L-Università ta' Malta

Specimen Papers
SEC 10 Economics

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Specimen Assessments: Controlled Paper MQF 1-2

L-Università ta' Malta

MATRICULATION AND SECONDARY EDUCATION
CERTIFICATE EXAMINATIONS BOARD

SECONDARY EDUCATION CERTIFICATE LEVEL

SAMPLE PAPER

SUBJECT:	**Economics**
PAPER NUMBER:	**Level 1 – 2**
DATE:	
TIME:	2 Hours

Answer **ALL** the questions in the spaces provided. There may be more space than you need. Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets. Use this as a guide as to how much time to spend on each question. Some questions must be answered by ticking with a horizontal line (–). If you change your mind about an answer, put a vertical line through the horizontal line (+) and then mark your new answer with a horizontal line (–).

Question 1

(a) Choose the correct word from the word bank to complete the sentence below.   (3)

demand	quantity
pay	supply
provide	want

_____ is a _____ backed up by the ability to

_____.

(b) Explain whether **each** of these statements are true or false:

    (i)   Tobacco products and alcohol are examples of merit goods.   (2)

         ☐ True   False ☐

Reason: _____

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    (ii) A price floor causes a disequilibrium in the market if set above the equilibrium price.

                                                                      (2)
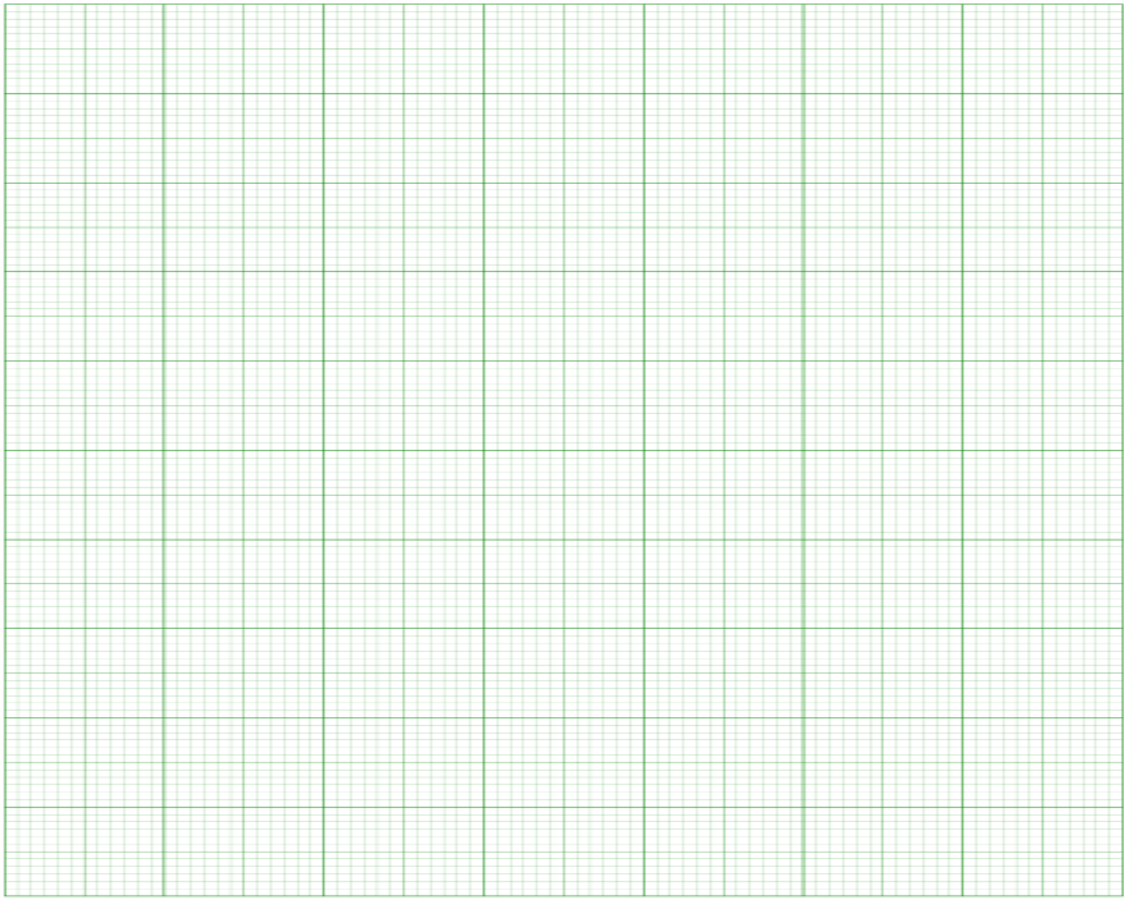
         ☐ True   False ☐

Reason: _____

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(c) The following is the demand schedule for ice-cream in cups.

Price	Quantity demanded
€	(cups per week)
3.00	400
2.50	600
2.00	800
1.50	1,000
1.00	1,200

(i)   Plot the demand curve in the space below with appropriate labelling on both axis.
(3)

(ii) State **TWO** non-price factors that may affect the demand for ice-cream in cups.   (2)
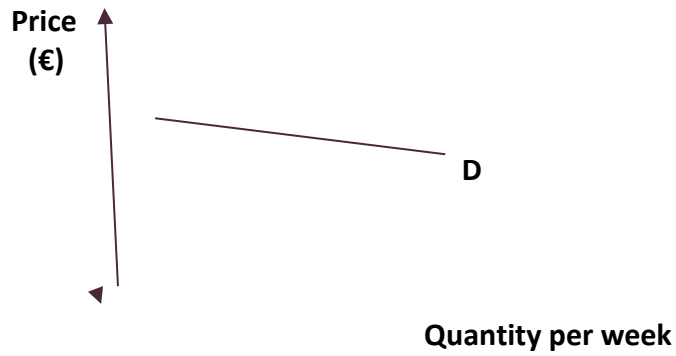
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(iii) From the table above, calculate the price elasticity of demand (PED) for ice-cream in cups when the price changes from €2.50 to €2.00. Use your answer to show whether demand is relatively (fairly) elastic or relatively (fairly) inelastic.   (2)

