

**MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD**  
**UNIVERSITY OF MALTA, MSIDA**  
**MATRICULATION EXAMINATION**  
**INTERMEDIATE LEVEL**  
**MAY 2017**

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<b>SUBJECT:</b>	ECONOMICS
<b>DATE:</b>	27 <sup>th</sup> April 2017
<b>TIME:</b>	9:00 a.m. to 12:05 p.m.

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

Section A and Section B each carry a total of 50% of the final mark. The paper is marked out of 120 marks.

### SECTION A

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

#### Question 1

- a. Define the term '*Ceteris Paribus*' and give an example of how this condition is used in economics. (3)
- b. Illustrate and explain the demand curve for a good or a service. (3)
- c. What are the main non-price determinants of demand? Using a graph, show the effect of changes in these determinants on the demand curve. (8)
- d. Define and explain the concept of 'Consumer Surplus'. Illustrate using a graph. (6)

#### Question 2

With the use of examples define and explain:

- a. the different types of factors of production; (5)
- b. specialisation by product and specialisation by process; (5)
- c. production and productivity; (5)
- d. the classification of production. (5)

#### Question 3

- a. Define the concept of price elasticity of supply (PES). Explain and show the relevant formula. (8)
- b. What do the following price elasticity of supply values imply? Illustrate the following using appropriate diagrams:
  - i.  $PES=0$
  - ii.  $PES=1$
  - iii.  $0 < PES < 1$
  - iv.  $1 < PES < \text{infinity}$  (12)

#### Question 4

- a. Define productive and allocative efficiency in a competitive market. Use the production possibility frontier to show these concepts graphically. (10)
- b. Describe the concept of market failure and explain why this phenomenon occurs using at least **THREE** examples. (10)

#### Question 5

- a. Using examples, define and distinguish between public goods and merit goods. (6)
- b. What is an externality? Using examples, explain positive and negative externalities. (6)
- c. What measures can the government take to address market distortions? (8)

### SECTION B

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

#### Question 6

- a. Draw and explain how the equilibrium is attained in the circular flow of income between households, firms, government and an open economy. (10)
- b. What are the different methods of measuring national income? Briefly describe each of the methods. (10)

#### Question 7

- a. Explain the relationship between consumption and income. (5)
- b. What other determinants influence consumption other than income? Provide some practical examples. (8)
- c. Explain the multiplier effect. Use an example to illustrate your explanation. (7)

#### Question 8

- a. Explain what the aggregate demand curve is and how it can be combined to aggregate supply to describe the equilibrium in the short-run. (10)
- b. What causes shifts in the Aggregate Demand and Aggregate Supply curves? (10)

#### Question 9

- a. Define monetary policy and explain why it is used. (10)
- b. What are the **THREE** motives for demanding money? (10)

#### Question 10

- a. Define and explain the main elements of the Balance of Payments. (10)
- b. How does an increase in the current account deficit affect the equilibrium output through the aggregate demand curve? (10)