



SUBJECT: **Economics**
 PAPER NUMBER: I – Level 1-2-3
 DATE: 30th April 2025
 DURATION: 2 hours 5 minutes

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 sub-question are shown in brackets.

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 (-).

1. a. The next best alternative forgone is referred to as:

- variable cost.
- choice.
- scarcity.
- none of the above. (1)

b. In economics we assume that a rational producer will always aim to:

- maximise sales.
- minimise costs.
- maximise profit.
- none of the above. (1)

c. Choose the correct word from the word bank to complete the sentence below.

people	scarcity	demand
resources	choices	war

The basic economic problem is _____, which means that unlimited wants cannot all be satisfied due to limited _____. This will force people to make _____.

d. Explain the difference between economic goods and free goods.

(2)

Please turn the page.

e. Define rational behaviour by consumers.

_____ (1)

f. Indicate whether the following statements are true or false and provide a reason for both.

i. In a command economy, prices are determined by the forces of demand and supply.

() True () False (1)

Reason: _____

_____ (1)

ii. The 'invisible hand', as explained by Adam Smith, will allocate resources without the need of government intervention.

() True () False (1)

Reason: _____

_____ (1)

g. A total of €300 million is being invested in a 122-kilometer interconnector between Malta and Sicily. Describe opportunity cost and in your description use **ONE** practical example.

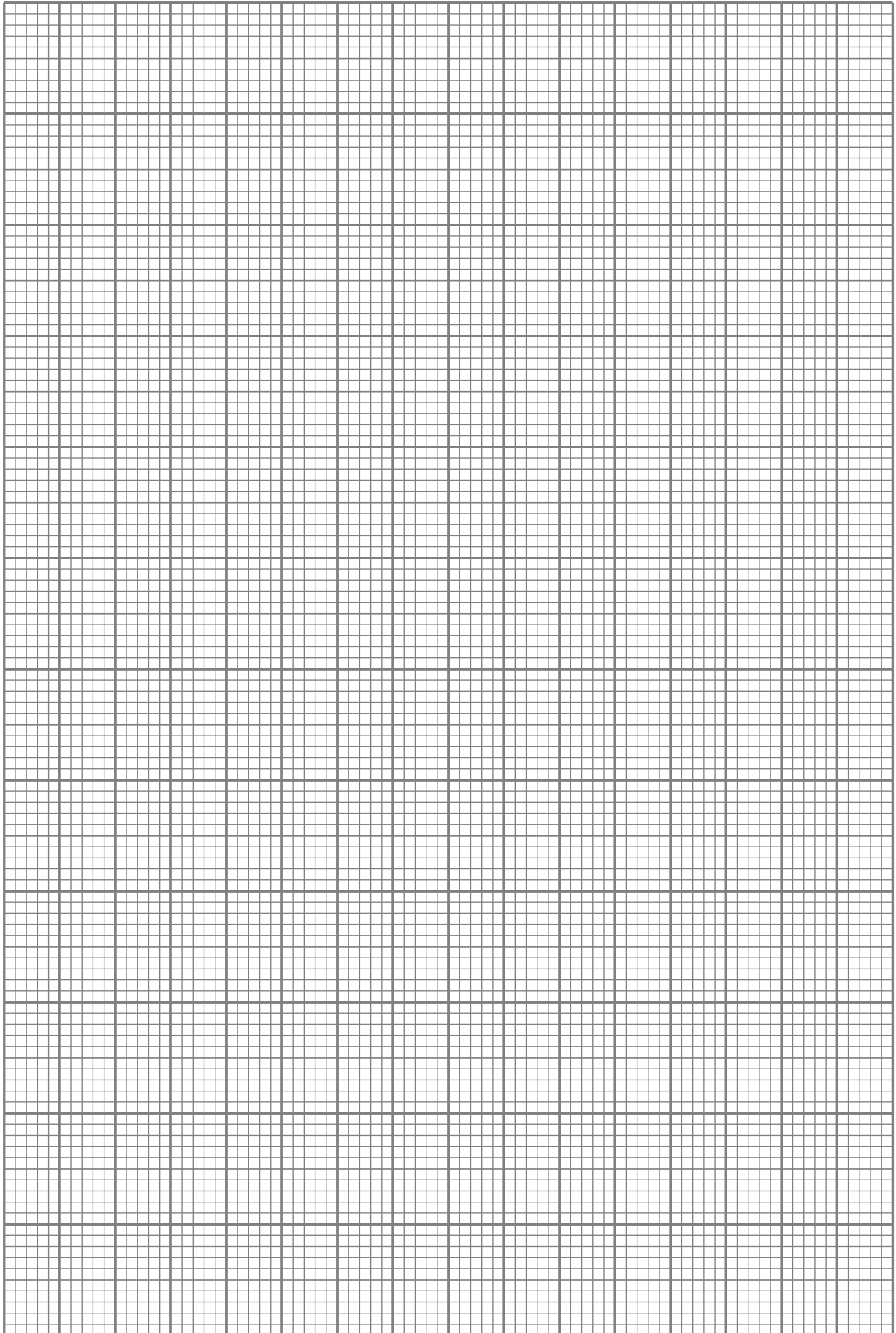
_____ (3)

h. i. Table 1 below shows all the possible maximum combinations of wind turbines and solar panels that can be produced in a country called Cleanland.

