interpreting and explaining data
Personal finance task	A budget, a loan comparison or an investment plan	Applying concepts to decisions
End-of-semester exam	Mix of the above	Everything

How to use this guide

- Read a section once, then close it and write down the key terms from memory.
- Work through every **worked example** with a calculator before you look at the answer.
- Do the "Check your understanding" questions, then mark them in the Worked solutions section.
- Use the **Exam tip** and **Common mistake** boxes: they show how marks are won and lost.
- Sit the practice exam under timed conditions about a week before your real exam.

Exam tip: Blue boxes like this one give advice on how marks are awarded. Boxes marked **Common mistake** warn about errors that cost marks every year.

A four-week revision plan

Week	Focus	Tasks
1	Sections 1 and 2	Key terms; GDP, CPI and unemployment calculations
2	Section 3	Monetary vs fiscal policy; draw and explain the supply and demand diagram
3	Sections 4 and 5	Business case study; workers' rights table
4	Section 6 and the whole course	Budget and interest calculations; timed practice exam; one-page summary

Contents

1. Economic thinking and markets

2. Measuring the economy
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5. Work and employment
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7. Exam technique
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9. Worked solutions
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11. One-page summary

1. Economic thinking and markets

1.1 Scarcity and choice

Scarcity is the basic economic problem: people have unlimited wants, but resources are limited. Because of scarcity everyone (individuals, businesses and governments) must **choose**.

- **Needs** are things you must have to survive (food, water, shelter, clothing).
- **Wants** are things you would like but could live without (a new phone, holidays).
- **Opportunity cost** is the next best alternative you give up when you make a choice. If you spend $60 on a game instead of a concert ticket, the opportunity cost is the concert.

Common mistake: Saying the opportunity cost is "everything you gave up". It is only the **next best** option.

1.2 Factors of production

These are the resources used to make goods and services.

Factor	Meaning	Example (a cafe)	Reward
Land (natural resources)	Natural resources and space	The shop's site, coffee beans, water	Rent
Labour	Human effort	Baristas, cooks, managers	Wages
Capital	Man-made goods used to produce other goods	Coffee machine, tables, tools	Interest
Enterprise	Taking the risk and organising the other factors	The owner who starts the cafe	Profit

1.3 The three basic economic questions

Every economy must answer: **What** to produce? **How** to produce it? **For whom** to produce it?

Type of economy	Who decides	Strength	Weakness

Market economy	Buyers and sellers through prices	Efficient, encourages innovation	Can create inequality; ignores people who cannot pay
Command economy	Government plans production	Can protect equal access to basic goods	Slow, inefficient, little choice
Mixed economy	Both markets and government	Combines efficiency with protection of the community	Needs balance; people disagree on how much government is right

Australia is a **mixed economy**: most goods and services are provided by private businesses through markets, while governments provide services such as schools, hospitals, defence and roads, and regulate business.

1.4 Demand, supply and price

Demand is the quantity of a good consumers are willing and able to buy at different prices. **Supply** is the quantity producers are willing and able to sell at different prices.

- **Law of demand:** as price rises, the quantity demanded falls (and vice versa). The demand curve slopes **down**.
- **Law of supply:** as price rises, producers supply more. The supply curve slopes **up**.
- **Equilibrium price** is where the two curves cross: the quantity demanded equals the quantity supplied.
- A **shortage** occurs when the price is below equilibrium, and a **surplus** occurs when the price is above it. Prices then adjust towards equilibrium.

What changes	Effect on the demand curve	Example
Income	Shifts right if income rises (for most goods)	A pay rise increases demand for restaurant meals
Tastes and trends	Shifts right if more popular	A viral social media trend
Price of substitutes	Shifts right if a substitute becomes dearer	Butter price rises, margarine demand rises
Number of buyers	Shifts right if more buyers	Population growth

What changes	Effect on the supply curve	Example
Costs of production	Shifts left if costs rise	Higher wages or power prices
Technology	Shifts right if production gets cheaper or faster	Automation
Number of sellers	Shifts right if more sellers	New businesses enter
Weather and other shocks	Shifts left for a bad harvest	Drought reduces wheat supply

Common mistake: Mixing up a *movement along* a curve (caused by a price change) with a *shift* of the curve (caused by something other than the good's own price).

Worked example: a frost destroys part of the strawberry crop. Supply shifts left, so the equilibrium price rises and the equilibrium quantity falls.

1.5 Price signals and competition

Prices act as **signals**: a high price tells producers to make more and tells consumers to buy less. **Competition** between businesses pushes prices down and quality up. Where there is only one seller (a **monopoly**), there is little pressure to keep prices fair, which is why governments regulate competition (see the ACCC in Section 4).

Check your understanding 1

1. Explain the difference between a need and a want, giving one example of each.
2. Maya has $50 and can spend it on a hoodie, a movie night or a book. She chooses the hoodie and would have chosen the movie second. What is her opportunity cost?
3. Name the four factors of production and the reward for each.
4. Why is Australia described as a mixed economy?
5. A heatwave reduces the supply of tomatoes. Explain what happens to their equilibrium price and quantity.

