

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDAMATRICULATION EXAMINATION
INTERMEDIATE LEVEL
SEPTEMBER 2017

SUBJECT:	ECONOMICS
DATE:	1st September 2017
TIME:	4:00 p.m. to 7:05 p.m.

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.

1. (a) What is opportunity cost? How is this concept used in economics? (10)
(b) Use the production possibility frontier to explain the basic economic problem. (10)
2. (a) Show how the demand and supply for air travel interact in the market to achieve an equilibrium price. (10)
(b) Explain **FIVE** non-price determinants of the demand for air travel. (10)
3. (a) When are goods considered to be complements? Give an example of such goods. (7)
(b) When are goods considered to be substitutes? Give an example of such goods. (7)
(c) Explain the concept of 'derived demand'. Give an example of such goods. (6)
4. (a) Define 'productive efficiency' and 'allocative efficiency'. (6)
(b) Define 'static efficiency' and 'dynamic efficiency'. (6)
(c) Explain the concept of market failure. Illustrate this with an example from the Maltese economy. (8)
5. (a) Explain the concepts of externalities in production and consumption. (6)
(b) Give **ONE** example of a positive and **ONE** example of a negative externality in consumption. (4)
(c) Using a graph, show how the equilibrium output in the case of a negative externality of production is not optimal. (10)

SECTION B

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

6. (a) Define the term ‘Gross Domestic Product’ and explain the **THREE** approaches used to calculate GDP. (10)
- (b) What is the difference between nominal and real GDP? (4)
- (c) Mention **THREE** difficulties encountered in measuring GDP (6)
7. (a) Using practical examples explain **THREE** determinants of investment in an economy. (15)
- (b) Define the term ‘Marginal Efficiency of Capital’ and explain how this is related to the interest rate. (5)
8. (a) Define unemployment and explain at least **TWO** types of unemployment. (8)
- (b) Identify **TWO** costs of unemployment. (4)
- (c) Identify and explain the causes of inflation. (8)
9. (a) What are the **TWO** main components of fiscal policy? (6)
- (b) Distinguish between a government budget deficit and budget surplus. (4)
- (c) What is the Balance of Payments? Distinguish between the current and capital account. (10)
10. (a) Explain what the aggregate demand curve is and how it can be combined to aggregate supply to describe the equilibrium. (10)
- (b) Explain, using a graph, the effect of fiscal policy on Aggregate Demand. (10)