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Price (€)

Quantity per week

(d) The demand curve depicted in the above diagram is

  □ A relatively (fairly) inelastic

  □ B perfectly inelastic

  □ C relatively (fairly) elastic

  □ D perfectly elastic   (1)

(e) Using appropriate labelling, sketch a diagram to show excess supply. (1)

Space for diagram

(f) Elaborate on **TWO** factors that may bring about an increase in the demand for residential property.   (4)

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(Total marks 20)

Question 2

(a) Production represents   (1)

☐ A   any activity designed to satisfy human wants

☐ B   the making of goods only

☐ C   an increase in the total output of goods and services produced

☐ D   the making of services only

(b) Which one of the following does not represent one of the principles of fair trade according to the World Fair Trade Organisation (WFTO)?   (1)

☐ A   Transparency and accountability

☐ B   No child labour, no forced labour

☐ C   Build resilient infrastructure

☐ D   Respect for the environment

(c) Explain whether **each** of these statements are true or false:

(i) A baker uses a sack of flour every day. With a sack of flour, the baker can produce 100 pizza bases or 150 bread rolls. The baker decides to produce 150 bread rolls. The opportunity cost to produce the 150 bread rolls is the sack of flour.   (2)

☐ True   False ☐

Reason: _____

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(ii) The market economy relies only on the government to allocate resources.   (2)

☐ True   False ☐

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(d) Explain why with increased output the average product may increase. (2)

_____

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(e) Choose the correct word from the word bank to complete the sentence below. (2)

constant   increasing

diminishing   negative

The average total cost curve is U-shaped. When the average total costs decrease, the firm

experiences _____ returns. When the average total costs increase, the firm

experiences _____ returns.

(f) The table below shows the gross value added between January and June 2017.