2. Measuring the economy

2.1 Gross Domestic Product (GDP)

GDP is the total market value of all final goods and services produced within a country in a given period (usually a year or a quarter). The Australian Bureau of Statistics (ABS) publishes it.

- **Nominal GDP** uses current prices; **real GDP** is adjusted for inflation so you can compare years fairly.
- **Economic growth** is the percentage increase in **real** GDP over time.
- **GDP per capita** = GDP ÷ population. It shows the average output per person.

Worked example: a country has real GDP of $2,000 billion in Year 1 and $2,060 billion in Year 2. Growth = (2,060 − 2,000) ÷ 2,000 × 100 = **3%**.

Worked example: a country has GDP of $1,800 billion and a population of 26 million. GDP per capita = $1,800,000 million ÷ 26 million ≈ **$69,231**.

The business cycle

The economy moves through phases:

Phase	What happens
Expansion (boom)	Output, spending and jobs rise; inflation may rise
Peak	The highest point of activity

Phase	What happens
Contraction (slowdown)	Growth slows or falls; unemployment rises
Trough	The lowest point before recovery

A **recession** is commonly defined as two consecutive quarters of falling real GDP.

Limits of GDP as a measure of wellbeing

GDP does not measure unpaid work (such as caring for family), the distribution of income, environmental damage, or health and happiness. A country with a high GDP can still have high inequality.

2.2 Inflation

Inflation is a sustained rise in the general level of prices, so each dollar buys less. The ABS measures it with the **Consumer Price Index (CPI)**, which tracks the cost of a "basket" of goods and services households buy (food, housing, transport, health, education and more).

Inflation rate (%) = (new CPI − old CPI) ÷ old CPI × 100

Worked example: the CPI rises from 130.0 to 134.55. Inflation = (134.55 − 130.0) ÷ 130.0 × 100 = **3.5%**.

Causes of inflation:

- **Demand-pull:** too much spending chasing too few goods.
- **Cost-push:** rising costs (wages, energy, raw materials) pushed on to prices.
- **Imported inflation:** overseas prices or a falling exchange rate make imports dearer.

Effects of high inflation: the purchasing power of savings and fixed incomes falls; businesses find planning harder; and interest rates usually rise. People on fixed incomes such as pensioners are hurt most, and borrowers can sometimes gain because their debt is worth less in real terms.

The Reserve Bank of Australia (RBA) aims to keep inflation between **2% and 3%** on average over time. **Deflation** (falling prices) can also be harmful because people delay spending.

2.3 Unemployment

A person is **unemployed** if they are without work, available to start work, and actively looking for work. The **labour force** is everyone aged 15 and over who is employed or unemployed.

Unemployment rate (%) = unemployed ÷ labour force × 100

Participation rate (%) = labour force ÷ population aged 15 and over × 100

Worked example: 14.0 million people are employed and 0.6 million are unemployed. Labour force = 14.6 million. Unemployment rate = 0.6 ÷ 14.6 × 100 ≈ **4.1%**.

Type of unemployment	Cause	Example
Frictional	Time spent between jobs	A graduate looking for a first job
Structural	Skills no longer match the jobs	A factory worker after the plant

Type of unemployment	Cause	Example
	available	closes
Cyclical	A slowdown in the economy	Businesses lay off staff in a recession
Seasonal	Work that varies over the year	Fruit pickers, ski instructors

Underemployment is when people have a job but want more hours.

Effects of unemployment: lost income and production, higher government spending on welfare, lower tax revenue, and personal effects on health and wellbeing.

2.4 Living standards

Living standards show how well off people are. They can be measured:

- **Materially:** income, wealth, housing, goods.
- **Non-materially:** health, education, life expectancy, environment, freedom, work–life balance.

The **Human Development Index (HDI)**, published by the United Nations, combines life expectancy, years of schooling and income per person to compare countries.

Exam tip: If a question asks you to "assess" living standards, use both material and non-material indicators and mention the limits of any single measure.

2.5 Interpreting data

When reading a graph or table in an exam:

1. Read the **title**, **axes** and **units** (percent, millions, $ billions).
2. Describe the **trend** (rising, falling, steady) with numbers from the data.
3. Identify **peaks and troughs**, and link them to events (for example the COVID-19 pandemic in 2020).
4. Be careful about **percentage points vs percent**: a rise from 4% to 5% is one percentage point, or a 25% increase.

Check your understanding 2

1. Calculate economic growth if real GDP rises from $1,500 billion to $1,545 billion.
2. The CPI rises from 120.0 to 123.6. Calculate the inflation rate.
3. There are 12.4 million employed and 0.65 million unemployed. Calculate the unemployment rate (to one decimal place).
4. Name and explain two types of unemployment.
5. Give two reasons GDP is not a perfect measure of wellbeing.

3. Managing the economy

3.1 Economic goals

Australian governments aim for:

Goal	Meaning
Strong and sustainable economic growth	Real GDP grows steadily without harming the environment
Low and stable inflation	Prices rise slowly and predictably (the RBA target is 2–3%)
Low unemployment (full employment)	Everyone who wants a job can find one
External stability	Trade, foreign debt and the exchange rate stay manageable
Equity	A fair distribution of income and opportunity
Environmental sustainability	Using resources so they last for future generations

Goals can **conflict**. For example, fast growth can increase inflation and harm the environment, and a government that cuts taxes to boost jobs may end up with a budget deficit.