Table 1

Wind turbines	Solar Panels
0	1,000
1	900
2	750
3	550
4	300
5	0

Plot the Production Possibility Curve (PPC) of Cleanland on the gridlines provided below. Use proper labelling. (4)



ii. Interpret the shape of the PPC you plotted in (i) in terms of opportunity cost.

(3)

iii. With reference to the PPC you plotted in (i), what can be said about the productive efficiency from the combination of 3 wind turbines and 300 solar panels?

(3)

(Total: 25 marks)

2. a. What is the term for a price set above the equilibrium price that cannot legally be lowered?

- Price ceiling.
- Price floor.
- Price wall.
- Maximum price. (1)

b. Which of the following will be classified as a public good?

- National defence.
- Public schools.
- State hospitals.
- All of the above. (1)

c. Choose the correct word from the word bank to complete the sentence below.

supply	taxes	positive
negative	subsidies	demand

In order to reduce traffic congestion, which is a _____ externality of private car use, the government might consider a policy to increase _____ on fuel for consumers. If successful, this will shift the _____ curve of private car use inwards. (3)

d. Give **ONE** example of **each** of the following:

i. Merit good: _____ (1)

ii. Demerit good: _____ (1)

e. Indicate whether the following statement is true or false and provide a reason.
"Demerit goods are under-supplied in a free market".

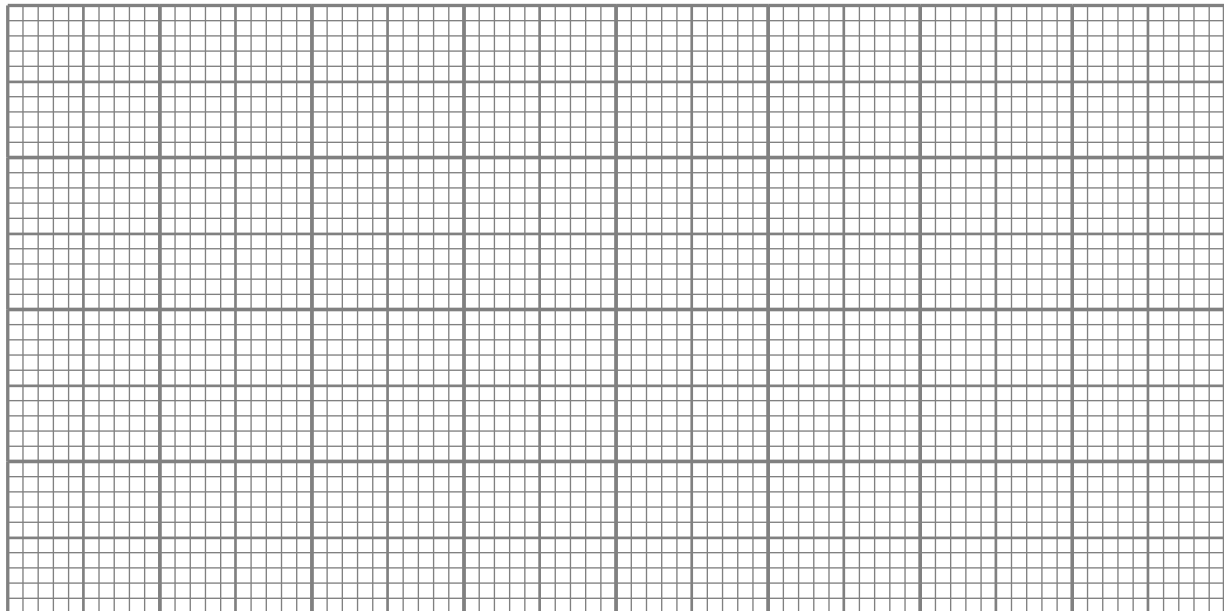
() True () False

Reason: _____
_____ (2)

f. Distinguish between private benefits and social benefits.

_____ (2)

g. Draw a diagram to distinguish between a price floor and a price ceiling. (2)



h. Describe **ONE** policy that the government can implement to increase consumption of local fresh fruit and vegetables.

This question continues on next page.

(3)

i. There is an increasing awareness of the negative psychological impact that unbalanced use of social media can have on its consumers, contributing to market failure. Following Australia's ban of social media use for children under 16 years of age, the Maltese authorities are also considering making a similar move.

i. Given the above information, identify the type of government policy being used to address the harmful effects of social media use.

(1)

ii. In what way can we argue that social media use results in a market failure?

(3)

iii. Describe **ONE** other form of government intervention in order to address this market failure, apart from the one you mentioned in part (i).

(2)

iv. Evaluate the impact on the firms' behaviour, the consumers' behaviour and the social cost if the government fails to address this market failure.

(3)

(Total: 25 marks)

3. a. Inflation refers to:

- () A sustained increase in the general price level.
- () A one-time increase in the price of one good.
- () A reduction in the purchasing power of money.
- () An increase in the price of raw materials. (1)

b. Describe how inflation is measured.

(2)

c. Which of the following best describes unemployment?

