

IM 08.12m

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

MATRICULATION CERTIFICATE EXAMINATION
INTERMEDIATE LEVEL
MAY 2012

SUBJECT:	ECONOMICS
DATE:	17th May 2012
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. Describe two of the main problems associated with a free market economy.
2. What are the distinguishing characteristics of a *public good*?
3. Describe two factors that influence the supply of potatoes in Malta.
4. With the help of a diagram describe the sequence of events and the effect on equilibrium price and quantity following a shift of the supply curve to the left.
5. With the help of a diagram explain the concept of the *circular flow of income*.
6. Describe the main accounts which make up a country's Balance of Payments.
7. Commercial banks reserve only a portion of their bank deposits. Explain the need for a reserve requirement.
8. Explain two problems posed by the high level of international debt that some governments have.

Section B (60 marks)

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

9. (i) Explain how price elasticity of demand is measured. (10 marks)
- (ii) Do you expect the price elasticity of demand for petrol to differ from that for a particular brand of clothes? Explain your answer. (10 marks)
10. (i) Describe the basic characteristics of a perfectly competitive market structure. (10 marks)
- (ii) Discuss one example where nationalisation of an industry is appropriate. (10 marks)
11. Explain the three methods of how economic activity in a country is measured. (20 marks)
12. “Fiscal Policy is an important tool which governments resort to in a bid to boost economic growth in any economy”. Discuss. (20 marks)
13. (i) How is the inflation rate measured? (10 marks)
- (ii) Why is inflation often considered to be undesirable? (10 marks)