UNIVERSITY OF MALTA

THE MATRICULATION EXAMINATION

INTERMEDIATE LEVEL

ECONOMICS

MAY 2017

EXAMINERS' REPORT

INTERMEDIATE ECONOMICS
MAY 2017 SESSION
EXAMINERS' REPORT

Part 1: Statistical Information

Table 1 shows the distribution of grades for the May 2017 session of the examination.

GRADE	A	B	C	D	E	F	abs	TOTAL
NUMBER	3	10	16	18	5	10	4	66
% OF TOTAL	4.5	15.2	24.2	27.3	7.6	15.2	6.1	100

Part 2: Comments regarding candidate's performance: Paper 1

The Candidate is expected to answer 3 questions from each section and each question carries a total of 20 marks. Marks are then apportioned out of 50 for each of the sections once a total is obtained.

A total of 66 candidates were registered to sit for the examination. 4 candidates reported absent from the examination. A total of 62 scripts were corrected.

Question 1

a) The overall answers given for question 'a' were correct and most of the candidates clearly defined the concept of 'ceteris paribus' and also correctly applied the concept to a practical case.
b) Answers to this question were correct, most candidates correctly depicted and explained the downward sloping demand curve.
c) A variety of replies were given in the answers to this question. Most correct answers mentioned the main non-price determinants of demand and explained that changes in such factors lead to a shift in the demand curve. One notes that in some of the replies candidates incorrectly depicted the shifts in the demand curve following changes in the non-price determinants.
d) One notes some inaccuracies in the definition of 'consumer surplus' and also inaccuracies in the graph depicted to illustrate the concept of consumer surplus.

This question was answered by 52 candidates (84% of the candidates attempted to answer this question) and the average mark obtained was of 14/20.

Question 2

a) In general, the answers provided for this question were correct with candidates mentioning and providing examples of the four different factors of production.
b) One can conclude from the answers provided that the distinction between the concept of specialization by product and specialization by process is not clear to the candidates.
c) The answers provided for this question show that most candidates confuse and do not distinguish clearly between the two concepts of production and productivity.

d) A number of inaccuracies are noted in the replies to this question. Whilst most of the replies correctly mention the three sectors of production, in some instances not enough detail is provided in the replies provided.

This question was answered by only 28 candidates (45% of the candidates attempted to answer this question) and the average mark obtained was of 11/20.

Question 3

a) The answers provided show that most candidates correctly define the price elasticity of supply and also correctly provided the required formula for the calculation of price elasticity.
b) A number of inaccuracies were noted in the answers provided for this question. Candidates who answered correctly provided clear and accurate answers. The incorrect answers given show that the candidates lack the necessary understanding of the concept of elasticity, and thus of the responsiveness of a variable (in this case supply) to a change in another variable (in this case price). A number on incorrect diagrams were given in reply to this question.

This question was answered by 34 candidates (55% of the candidates attempted to answer this question) and the average mark obtained was of 13/20.

Question 4

a) One notes an overall good use of the production possibility frontier to show the concepts of productive and allocative efficiency. A more clear distinction in terms of definitions between the two concepts was required in some of the replies provided.
b) Most of the answers lacked a clear definition of 'market failure'. Various examples of market failure have been used in the replies provided. A clearer explanation of why markets fail in each of the cases was required.

This question was answered by 30 candidates (48% of the candidates attempted to answer this question) and the average mark obtained was of 11/20.

Question 5

a) Most of the answers given provided an explanation of the concepts of non-rivalry and non-excludability for public goods. One notes that a common error in the explanation for merit goods was that this lacked in terms of mentioning that people will usually under-consume such goods.
b) Most of the replies to this question lacked in terms of the economic definition of an 'externality' i.e. that an externality occurs when private costs and benefits are different from social costs and benefits. The examples given for negative and positive externalities were generally correct.
c) Most of the answers did mention some of the possible measures which could be used by a government to address a market distortion. More detail and explanation was expected in reply to this question.

This question was answered by 42 candidates (68% of the candidates attempted to answer this question) and the average mark obtained was of 12/20.

Section B

Question 6

a) The answers provided to explain the circular flow of income showed a good level of understanding in terms of concepts and how income flows within an economy. Some answers failed to comment and discuss the role of injections/withdrawals within the economic system. Most of the diagrams provided in the answers were generally accurate and well labelled.

b) The answers to this question varied in detail and in content. The question asked about the different methods of measuring national income and thus a certain level of detail in terms of explanation of what constitutes each of the methods was required. This level of detail was in some instances lacking. A good number of candidates also failed to highlight that all three methods should provide the same measure of GDP estimate.

This question was answered by 49 candidates (79 % of the candidates attempted to answer the question) and the average mark obtained was of 12.

Question 7

a) The answers given to explain the relationship between consumption and income, mainly the positive link between the two were correct.

b) Most replies to this question correctly mentioned that to achieve shifts in the consumption function one needs to register a change in one of the non-income determinants. A detailed description of such determinants is found to be lacking in some of the answers.

c) Some of the answers to this question fail to provide a clear definition for the 'multiplier'. Candidates in general failed to provide the necessary formula which is used to obtain an estimate for the multiplier.

This question was answered by 57 candidates (92% of the candidates attempted to answer the question) and the average mark obtained was of 12/20.

Question 8

a) The definition provided by most candidates for the 'Aggregate Demand' term was not complete. Most candidates though correctly provided a diagrammatic representation of the AD and AS curves. One notes that candidates failed to identify the fact that in the short run it is assumed that the price of factors of production are assumed to be fixed.

b) One would have expected a clear statement at the start of the answer to this question that shifts in the AD/AS cures are due to changes in determinants other than price. A number of determinants of both the AD and the AS curves were given in the answers provided although more detail in terms of impact on the graphs was expected within the answers.

This question was answered by 28 candidates (45% of the candidates attempted to answer this question) and the average mark obtained was of 10/20.

Question 9

a) The correct answers given for this question were relatively accurate and detailed explaining both the use of contractionary and expansionary monetary policy. It is clear that some candidates though lack the necessary basic knowledge of the topic. One highlights a lot of variation in relation to the knowledge of the topic across the candidates answering this question.

b) The number of correct replies for this question was relatively low with only a few candidates providing the transactions, precautionary and speculative motives for demanding money. Furthermore, the explanations given of each lacked the necessary level of detail.

This question was answered by 38 candidates (61% of the candidates attempted to answer this question) and the average mark obtained was of 9/20.

Question 10

a) The answers given to this question were generally lacking in the necessary detail required. The answers show that not enough detail and knowledge about each of the BOP accounts is known by the candidates. The definitions provided were in most cases inaccurate and lacked in detail.

b) Whilst most of the answers show the correct shift in the AD curve in response to the increase in the current account deficit, most of the answers lack in providing details of what constitutes the AD curve, thus leading to the fact that a deficit is the result of imports>exports. The impact of a left shift in the AD curve on prices and output in the economy is also generally missing from the answers provided for this question.

This question was answered by 15 candidates (24 % of the candidates attempted to answer this question) and the average mark obtained was of 9/20.

Chairperson
Examiners' Panel 2017