- () It is the total number of people who are currently not working.
- () It is the number of people who are actively seeking work but are unable to find a job.
- () It is the percentage of the population who are of working age.
- () It is the number of people who have lost their jobs due to automation. (1)

d. Fill in the blanks using the word bank.

frictional	cyclical	structural	seasonal
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- i. _____ unemployment is caused by changes in industries and technology. (1)
- ii. _____ unemployment occurs during a recession or economic downturn. (1)
- iii. _____ unemployment occurs when workers are between jobs, searching for new opportunities, or transitioning into the labour market. (1)

e. Table 2 below shows the monthly unemployment rate in a country over a period of six months.

Table 2

Month	Unemployment Rate (%)
January	4.0
February	4.2
March	4.1
April	3.9
May	3.8
June	3.7

i. Calculate the average unemployment rate over the six-month period.

(2)

.....
h. Evaluate **ONE** government policy to reduce structural unemployment.

_____ (4)

(Total: 25 marks)

4. a. Economic growth refers to:

- () An increase in the amount of goods and services produced per head of population.
- () Reducing inequality within countries.
- () Ending poverty in all forms.
- () An improvement in the quality of life and living standards of the population. (1)

b. Fill in the blanks using the word bank:

economic growth	economic development	sustainability
-----------------	----------------------	----------------

- i. _____ focuses on GDP and production increases.
- ii. _____ involves improvements in living standards and quality of life.
- iii. The three pillars of _____ are economic, social, and environmental. (3)

c. How does an increase in the quality of machinery impact economic growth?

_____ (2)

d. State **TWO** characteristics of less developed countries (LDCs).

_____ (2)

This question continues on next page.

e. Figure 1 below shows a production possibility curve (PPC) for an economy.

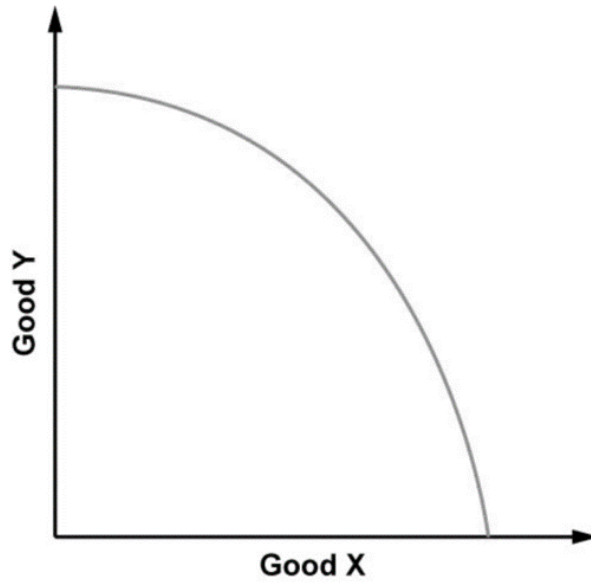


Figure 1

Explain, and show by means of a diagram in the space provided, how the PPC can be used to illustrate the concept of economic growth.

(5)

Space for diagram:

.....
f. Give **ONE** reason to show that resource sustainability is an important environmental and economic goal.

(2)

g. Describe **ONE** constraint that may prevent resource sustainability from occurring.

(2)

h. Assess **TWO** possible limitations to economic growth.

(4)

i. Explain **TWO** government policies that can reduce inequality through wealth redistribution.

(4)

(Total: 25 marks)

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SUBJECT: **Economics**
 PAPER NUMBER: II – Level 1-2
 DATE: 30th April 2025
 DURATION: 2 hours 5 minutes

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. 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 (-).

1. a. Which factor of production has the functions of risk-bearing, organising and managing other factors of production? (1)
- () Entrepreneurship.
 - () Labour.
 - () People.
 - () Managers. (1)
- b. Production is: (1)
- () The manufacturing process of creating tangible goods.
 - () The process of using resources to create an output of goods and services.
 - () The consumption of goods and services by buyers.
 - () The division of labour (specialisation by process). (1)
- c. Which of the following would be classified as part of the secondary sector of the economy? (1)
- () Gaming industry.
 - () Agricultural industry.
 - () Wholesale and retail industry.
 - () Construction industry. (1)
- d. Fruity Smoothie Ltd. has just opened, providing smoothies made of fresh fruit. (4)
- i. Help the owners classify the following resources into either land, labour or capital: (4)

chairs	cash register	blender operator	cashier
bananas	blender	almond milk	strawberries

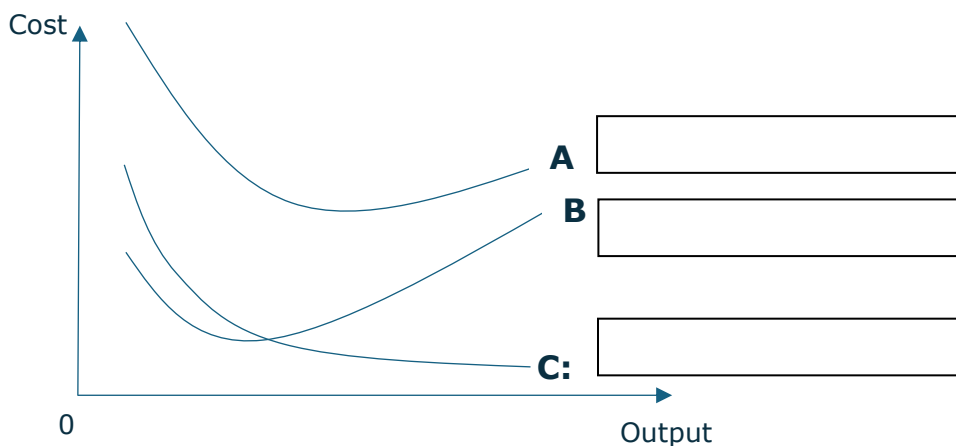
Land	Labour	Capital

e. Is this statement true or false?