€ millions

Agriculture, Forestry and Fishing	51
Wholesale and Retail Trade	919
Manufacturing	403
Financial and Insurance Services	329
Construction	188

Source: Economic Survey 2017, mfin.gov.mt (adapted)

From the data provided above, calculate the amount in € millions contributed by **each** production sector of the economy. Show your workings. (3)

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(g) Complete the information below for a firm that provides watches. (4)

Output of Watches	Total Fixed Costs (€)	Total Variable Costs (€)	Total Costs (€)	Average Total Costs (€)
400	4,000	4,000		
800		6,400		
1,200		10,400		
1,600		15,200		

(h) Sketch the total fixed costs curve and the total variable costs curve on the same axis. (3)

Space for diagram

(Total marks 20)

Question 3

(a) Explain what GDP stands for and what it measures.   (2)

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(b) Derive the necessary equation and calculate the level of GDP utilising the Expenditure approach from the data provided in the table below. Show your workings.   (4)

Gross Private Investment	€124
Net Exports	€18
Government Expenditure	€156
Household Consumption	€304

_____

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(c) Define economic development.   (1)

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(d) Explain whether **each** of these statements are true or false:

(i) The difference between real GDP and nominal GDP is that the nominal GDP is adjusted for inflation whilst the real GDP is left in currency terms.   (2)

☐ True   False ☐

Reason: _____

_____

_____

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(ii) The main advantage of using real GDP per capita is that it is rounded to a simplistic figure making it easier to use in calculations. (2)

☐ True   False ☐

Reason: _____

_____

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(e) Illustrate the circular flow of income within a closed economic system clearly indicating **ONE** injection and **ONE** withdrawal. (2)

Space for diagram

(f) Explain whether **each** of these statements are true or false:

(i) Government decides to increase the tax rates in Malta and collect more revenue. The reasoning behind this is because it is an injection in the economy. (2)

☐ True   False ☐

Reason: _____

_____

_____

_____

(ii) In an open economy, equilibrium is achieved when investment and Government expenditure are equal to savings and taxation. (2)

☐ True   False ☐

Reason: _____

_____

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(g) Choose the correct word from the word bank to complete the sentence below.   (2)

boom   recovery

recession   slump

GDP doesn't rise at a steady rate each year. There are often fluctuations known as the

business cycle. During a _____, the economy is growing and

output is high. However, If GDP is growing at a very low rate, the economy is in a

_____.

(h) Give a definition of 'income'   (1)

(Total marks 20)

Question 4

(a) Classify the following transactions into international trade or domestic trade. The first
    has been done for you as an example.   (3)

  (i)   Pawlu Farrugia, a Maltese trader, buys goods for
         resale from Italy.   International

  (ii)   Maria Abela, a Maltese citizen, buys food through
         the internet from a local supermarket.

  (iii) Joe Smith, a UK citizen flies to Malta on an Air
         Malta flight.

  (iv)   Cliff Dingli, a Maltese citizen, flies to the UK on an
         Air Malta flight.

(b) (i) International competitiveness is determined by factors such as   (1)

  ☐ A   the Sustainable Development Goals (SDGs)

  ☐ B   the principles of Fair Trade

☐ C the cost of doing business

☐ D both A and B are correct

(ii) The state of a country's infrastructure directly determines (1)

☐ A the rate of exchange

☐ B international competitiveness

☐ C the balance of payments

☐ D all of the above

(c) The following is an extract from Malta's Balance of Payments for 2008. Study the figures then answer the questions below.

	Credit	Debit
	€000	€000
Goods	2,138,535	3,277,717
Services	2,521,648	1,556,530
Income	2,198,576	2,366,907
Current Transfers	805,514	772,175

(i) Calculate the Balance of Trade from the figures above. Show your workings. (1)

_____

_____

(ii) Calculate the current account balance from the figures above. Show your workings. (2)

_____

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_____

(d) Choose the correct term from the word bank to complete the sentence below. (2)

common market   economic union

customs union   free Trade Area

One main type of international economic integration consists of a number of countries that have abolished tariffs and quotas between themselves. This is called a/an _____. Another type also consists of a number of countries that have abolished tariffs and quotas between themselves but with member countries agreeing to operate a common external tariff (CET) on imports from non-member countries. This is called a/an _____.

