

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

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<b>SUBJECT:</b>	ECONOMICS
<b>DATE:</b>	6th September 2013
<b>TIME:</b>	4.00 p.m. to 7.00 p.m.

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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. Economics is often said to be about *scarcity*. Explain what is meant by *scarcity* and give two examples to illustrate this.
2. In each of the cases presented below state whether or not the supply has shifted and if so, in which direction.
  - (a) In the market for coffee as a result of bad weather.
  - (b) In the market for petrol as a result of an improvement in technology in the drilling of oil.
3. With the help of a diagram, explain what will happen to price in a situation of excess supply in a free market.
4. Distinguish between *progressive* tax and *proportional* tax.
5. Explain with the help of an example what is meant by *seasonal* and *frictional* unemployment.
6. Explain what is included in the *current account* of the balance of payments.
7. What are the main injections and withdrawals from the circular flow of income?
8. In what way does the Central Bank of Malta act as a banker to the government?

*Please turn the page for Section B.*

**Section B** (60 marks)

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

9. (a) By use of appropriate examples and diagrams, explain how price elasticity of demand is measured. (10 marks)
- (b) Explain the relevance of the concept of price elasticity of demand to firms. (10 marks)
10. (a) Distinguish between *merit* and *demerit* goods. (10 marks)
- (b) Give three examples of goods which tend to be considered as *public goods* in any society. (10 marks)
11. (a) How do restrictions on imports affect employment? (6 marks)
- (b) What effects do restrictions on imports have on prices? (6 marks)
- (c) How can import tariffs lead to inefficiency? (8 marks)
12. (a) How is the *equilibrium level* of national income determined? (10 marks)
- (b) Distinguish between the *equilibrium level* of national income and the *full employment level* of national income and explain why they matter. (10 marks)
13. (a) How does a government finance a budget deficit? (8 marks)
- (b) What fiscal policy measures should a government adopt to help the economy move out of a recession? (12 marks)