Principle Five of the World Fair Trade Organisation states that children can only be employed as long as they are treated with respect and paid a fair salary.

() True () False (1)

f. Label **each** cost curve correctly in the diagram below correctly. (3)



(Total: 20 marks)

2. a. Which of the following is a market failure?

- () No provision of public goods.
- () Over-supply of demerit goods.
- () Under-supply of merit goods.
- () All of the above. (1)

b. Which of the following is a primary example of government expenditure?

- () Tax collection.
- () Providing social security benefits.
- () Issuing government bonds.
- () Regulation private businesses. (1)

c. Which economic system allows private property, income redistribution and regulation.

- () Command Economy.
- () Mixed Economy.
- () Market Economy.
- () All of the above. (1)

This question continues on next page.

d. Choose the correct word from the word bank to complete the sentences below.

freezing	above	decreasing	shortage
tax	price-ceiling	price-floor	removing
below	increasing	surplus	on

Every time there is not enough supply to satisfy consumer demand, the market solves this problem on its own by _____ the price of the product. This would restore market equilibrium. However, this does not mean that every consumer can now afford to buy the product. Knowing this, the government can introduce a _____ that is set _____ the equilibrium price. However, a new problem of disequilibrium emerges, with a number of consumers not being able to buy the product, due to the resulting _____.

(4)

e. Give **ONE** example of a negative externality.

_____ (1)

f. In response to negative externalities, the government can charge indirect taxes. What effect will such a tax have on the market price and quantity?

_____ (4)

g. Why do we need the government to provide street lighting?

_____ (4)

h. Is this statement true or false?

Having free healthcare through public hospitals is a good example of the government increasing supply of merit goods.

() True () False (1)

i. Explain why merit goods are under-supplied by the free market.

 _____ (3)

(Total: 20 marks)

3. a. Table 2 below shows the demand and supply schedules of barbeque sets.

Table 2

Price	A	B
€	BBQ sets per month	BBQ sets per month
100	10	150
200	50	120
300	90	90
400	130	60
500	170	30
600	210	0

i. With reference to columns A and B, identify which column refers to quantity demanded and quantity supplied:

Column A: _____ (1)

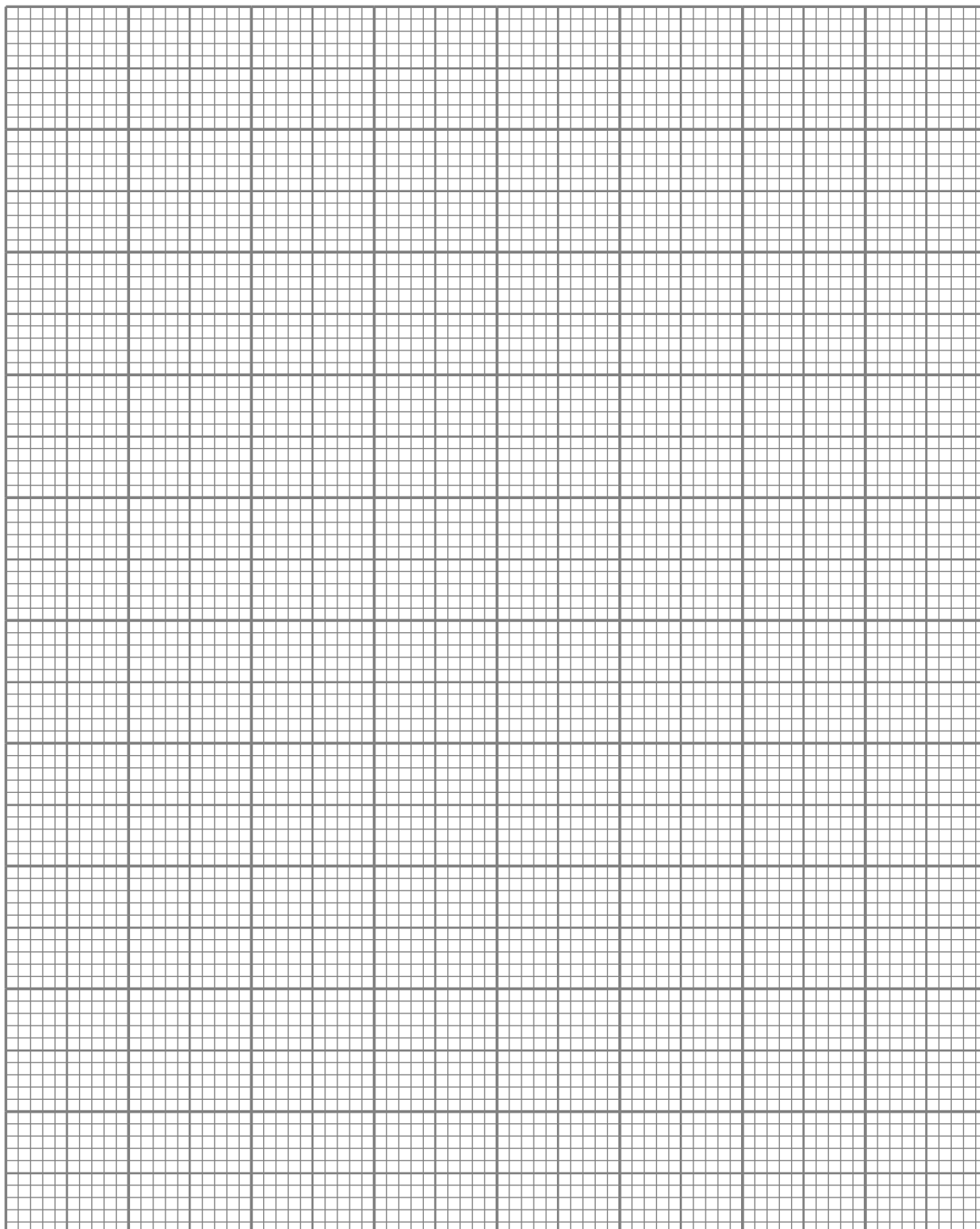
Column B: _____ (1)