(e) Consider the following Euro exchange rates. All currencies are quoted against the Euro (one Euro).

Pound Sterling (£) 0.8425

US Dollar ($) 1.3668

Japanese Yen (¥) 113.6800

(i) If a particular good costs 200 Pound Sterling in the United Kingdom, 300 US dollars in the United States and 20,000 Japanese Yen in Japan, from which country will it be cheaper for a Maltese citizen holding Euros to buy this good? Assume delivery is free from all countries. Show your workings. (2)

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(ii) If €1 is now worth $1.5, would you change your answer to (i), above? Explain and show your workings. (1)

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(f) Explain whether **each** of these statements are true or false:

(i) The demand for the złoty, which is the currency of Poland, depends on the demand by Polish people for goods from other countries. (2)

☐ True   False ☐

Reason: _____

_____

_____

_____

(ii) The demand for imports by UK residents is the main determinant of the supply of the Pound Sterling (£), the UK currency, on the foreign exchange markets. (2)

☐ True   False ☐

Reason: _____

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(g) Money has eliminated some of the main difficulties that existed under the barter system. Explain THREE forms of money. (3)

_____

_____
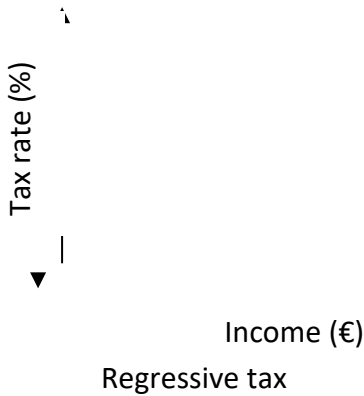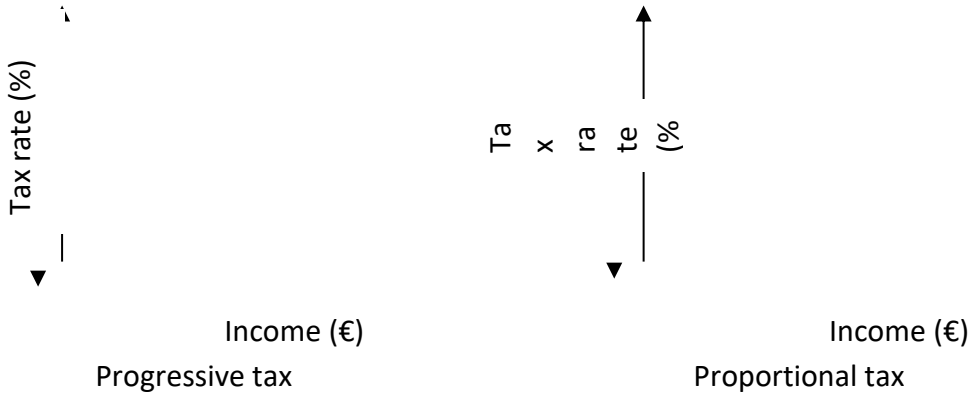
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(Total marks 20)

Question 5

(a) Among the main items of government revenue one finds (1)

☐ A   direct taxes, indirect taxes and subsidies

☐ B   direct taxes, indirect taxes and social security contributions

   ☐ C   providing public goods, providing merit goods and social security contributions

   ☐ D   providing public goods, providing merit goods and providing social security

(b) Maria wants to explain progressive, regressive and proportional taxes to John who is very good at interpreting a graph. Insert a straight line in each of the following graphs that one might expect Maria to draw to explain the above graphically: (3)

Tax rate (%)

Income (€)

Progressive tax

Tax rate (%)

Income (€)

Proportional tax

Tax rate (%)

Income (€)

Regressive tax

(c) Explain what is meant by cost-push inflation. (2)

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(d) Explain whether **each** of these statements are true or false:

