

**Senior 5 Sample Paper – Level 1-2**

*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**

**(20 marks)**

a) Define demand. (1)

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b) State the law of demand. (1)

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c) Define supply. (1)

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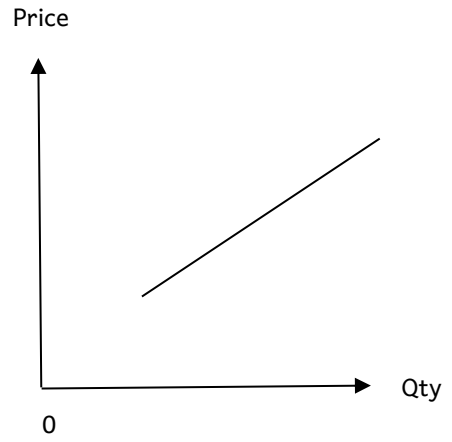
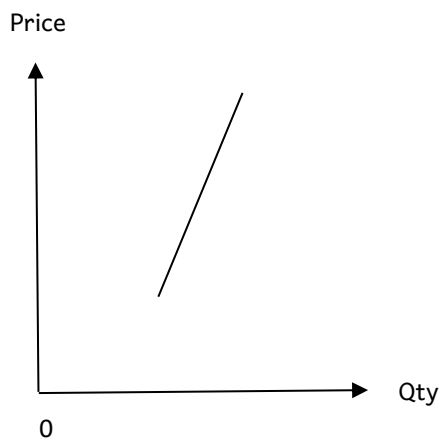
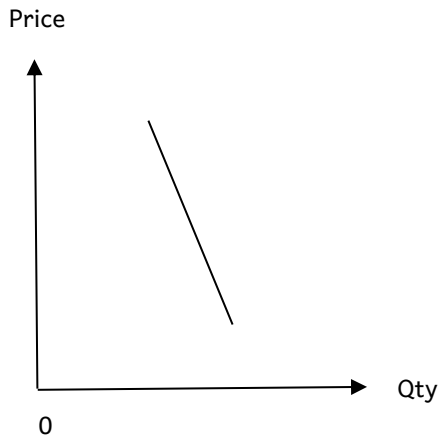
d) State the law of supply. (1)

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e) For each provided diagram, label the curve as either "Demand" or "Supply" and classify it as "Elastic" or "Inelastic." (4)

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

Price (€)	Quantity Demanded	Quantity Supplied
0	140	0
10	120	15
20	100	30
30	80	45
40	60	60
50	40	75
60	20	90
70	0	105

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

ii. On the graph paper, indicate with drop lines the equilibrium price. (2)

g) Imagine a local coffee shop selling cups of coffee. Over a week, the price of coffee per cup changes, and as a result, the quantity demanded and supplied also changes.

Day	Price per cup (€)	Quantity Demanded Units	Quantity Supplied Units
Monday	1.50	300	300
Friday	1.70	280	330

i. Calculate the price elasticity of demand based on the given data. (1)

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ii. Determine whether the demand for coffee is elastic, inelastic or of unit elasticity. (1)

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iii. Calculate the price elasticity of supply based on the given data. (1)

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iv. Determine whether the demand for coffee is elastic, inelastic or of unit elasticity. (1)

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h) Explain how the free-market economic system solves the basic economic problems of scarcity and choice. (2)

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**Question 2**

**(20 marks)**

a) Define production. (1)

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b) Classify the following productive activities into the appropriate economic sectors (primary, secondary, tertiary). (3)

*Hospitality*                      *Fishing*                      *Construction*  
*Software Development*              *Manufacturing*                      *Agriculture*

Primary Sector	Secondary Sector	Tertiary Sector

c) State ANY TWO principles of fair trade. (2)

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d) Classify the following outputs as either goods or services: (2)

	Goods	Services
Dental cleaning		
Internet access		
Loaf of bread		
Designer handbag		

e) Define the following:

i. Fixed Costs. (1)

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ii. Variable Costs. (1)

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f) Complete the table below: (4)

