

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

UNIVERSITY OF MALTA, MSIDA

MATRICULATION EXAMINATION
INTERMEDIATE LEVEL
SEPTEMBER 2015

SUBJECT:	ECONOMICS
DATE:	5th September 2015
TIME:	9.00 a.m. to 12.00 noon

Answer **THREE** questions from Section A and **THREE** questions from Section B.

Section A and Section B carry equal marks. The paper is marked out of 120 marks.

Section A (60 marks)

Answer **THREE** questions in detail from this Section. Each question carries 20 marks.

1. (a) Discuss the concept of utility and how economists use this concept to explain the demand for goods and services. (8 marks)
- (b) Discuss the determinants of the demand for the following goods:
 - i. Bread
 - ii. Winter coats
 - iii. Designer watches (12 marks)

2. (a) Explain, with the help of diagrams, how demand and supply interact in the market for the rental of apartments to achieve an equilibrium price. (12 marks)
- (b) What is the effect of a government imposed price ceiling on rents? (8 marks)

3. (a) What are the characteristics of an oligopolistic market? Provide examples of such markets in Malta. (8 marks)
- (b) What is collusion? Why do firms engage in such activity? Why is there a role for government regulation in oligopolistic markets? (12 marks)

4. (a) What is market failure? Mention three causes of market failure. (8 marks)
- (b) Discuss how the market for health insurance is characterised by asymmetric information. (12 marks)

5. (a) What are the characteristics of public goods? (5 marks)
- (b) Why is the provision of educational services considered to be such a good? (5 marks)
- (c) Compare the equilibrium that the market for educational services would achieve with and without government intervention. Illustrate with appropriate diagrams. (10 marks)

Section B (60 marks)

Answer **THREE** questions in detail from this Section. Each question carries 20 marks.

6. (a) Explain and graphically display the circular flow of income highlighting the relationship between injections and withdrawals. (11 marks)
(b) Briefly describe the three main methods used to calculate the value of the Gross Domestic Product. (9 marks)

7. (a) What are the main determinants of private consumption? (10 marks)
(b) Explain the marginal and average propensity to consume and how this is related to the multiplier concept. (10 marks)

8. (a) To what extent does an increase in government expenditure lead to an increase in income and output? (12 marks)
(b) What is a budget deficit and does it always lead to an increase in government debt? (8 marks)

9. (a) Define the term unemployment and mention two of the main types of unemployment within an economy. (7 marks)
(b) Explain how inflation is measured. (6 marks)
(c) What is the relationship between inflation and unemployment? (7 marks)

10. (a) What are the three motives for holding money? (9 marks)
(b) Explain the main channels through which monetary policy can have an impact on the economy. (11 marks)