

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA

MATRICULATION CERTIFICATE EXAMINATION
INTERMEDIATE LEVEL
SEPTEMBER 2012

SUBJECT:	ECONOMICS
DATE:	7th September 2012
TIME:	4.00 p.m. to 7.00 p.m.

Answer **ALL** questions from **Section A** in short answer form and any **THREE** questions from **Section B** in long answer form.

Section A carries a total of 40% of the final grade and Section B carries a total of 60% of the final grade.

Section A (40 marks)

Answer **ALL** questions in this Section. Answers must be brief and to the point. Each question carries 5 marks.

1. Explain how a consumer can face an opportunity cost.
2. Explain how an increase in transport costs can be expected to shift the supply curve for bananas.
3. With the help of diagrams explain why a surplus tends to reduce price and a shortage to increase price.
4. Explain what is likely to happen to national income if injections differ from withdrawals.
5. Explain why a change in interest rates would affect demand.
6. Explain the term “*structural unemployment*”
7. Explain the difference between fixed and floating exchange rates.
8. Explain the role of the Malta Stock Exchange in the Maltese economy.

Section B (60 marks)

Answer any **THREE** questions in detail. Each question carries 20 marks.

9. Explain the term “*economies of scale*” making reference to both internal and external economies. (20 marks)
10. Which of these items would you expect to be price elastic and which would be price inelastic? Explain your answer.
 - (i) Holidays abroad (5 marks)
 - (ii) New cars (5 marks)
 - (iii) Houses (5 marks)
 - (iv) Bread (5 marks)
11. What are the arguments for and against privatisation? (20 marks)
12. Explain, with the help of examples, the difference between regressive and progressive taxation. (20 marks)
13. Discuss two policies that a government may adopt in order to improve a deficit in the balance of payments (20 marks)