    (i)   One of the key tasks of the European Central Bank (ECB) is to issue Euro coins and notes for all countries in the Eurozone. (2)

☐ True   False ☐

Reason: _____

_____

_____

_____

    (ii) The European Central Bank can decide to increase or decrease the base rate. (2)

☐ True   False ☐

Reason: _____

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(e) Choose the correct phrase from the word bank to complete the sentences below. Each phrase is to be used only once. (3)

       the imposition of tariffs and/or quotas

       education and training to increase labour productivity

       linking the growth of incomes to the growth of productivity

An expenditure-switching policy involves _____

_____

while an incomes policy involves _____

_____.

Another supply-side policy, the labour market policy, involves _____

(f)   Economic development refers to   (1)

☐   A   an increase in the production of goods and services by a society

☐   B   an increase in the ability of a society to produce more goods and services

☐   C   an increase in the ability of a society to produce more goods and services while at the same time reducing poverty

☐   D   an increase in the ability of a society to produce more goods and services through the transfer of technology

(g)   Read the following excerpt, then answer questions (i) and (ii) below.

The seventeen Sustainable Development Goals (SDGs) were unanimously adopted by countries in 2015 at the United Nations. SDG 13 states that everyone including governments should "take urgent action to combat climate change and its impacts."

(i)   State **ONE** law-based means by which the Maltese government tries to force businesses to reduce their negative impact on the environment.   (1)

_____

(ii) Show how governments try to force businesses to reduce their negative impact on the environment by a tax per unit of pollution. Your answer is to include a graph that shows the effect of such tax on the market price and quantity.   (4)

Space for graph

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(h) The Sustainable Development Goals (SDGs) include: (1)

☐   A   Promoting the taking over of industries by the government

☐   B   Encouraging governments to sell government-owned businesses to the private sector

☐   C   Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

☐   D   Encouraging countries to receive immigrants and achieve multiculturalism

(Total marks 20)

ECONOMICS - CONTROLLED PAPER (All Candidates) LEVEL 1 – 2 SAMPLE PAPER Specification Grid				
Question No.	**Total Marks**	**Learning Outcome**	**Level 1**	**Level 2**
1a	3	2	3	-
1b(i)	2	4	2	-
1b(ii)	2	4	-	2
1c(i)	3	2		3
1c(ii)	2	2	2	-
1c(iii)	2	2	-	2
1d	1	2	1	-
1e	1	2	-	1
1f	4	2	-	4
2a	1	3	1	-
2b	1	3	1	-
2c(i)	2	1	-	2
2c(ii)	2	1	2	-
2d	2	3	-	2
2e	2	3	-	2
2f	3	3	-	3
2g	4	3	4	-
2h	3	3	-	3
3a	2	5	2	-

3b	4	5	-	4
3c	1	8	1	-
3d(i)	2	5	-	2
3d(ii)	2	5	-	2
3e	2	5	2	-
3f(i)	2	5	-	2
3f(ii)	2	5	-	2
3g	2	5	2	-
3h	1	8	1	-
4a	3	7	-	3
4b(i)	1	7	1	-
4b(ii)	1	7	1	-
4c(i)	1	7	-	1
4c(ii)	2	7	-	2
4d	2	7	2	-
4e(i)	2	7	-	2
4e(ii)	1	7	-	1
4f(i)	2	7	2	-
4f(ii)	2	7	2	-
4g	3	6	-	3
5a	1	9	1	-
5b	3	9	-	3
5c	2	6	-	2
5d(i)	2	9	-	2
5d(ii)	2	6	2	-
5e	3	9	3	-

5f	**1**	**8**	**1**	**-**
5g(i)	**1**	**9**	**-**	**1**
5g(ii)	**4**	**9**	**-**	**4**
5h	**1**	**8**	**1**	**-**
		100 %	**40 %**	**60 %**

Specimen Assessments: Controlled Paper MQF 2-3

SUBJECT: **Economics**

PAPER NUMBER: **Level 2-3**

DATE:

TIME: 2 Hours

Answer **ALL** the questions in the spaces provided. There may be more space than you need. Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets. Use this as a guide as to how much time to spend on each question.