ii. What was your reasoning behind your answers to question 3.i.?

This question continues on next page.

(2)

iii. Plot both the demand and supply curves in the space below with appropriate labelling on both axes. (4)



iv. From Table 2 on page 5, calculate the price elasticity of supply (PES) for barbeque sets when the price increases from €200 to €300. Use your answer to show whether supply is relatively elastic or relatively inelastic.

(3)

b. Choose the correct word from the word bank to complete the sentences below.

decrease	substitutes	complement	luxury
price-elastic	price-inelastic	necessity	habit-forming good

If social media platform TikTok starts charging a price for the service it provides, we might expect the quantity demanded to fall by a smaller proportion. This would make demand for TikTok _____, probably since it can be considered as a _____. At the same time, one might argue that TikTok has many _____ which consumers can choose from. This would in turn make its demand more _____.

(4)

c. Which of the following would shift the demand curve of Pizza Capricciosa outwards?

- () A decrease in the price of Pizza Capricciosa.
 - () A decrease in the price of Pizza Margherita.
 - () A decrease in personal income tax.
 - () A decrease in the country's population.
- (1)

d. Which of the following would **not** shift the supply curve of Pizza Capricciosa inwards?

- () An increase in the salary of the Pizzaiolo (pizza chef).
 - () An increase in the Value-Added Tax.
 - () An increase in the price of mozzarella.
 - () An increase in the price of soft drinks.
- (1)

e. Use the diagram you plotted in question 3.a.iii. to show a situation of excess demand. Choose a price you consider relevant and use the appropriate labelling.

(2)

This question continues on next page.

f. Give a real-world example from the food delivery industry to show that the demand for labour is a derived demand.

(1)

(Total: 20 marks)

4. a. Define Gross Domestic Product (GDP) and state its use as an indicator of economic performance.

(2)

b. Which of the following best defines Real GDP?

- () The total value of all goods and services produced in a country in a given year, adjusted for inflation.
- () The total value of all goods and services produced in a country in a given year, not adjusted for inflation.
- () The average income of all citizens in a country.
- () The total amount of money spent by consumers in a country. (2)

c. Figure 1 on page 9 represents the four phases of the economic cycle. Refer to Figure 1 and match **each** phase of the economic cycle in the blank spaces provided below the diagram. (2)

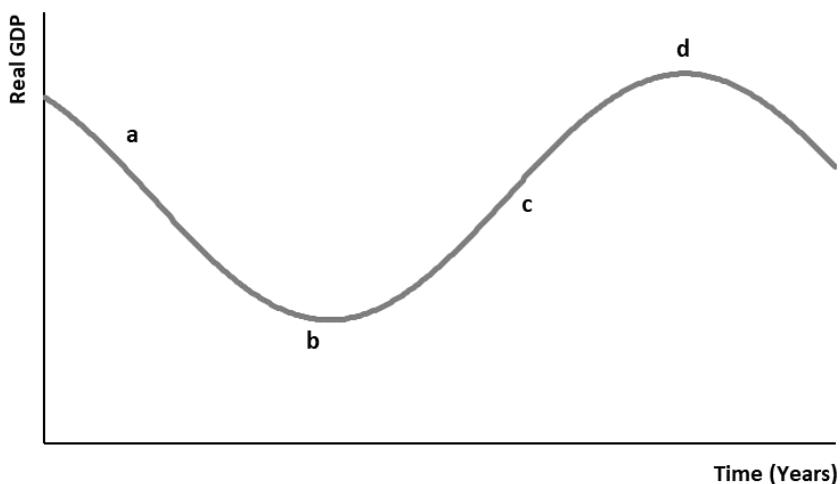


Figure 1

Phases	a, b, c or d
Boom	
Recession	
Slump	
Recovery	

d. Using the data below, calculate nominal GDP using the Expenditure approach formula. Show all your workings.