Output	Fixed Costs	Variable Costs	Total Costs	Average Total Cost
0			10	/
10		10		
20				3.5
30		130		
40			200	
50		230		
60				2.6

g) Division of Labour refers to the allocation of different tasks to different people or groups in a production process.

i. Assess TWO advantages and TWO disadvantages of division of labour. (2)

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ii. Using a numerical example, explain the law of diminishing returns by relating to division of labour. (3)

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h) Explain TWO ways how a business encounters the problem of opportunity cost. (2)

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**Question 3**

**(20 marks)**

a) Explain what is meant by Gross Domestic Product (GDP). (1)

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b) State the three pillars of resource sustainability. (3)

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c) The following information relates to the GDP figures of Country X in 2022:

- Consumption by Households ( $C_H$ ): €500 million
- Consumption by Non-Profit Institutions Serving Households ( $C_{NPISH}$ ): €50 million
- Government Consumption ( $C_G$ ): €200 million
- Investment ( $I$ ): €150 million
- Exports ( $X$ ): €120 million
- Imports ( $M$ ): €100 million

Calculate GDP. (4)

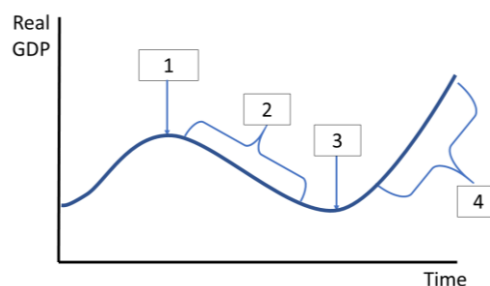
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d) Identify the four phases of the economic cycle as shown in the diagram below. (4)



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- 1 - \_\_\_\_\_
- 2 - \_\_\_\_\_
- 3 - \_\_\_\_\_
- 4 - \_\_\_\_\_

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

i. Inflation (2)

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ii. Unemployment (2)

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iii. Consumption (2)

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f) Explain the impact of an increase in the rate of interest on savings. (2)

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**Question 4**

**(20 marks)**

a) Define international trade. (1)

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b) State FOUR factors that determine international competitiveness. (4)

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c) Explain the following terms:

i. Exports. (1)

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ii. Imports. (1)

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iii. Exchange rates. (1)

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d) Classify the following transactions as either International Trade or Domestic Trade by ticking the appropriate column. (2)

Transaction	International Trade	Domestic Trade
A restaurant in Malta buys fresh fish directly from Tunisian fishermen.		
A local software development firm provides IT services to a company in the United Kingdom.		

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A grocery store in Sliema sells locally grown produce to customers.		
A Maltese artisan purchases raw materials from a wholesaler in Italy to create handcrafted souvenirs.		

e) List and explain TWO reasons for the United Nations (UN) to create the Sustainable Development Goals. (2)

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f)

i. Calculate the Balance on the Current Account. (4)

Visible Exports	Visible Imports	Invisible Exports	Invisible Imports	Income	Transfers
Current Prices (Millions of €)					
650	700	987	341	+86	+55
				-107	-43

ii. Explain TWO reasons for a surplus in the Balance of Trade. (4)

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**Question 5**

**(20 marks)**

a) State four main items of government revenue. (4)

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b) State four main items of government expenditure. (4)

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c) Explain the difference between progressive and regressive taxes. Substantiate your answer by using graphs. (4)

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d) The table below provides information on the Maltese Government’s financial position from 2020 to 2023. Was the Maltese Government running a surplus or a deficit for each of the four recorded years? Show your workings. (4)

	Government Revenue	Government Expenditure	Deficit/ Surplus
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	Total Revenue	Current Expenditure	Capital Expenditure	Total Expenditure	
	(€ millions)	(€ millions)	(€ millions)	(€ millions)	(€ millions)
2020	9,900	6,800	2,700		
2021	11,100	7,800	4,800		
2022	11,500	8,500	5,060		
2023	14,000	9,000	5,100		

e) Using a diagram, explain what is meant by demand-pull inflation. (4)

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