3.2 Who manages the economy?

Policy	Who	Main tool	Aim
Monetary policy	The Reserve Bank of Australia (independent from government)	The **cash rate**	Keep inflation at 2–3% and support full employment
Fiscal policy	The federal government (and states)	The **budget**: government spending and taxation	Support growth, jobs and fairness; provide services
Microeconomic policy	Governments	Competition law, deregulation, education and training	Make markets and businesses more efficient

3.3 Monetary policy

The **cash rate** is the interest rate on overnight loans between banks. When the RBA changes it, banks usually change the interest rates they charge on home loans, business loans and savings accounts. The RBA's Monetary Policy Board meets eight times a year to decide.

	Contractionary (tight) policy	Expansionary (loose) policy
When used	Inflation is too high or the economy is overheating	Growth is weak and unemployment is rising
RBA action	Raises the cash rate	Cuts the cash rate
Effect on borrowers	Loan repayments rise, so people	Loan repayments fall, so they

	Contractionary (tight) policy	Expansionary (loose) policy
	and businesses borrow and spend less	borrow and spend more
Effect on savers	Better returns on savings	Lower returns on savings
Effect on the economy	Slower spending and demand slows inflation, but jobs can be at risk	More spending and investment, which supports jobs, but may raise inflation
Effect on the exchange rate	Dollar tends to rise (higher returns attract foreign investors), making imports cheaper and exports dearer	Dollar tends to fall

Limits of monetary policy: it takes months to have its full effect (a **lag**), it affects people unevenly (people with mortgages are hit harder than renters or savers), and it cannot fix supply problems such as a shortage of materials.

3.4 Fiscal policy

The **federal budget** sets out how much the government expects to collect (revenue, mainly from taxes) and spend (on health, social security, education, defence and other services).

Budget outcome	Meaning
Surplus	Revenue is greater than spending
Balanced	Revenue equals spending
Deficit	Spending is greater than revenue; the government must borrow, adding to **public debt**

- **Expansionary fiscal policy:** the government spends more or cuts taxes to boost the economy, often resulting in a deficit.
- **Contractionary fiscal policy:** the government spends less or raises taxes to slow the economy, often resulting in a surplus.
- **Automatic stabilisers:** features such as unemployment benefits and progressive taxes that cushion the economy without new decisions.

Taxation

Tax	Who pays	Example
Income tax	Individuals on earnings	PAYG tax taken from wages
Company tax	Businesses on profits	Paid by incorporated companies
Goods and Services Tax (GST)	Consumers on most goods and services, at 10% (introduced in 2000)	Added to a restaurant bill
Excise and customs	On items such as fuel, tobacco and alcohol	Paid by manufacturers or importers and passed on

Progressive tax: people on higher incomes pay a higher percentage. A **regressive tax** takes a bigger share of low incomes (the GST is often described this way because everyone pays 10% on spending). A **tax-free threshold** means the first part of income is not taxed (currently the first $18,200 a year for residents). Check the ATO website for current tax rates, because they change.

Government spending: health, social security and welfare, education, defence, infrastructure and interest on debt. Governments must decide priorities, an example of **opportunity cost** at the national level.

3.5 Trade and the exchange rate

- **Exports** are goods and services sold overseas; **imports** are bought from overseas. Australia's major exports include iron ore, coal, natural gas, agricultural products and **services** such as education and tourism. China, Japan and the United States are among our biggest trading partners.
- The **trade balance** = exports − imports. A positive balance is a **trade surplus**; a negative balance is a **deficit**.
- The **exchange rate** is the price of one currency in terms of another (for example, $1 AUD = US$0.65). Australia has a **floating** exchange rate set by demand and supply in the foreign exchange market.

If the Australian dollar…	Exports	Imports	Overseas holidays
Rises (appreciates)	Dearer for foreigners, so demand falls	Cheaper for Australians	Cheaper for Australians
Falls (depreciates)	Cheaper for foreigners, so demand rises	Dearer for Australians	Dearer for Australians

Free trade vs protection: supporters of free trade say it lowers prices, increases choice and efficiency. Critics say it can cost local jobs and make a country dependent on others. Governments sometimes use **tariffs** (taxes on imports) or **subsidies** (payments to local producers) to protect industries. Australia has signed free trade agreements with countries including Japan, China, the United States and the United Kingdom.

Globalisation brings benefits (cheaper goods, bigger markets, new technologies) and costs (job losses in some industries, dependence on global supply chains, environmental impact of transport).

3.6 Evaluating policy

When asked to **evaluate** a policy, work through:

1. **Aim:** what is the policy trying to do?
2. **Who benefits?** and **who loses?**
3. **Costs:** direct costs, opportunity costs, side effects.
4. **Timing:** how long before it works?
5. **Judgement:** weigh benefits against costs and give a reasoned conclusion.

End of free sample

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