Variable	€
Gross Private Investment	200
Corporate profits	350
Net Exports	50
Government Expenditure	300
Household Consumption	450
Foreign Direct Investment	100

(4)

e. Figure 2 below illustrates the circular flow of income in a closed economy.

i. Complete Figure 2 by labelling injections marked A and B and withdrawals marked C and D using the terms provided in the word bank below. (2)

Taxes (T)	Investment (I)	Exports (X)	Savings (S)	Imports (M)	Government Expenditure (G)
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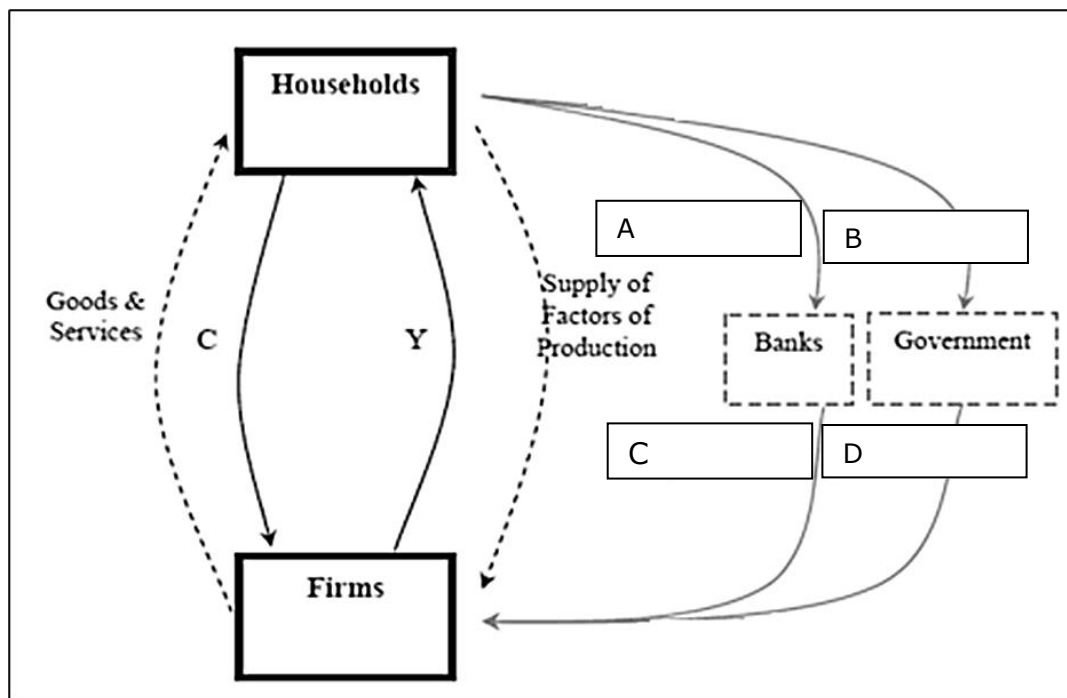


Figure 2

ii. Choose **ONE** injection **or ONE** withdrawal and briefly show how it affects the circular flow of income.

(2)

f. Use the data provided in Table 3 below to calculate the equilibrium level of national income, assuming a closed economy.

Table 3

Withdrawal/Injection	Value
Savings (S)	€100 million
Taxation (T)	€200 million
Exports (X)	€80 million
Investment (I)	€150 million
Government expenditure (G)	€250 million
Imports (M)	€60 million

5. a. Define international trade.

(2)

b. Fill in the blanks of the following paragraph using the word bank below.

cost of doing business	exchange rates	inflation	productivity	tax rates	infrastructure
------------------------	----------------	-----------	--------------	-----------	----------------

A country's international competitiveness is influenced by a variety of factors. _____ determines how efficiently resources are used to produce goods and services, while _____ erodes purchasing power and affects competitiveness. International trade is impacted by _____, which determine the relative prices of exports and imports. Governments use _____ to raise revenue and influence economic activity, which influence the attractiveness of a country for investment. _____, such as roads and communication networks, plays a crucial role in facilitating business. Finally, _____, including wages, energy costs, and regulations, affects the overall profitability of businesses and shapes a nation's ability to compete internationally. (3)

c. List **TWO** internal and **TWO** external sources of finance available to firms in both the short term and long-term.

(4)

d. Classify the following transactions into international trade **or** domestic trade:

- i. A Maltese firm selling furniture to a Spanish hotel. _____ (1)
- ii. A Gozitan farmer selling tomatoes to a restaurant in Valletta. _____ (1)
- iii. A Maltese resident buying a book online from Amazon.com. _____ (1)
- iv. A Maltese bank providing a loan to an Italian company. _____ (1)
- v. A German tourist buying souvenirs in Mdina. _____ (1)

e. What determines the demand for a country's currency?

_____ (1)

f. What determines the supply of a country's currency?

_____ (1)

g. List **TWO** reasons affecting the appreciation of a country's currency.

_____ (2)

h. State **TWO** economic objectives of the European Union.

_____ (2)

(Total: 20 marks)

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1. a. Fruity Smoothie Ltd. has just opened, serving smoothies made of fresh fruit.

i. Describe the sector of production Fruity Smoothie Ltd. is operating.