Question 1

(a) The table below is the demand and supply schedule for Jexon cars. Study the table then answer questions (i) to (iii) below.

Price (€)	Quantity demanded Cars/month	Quantity supplied Cars/month
35,000	500	1,250
30,000	1,000	1,000
25,000	1,500	750
20,000	2,000	500

(i) On the graph paper below, plot the demand and supply curves ensuring appropriate labelling of the axis and the curves. (4)

(ii) On the graph paper, indicate with drop lines the equilibrium price and a price at which there is excess demand. (1)

(iii) Determine using the formula for Price Elasticity of Demand (PED) whether the demand for Jexon cars is elastic, inelastic or of unit elasticity when price changes from €35,000 to €30,000.   (2)

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(b) An effective advertising campaign has the same effect on the demand curve as a decrease in the price of the product itself. Do you agree with this statement? Briefly explain your answer.   (3)

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Space for diagram/s if required

(c) The equlibrium price of Supreme biscuits is €1.20. Assess what will happen to the equlibrium price of Supreme biscuits in each of the following cases. Illustrate your answers with sketch graphs.

(i) The company producing Supreme biscuits invests in new technology. (2)

Space for graph

<u>Explanation</u>

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(ii) The health promotion department organises a campaign highlighting the negative effects of biscuits on one's health. (2)

Space for graph

Explanation

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(d) Would an economist consider the demand for the following commodities to be price elastic or price inelastic? Explain your answer by way of the determinants of the Price Elasticity of Demand (PED).
   (i)   drinking water;   (1)

_____

_____

_____

   (ii) a particular brand of drinking water.   (1)

_____

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_____

   (iii) Would an economist consider the supply of hotel rooms to be price elastic or price inelastic in the short run? Explain your answer by way of the determinants of the Price Elasticity of Supply (PES).
                                                                                                                        (1)

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(e) (i) Describe the way through which the limited resources are allocated by the market mechanism. (1)

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(ii) Assess the effectiveness of the market economy and the command economy to allocate resources in terms of equity. (2)

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(Total marks 20)

Question 2

(a) (i) Classify the following productive activities into their respective sectors: (2)

Productive activities	Sector
A furniture manufacturing firm	
An investment firm	
A software programming firm	
A coal extracting firm	

(ii) Complete the information in the table below refers to the costs of a firm producing tablets. (2)

Output (units)	Total Costs (€)	Average Total Costs (€)	Average Variable Costs (€)
0	10		
1	14		
3	16		
6	46		

(iii) On the graph paper below, plot the average total cost (ATC), and the average variable cost (AVC) curves.

