

Senior 5 Sample Paper 1 – Level 2-3

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) Imagine you are starting a small business that produces **handmade candles**.

Classify the following factors of production involved in making handmade candles into the categories of Land, Labour and Capital by ticking the appropriate column. The first one has been done for you. (2)

	Land	Labour	Capital
Beeswax	✓		
Mr Debono (Candle maker)			
Deliveryman			
Packaging materials used to wrap and present the candles			
Water			
Cotton			

b) Classify the following goods and services in the appropriate column: (4)

<i>Industrial robot</i>	<i>Freight transportation</i>	<i>Smartphone</i>	<i>House cleaning</i>
<i>Personal training session</i>	<i>Refrigerator</i>	<i>Personal computer</i>	<i>Printing press</i>
<i>Farming equipment</i>	<i>Online tutoring</i>	<i>Construction machinery</i>	<i>Coffee maker</i>

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Consumer Goods	Producer Goods	Personal Services	Commercial Services

c) Explain the importance of each of the sectors of production (primary, secondary, and tertiary) in relation to the production process of bread. In your response, provide specific examples of how each sector contributes to the creation and delivery of bread to the consumer. (3)

d) The local council of Marsaxlokk is considering two major projects but can only implement one due to budget constraints: restoration of the façade of a historic fort or buying new premises for the fish market. The costs of both projects are as follows:

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Façade Restoration		New Premises for the Fish Market	
	€		€
Land	650,000	Land	1,600,000
Labour	750,000	Labour	600,000
Capital	1,000,000	Capital	800,000

Using the information from the table above, distinguish between the money costs and opportunity costs of choosing the fish market project. (2)

e) 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)

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

- f) Complete the table below: (4)

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

Question 2

(20 marks)

- a) Compare and contrast how prices are used to allocate resources in free market economies and command economies. (2)

- b) Explain why merit goods are under-supplied while demerit goods are over-supplied by the free market. (2)

- c) In the space below, sketch a demand curve that shows the law of demand. (1)

Space for diagram

d) The equilibrium price of a **bucket of popcorn** is €4.50. Assess what will happen to the equilibrium price of buckets of popcorn in each of the following cases.

Illustrate your answers with sketch graphs.

- i. New technology in popcorn machines prevents burnt popcorn. (3)

Space for diagram

Explanation - _____

- ii. Three blockbuster films are currently showing in cinemas. (3)

Space for diagram

Explanation - _____

- iii. Shipping costs in general are increasing worldwide. (3)

Space for diagram

Explanation - _____

e) Demand for labour is said to be a derived demand.

- i. Explain how the concept of derived demand for labour applies to Malta's local tourism industry by providing an example. (2)

- ii. Explain one reason for wage differentials within the same occupation.(1)

- iii. Illustrate a demand and supply diagram (labour) that shows a situation on unemployment in a particular labour market. Use appropriate labeling. (2)

Space for diagram

Question 3

(20 marks)

a. Inflation is the sustained rise in the general level of prices of goods and services in an economy over time.

i. Describe demand-pull inflation. (2)

ii. Assess the impact of demand-pull inflation on households. (2)

b. Gross Domestic Product (GDP) is used as an economic indicator to measure economic performance. Distinguish between real GDP and nominal GDP. (2)

- c. The following table presents the **per capita real GDP** in euros for Germany, Greece, and Poland for the years 2015, 2017, and 2019:

Year	Germany (€)	Greece (€)	Poland (€)
2015	43,400	24,590	24,115
2017	44,058	25,072	25,315
2019	45,487	25,585	27,303

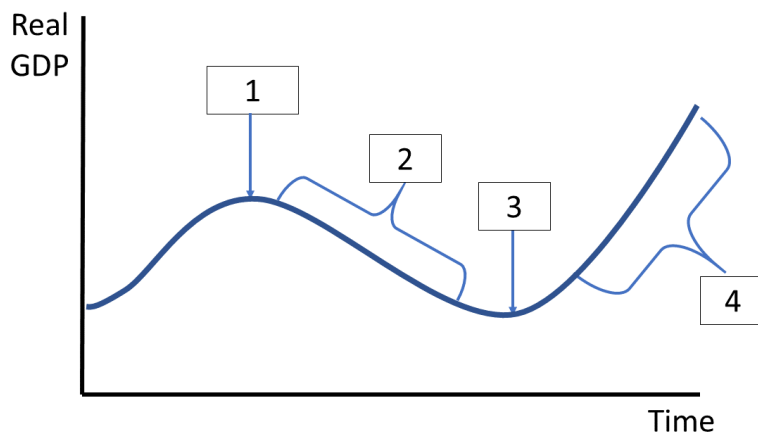
- i. By looking at the data in the table above, evaluate the economic performance of the three countries. (4)

- ii. Discuss two limitations of the use of per capita real GDP in judging the performance of economies. (2)

- d. Sketch the circular flow diagram of an open economy. (4)

Space for diagram

- e. The economic cycle consists of four distinct phases characterised by changes in real GDP and shown by the diagram below:



By referring to the diagram, distinguish between the four phases of the economic cycle. (4)

Question 4

(20 marks)

a) 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.		
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.		

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

c) International trade is a critical driver of economic growth and development, especially for small, open economies like Malta. Discuss. (4)

d)

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)

e) Distinguish between a free trade area and a customs union. (4)

Question 5

(20 marks)

a) Explain the following:

i. Direct taxes (1)

ii. Indirect taxes (1)

iii. Social security contributions (1)

iv. Capital taxes (1)

b) 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
	Total Revenue	Current Expenditure	Capital Expenditure	Total Expenditure	
	(€ 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		

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

Space for diagrams

d) Macroeconomic goals are important for a country, but sometimes trying to reach one goal can make it harder to reach another. Explain how the following macroeconomic goals may conflict with each other:

i. High/Stable Employment Level vs. Satisfactory Balance of Payments. (2)

ii. Sustainable Economic Growth vs. Environmental Sustainability. (2)

e) Malta introduced strict regulation that bans all single-use plastics in commercial settings, including restaurants and shops. What could be the strengths and weaknesses of this law-based approach? (4)