_____ (2)

ii. Describe any other sector of production and give **ONE** example of such a sector.

_____ (2)

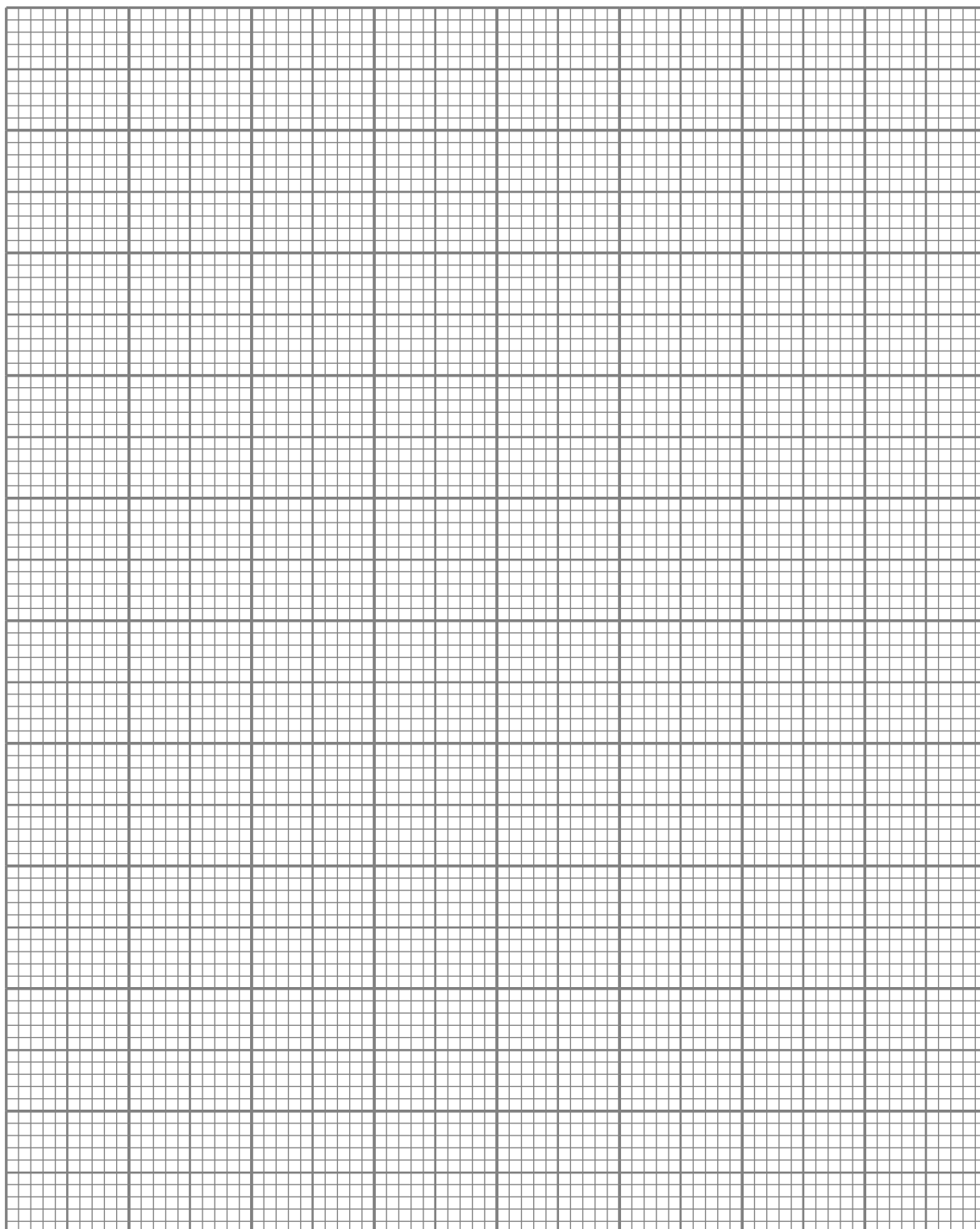
b. Calculate the missing information in Table 1 below. (4)

Table 1

Number of workers	Total Product (smoothies per hour)	Marginal Product (smoothies per hour)	Average Product (smoothies per hour)
0	0	-	-
5	100		
10			25
15	400		
20		+20	

Please turn the page.

- c. Using the data in Table 1, plot the Marginal Product and Average Product curves on the gridlines provided below. Use proper labelling. (4)



i. With reference to columns A and B, identify which column refers to quantity demanded and quantity supplied:

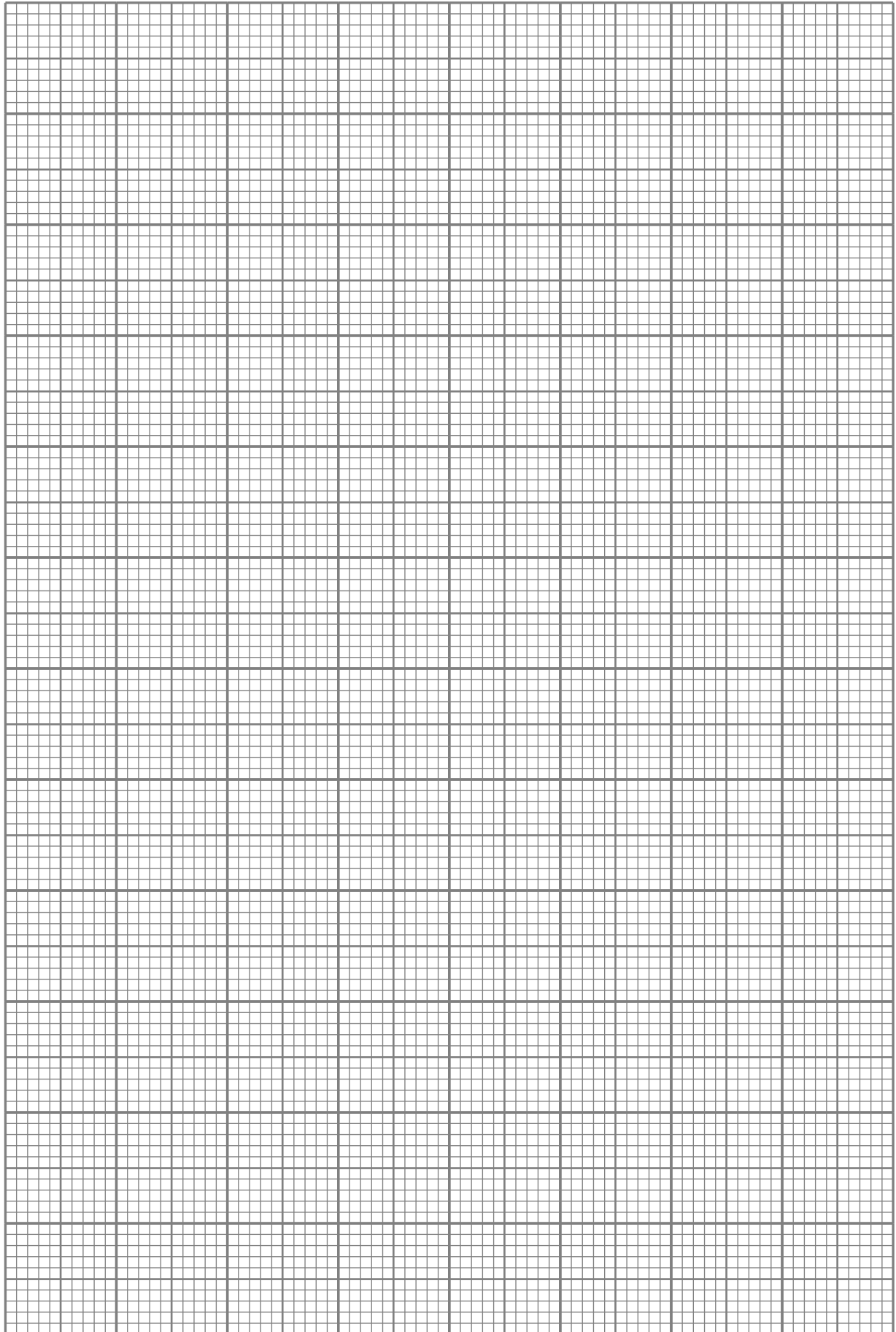
Column A: _____ (1)

Column B: _____ (1)

ii. What was your reasoning behind your answers to question 3.i.?

(2)

iii. Plot both the demand and supply curves in the space below with appropriate labelling on both axes. (4)



iv. From Table 2 on page 5, calculate the price elasticity of supply (PES) for barbeque sets when the price increases from €200 to €300. Use your answer to show whether supply is relatively elastic or relatively inelastic.

(3)

b. Choose the correct word from the word bank to complete the sentences below.

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If social media platform TikTok starts charging a price for the service it provides, we might expect the quantity demanded to fall by a smaller proportion. This would make demand for TikTok _____, probably since it can be considered as a _____.

At the same time, one might argue that TikTok has many _____ which consumers can choose from. This would in turn make its demand more _____.

(4)

c. Which of the following would shift the demand curve of Pizza Capricciosa outwards? (1)

- () A decrease in the price of Pizza Capricciosa.
- () A decrease in the price of Pizza Margherita.
- () A decrease in personal income tax.
- () A decrease in the country’s population.

d. Which of the following would **not** shift the supply curve of Pizza Capricciosa inwards? (1)

- () An increase in the salary of the Pizzaiolo (pizza chef).
- () An increase in the Value-Added Tax.
- () An increase in the price of mozzarella.
- () An increase in the price of soft drinks.

e. On the diagram you plotted in question 3.a.iii. show a situation of excess demand. Choose a price you consider relevant and use the appropriate labelling. (2)

f. Give a real-world example from the food delivery industry to show that the demand for labour is a derived demand.

(1)

(Total: 20 marks)

4. a. Distinguish between nominal GDP and real GDP.

(2)

b. Considering the data in Table 3 below:

Table 3

	Country A €	Country B €
Real GDP	1,000,000	1,400,000
Private Consumption	500,000	650,000
Investment	200,000	150,000
Government Consumption	50,000	180,000
Exports	750,000	1,230,000
Imports	500,000	810,000
Population	200,000	365,000

i. Calculate the real GDP per capita for both Country A and Country B. Show your workings.

This question continues on next page.

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