(3)
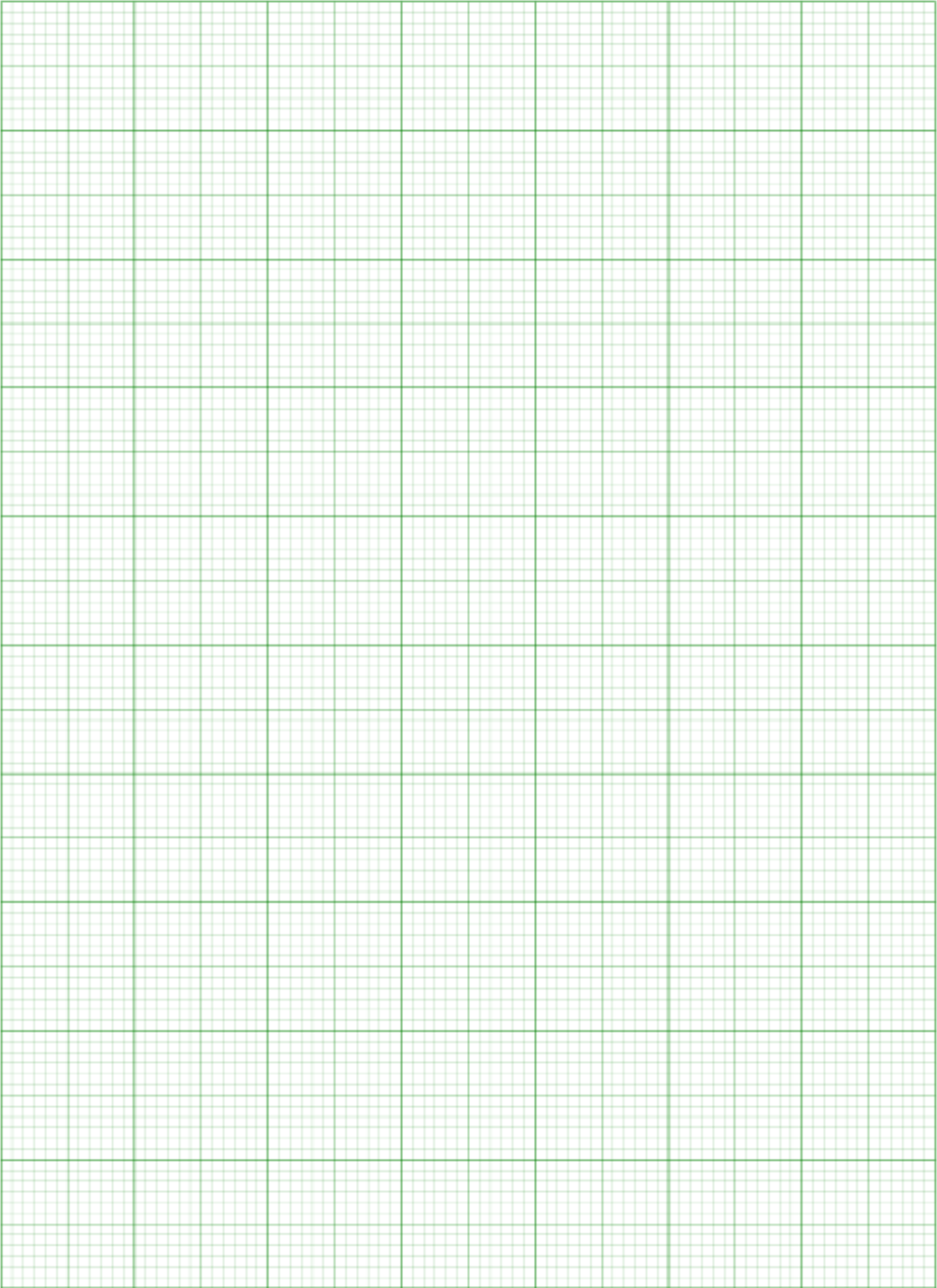
(b) Explain the importance of each sector of production in making a packet of fruit juice. (3)

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(c) (i) Assess **ONE** disadvantage of division of labour and how this may be overcome. (2)

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(ii) Some firms may enjoy a number of advantages as they grow in size. Discuss **ONE** advantage that a large firm may have as a result of its size. (2)

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(d) Explain why the private sector will not provide public goods. Give **TWO** reasons.   (2)

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(e) Assess how decisions within a free market economy may give rise to market failure. Give **TWO** reasons.
(4)

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(Total marks 20)

Question 3

(a) Changes in the GDP and especially in the GDP per capita are important data for society.

    (i)   Identify how the GDP per capita is calculated.   (1)

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(ii) The following figures have been extracted from national income data. Based on the data provided calculate the nominal GDP utilising the expenditure approach. (3)

Variable	Euro (€) millions
Household consumption	304
Transfer Payments	54
Government Spending (including transfer payments)	169
Exports	30
Imports	16
Investment	125

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(b) GDP per capita is not an accurate measure of economic performance. Discuss. (6)

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(c) Explain how the following are affected by the four phases of the economic cycle:

    (i)   Consumption (2)

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    (ii)   Unemployment (2)

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(d) Distinguish between economic growth and economic development. Provide **THREE** differences. (6)

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(Total marks 20)

Question 4

(a) Study the following paragraph then answer questions (i) and (ii) below.

