

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA
MATRICULATION EXAMINATION
INTERMEDIATE LEVEL
MAY 2013

SUBJECT:	ECONOMICS
DATE:	17th May 2013
TIME:	9.00 a.m. to 12.00 noon

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 with the help of an example the concepts of scarcity and opportunity cost in relation to the allocation of resources within the public sector.
2. Explain with the use of a diagram the effect of an increase in people's incomes on the demand curve for cars.
3. Explain why food has a low price elasticity of demand.
4. Explain, with the help of an example, what is meant by "*market failure*".
5. What is the difference between *real* and *nominal* changes in a country's gross domestic product?
6. Briefly explain the term "*transfer payments*". How are transfer payments dealt with when estimating a country's gross domestic product?
7. Explain the conditions that characterise a monopolistic market structure.
8. Explain the functions of money.

Please turn the page for Section B.

Section B (60 marks)

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

9. (i) Discuss two factors that determine the supply of a manufactured good. (6 marks)
- (ii) Explain, with the help of diagrams, the concept of a shift in the supply curve. (6 marks)
- (iii) Explain, with the help of diagrams, the sequence of events that are likely to occur following the introduction of a maximum price for a good by government. (8 marks)
10. (i) Provide a numerical example that illustrates the principle of *comparative advantage* between two countries. (10 marks)
- (ii) What measures can be taken by government to reduce a deficit in the goods and services account of the balance of payments? (10 marks)
11. (i) Explain the relationship between changes in consumption expenditure and national income. (10 marks)
- (ii) In an economy that depends greatly on imports, explain whether it makes sense for a government to increase the gross domestic product by encouraging households to spend more. (10 marks)
12. Explain *four* factors that may give rise to unemployment. (20 marks)
13. (i) Discuss, with the help of examples, the possible causes of inflation in an economy. (10 marks)
- (ii) What policies can government adopt to control inflation? (10 marks)