Countries forming part of the European Union (EU) also form part of a customs union. The EU is also aiming at a monetary union. However not all member states want to have a common currency with the rest of the union. Those member states that still have their own currency such as Poland could have a problem when trading with eurozone countries such as Germany because changes in the exchange rate of their currency with the Euro will have an effect on the relative price of the goods and services traded by that country.

(i) Describe the EU as a customs union. (2)

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(ii) Examine the effect of an appreciation of the złoty (Poland's currency) on the relative price of goods imported by Poland and on the relative price of goods exported by Poland. (2)

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(b) Malta is actively involved in international trade and entrepreneurs always voice their opinions whenever some event occurs that they think might affect our international competitiveness. In the light of this statement, assess **THREE** benefits arising from international trade and **THREE** benefits of improving our international competitiveness. (6)

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(c) (i) Show on a sketch diagram **ONE** situation when the Euro (€) would appreciate. (2)

Space for diagram

(d) Importing countries may need to obtain the currency of the exporting country in order to effect payment. Using a diagram, explain what happens to the value of the exporting country's currency if the demand for its exports increases. (4)

Space for diagram

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(e) Contrast trade using the barter system with trade using money. Explain **TWO** differences. (4)

(Total marks 20)

Question 5

(a) (i) Maria wants to explain progressive and regressive taxes to John who is very good at interpreting a graph. Insert a straight line in each of the following graphs that one might expect Maria to draw to explain the above graphically: (2)

Income (€)   Income (€)
Progressive tax   Regressive tax

(ii) Show how long-term economic growth is represented by means of a production possibility diagram. (2)

Space for diagram

(b) (i) The advantages of indirect taxes outweigh their disadvantages. Do you agree with this statement? Briefly explain your answer. (3)

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(ii) A budget deficit is never a good thing for the economy. Discuss briefly. (3)

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(c) (i) Give **TWO** examples to show how sustainable choices can be made in a situation where resources are limited. (2)

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(ii) Give **TWO** examples of constraints that may prevent resource sustainability occurring. (2)

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(d) (i) Contrast the monetary policy measures with the fiscal policy measures needed to achieve a lower inflation rate. (3)

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(ii) Briefly describe **THREE** supply-side measures needed to achieve the macroeconomic objectives of a high and stable level of employment.   (3)

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(Total marks 20)

ECONOMICS - CONTROLLED PAPER (All Candidates) LEVEL 2 – 3

SAMPLE PAPER				
Specification Grid				
Question No.	**Total Marks**	**Learning Outcome**	**Level 2**	**Level 3**
1a(i)	4	2	4	-
1a(ii)	1	2	1	-
1a(iii)	2	2	2	-
1b	3	2	-	3
1c(i)	2	2	-	2
1c(ii)	2	2	-	2
1d(i)	1	2	1	-
1d(ii)	1	2	1	-
1d(iii)	1	2	1	-
1e(i)	1	1	1	-
1e(ii)	2	1	-	2
2a(i)	2	3	2	-
2a(ii)	2	3	2	-
2a(iii)	3	3	-	3
2b	3	3	-	3
2c(i)	2	3	2	-
2c(ii)	2	3	-	2
2d	2	4	2	-
2e	4	4	-	4
3a(i)	1	5	1	-
3a(ii)	3	5	3	-
3b	6	5	-	6
3c(i)	2	5	2	-
3c(ii)	2	5	2	-
3d	6	8	-	6
4a(i)	2	7	2	-
4a(ii)	2	7	2	-
4b	6	7	-	6
4c	2	7	2	-
4d	4	7	-	4
4e	4	6	-	4
5a(i)	2	9	2	-
5a(ii)	1	8	1	-
5b(i)	3	9	-	3
5b(ii)	3	9	-	3
5c(i)	2	9	2	-

5c(ii)	2	8	2	-
5d(i)	4	9	-	4
5d(ii)	3	9	-	3
		100 %	40 %	60 %