

WARNING

This Question Paper **MUST** be returned with your answer book(s) at the end of the Examination, otherwise marks will be lost.

Write your Examination Number here ⇒



Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2004

WEDNESDAY 23 JUNE 2004, MORNING 9.30 – 12.00

ECONOMICS - ORDINARY LEVEL
(400 Marks)

Answer **six** questions from Section A and **four** questions from Section B. Credit will be given for clear, precise answering and for orderly presentation of material.

SECTION A (100 marks)

Answer **six** of the **nine** short response type questions in the spaces provided.

SECTION B (300 marks)

Answer **Four** questions.

Write the answers in your answer book(s).

Do **not** write answers to Section B on this question paper.

All questions carry equal marks (75 marks).

Note the sub-divisions in the questions.

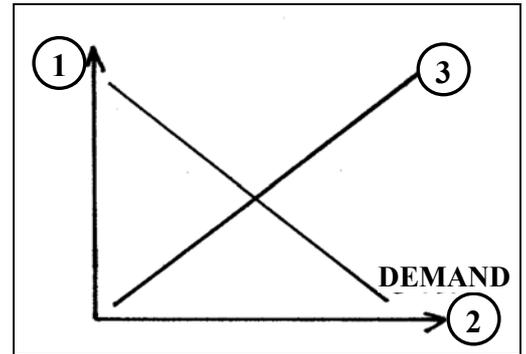
**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK(S) USED
TO ANSWER THE QUESTIONS IN SECTION B**

SECTION A (100 Marks)

Answer **six** of the **nine** short response type questions in the spaces provided.

1. The diagram represents Demand and Supply in a market.

- (i) Label each of the lines numbered 1 to 3.
- (ii) Show on the diagram:
 - the equilibrium price (P_1) charged for the commodity;
 - the equilibrium quantity (Q_1) sold on the market.
- (iii) State the effect on both equilibrium price and quantity if the demand curve shifts to the right:



Effect on price: _____

Effect on quantity: _____

(16 marks)

2. State **THREE** barriers to entry in monopolistic markets.

- (i) _____
- (ii) _____
- (iii) _____

(16 marks)

3. Complete the following statements:

Labour, as a factor of production, is defined as the _____ effort involved in the production of _____ . The payment for labour is called _____ .

(16 marks)

4. A firm produces 5 units each week. It receives €1,500 in total from the sale of these 5 units. The firm pays the following costs: Raw Materials €400; Rent of Premises €500; Wages €300.

Calculate the following, showing your workings:

- (i) the **TOTAL COST** of producing all 5 units: _____

- (ii) the **PROFIT** made on sales : _____

- (iii) the **COST OF PRODUCING ONE UNIT**: _____

(16 marks)

5. Define **indirect tax**. Circle the **TWO** examples of indirect taxes from the list below.

Definition: _____

Circle **ONLY TWO** of these:

PAYE

VAT

Excise Duty

Corporation Tax

(16 marks)

6. **Medium of exchange** is one of the functions of money.

Explain the underlined term and state **TWO** other functions of money.

Explanation: _____

Function 1: _____

Function 2: _____

(17 marks)

7. The €/ \$ exchange rate changed from **YEAR 1: €1 = \$1.00** to **YEAR 2: €1 = \$1.20**

Given the above information, state whether the euro (€) went up or down in value relative to the US dollar (\$). **Answer:**

Explain your answer briefly. _____

(17 marks)

8. Adam Smith developed four characteristics (canons) for a good taxation system.

Explain what he meant by the term **EQUITY** and state **TWO** other characteristics (canons) he identified for a good taxation system.

Explanation: _____

Characteristic 1: _____

Characteristic 2: _____

(17 marks)

9. What international organisations do the following initials stand for?

(i) IMF _____

(ii) ECB _____

(iii) WTO _____

(17 marks)

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SECTION B (300 Marks)

Answer **Four** questions.

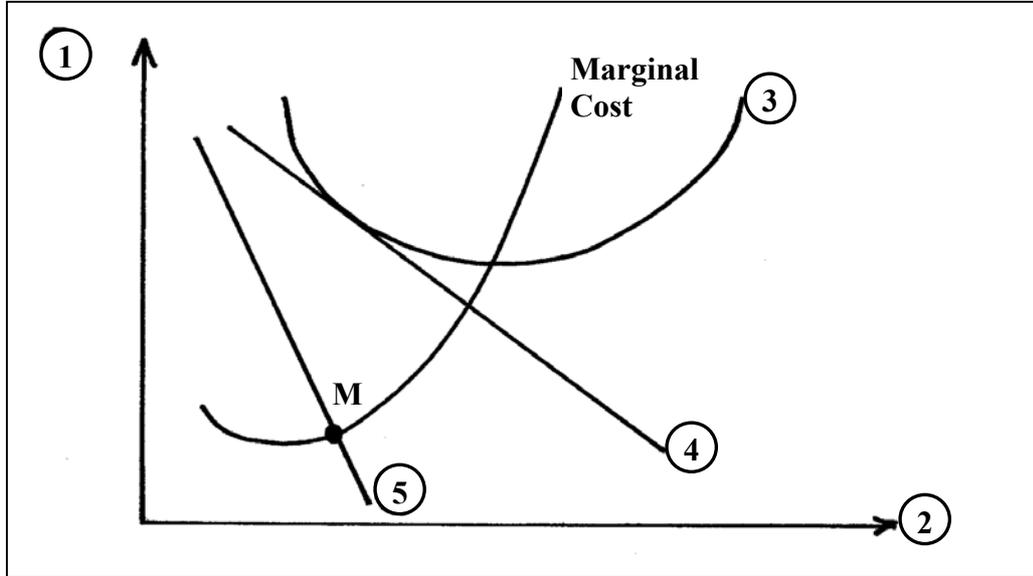
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All questions carry equal marks (75 marks).

Note the sub-divisions in the questions.

1. The diagram below represents the long run equilibrium of a firm in **Imperfect Competition**.



- (a) (i) Copy the diagram into your answerbook. Clearly label each of the lines numbered 1 to 5.
- (ii) Equilibrium occurs at the **point M** on the diagram.
Show on your diagram:
- the quantity the firm will produce in equilibrium (use label Q_1)
 - the price the firm will charge for this output (use label P_1)
 - the average cost of producing this output (use label C_1)
- (iii) State and explain why the above firm is not producing at the lowest point of its average cost curve.
- (30 marks)
- (b) State **THREE** characteristics/assumptions of an Imperfectly Competitive market and write brief notes on each of these.
- (25 marks)
- (c) Firms involved in the supermarket trade regularly advertise.
In the case of any **TWO** of the following, outline **one** advantage and **one** disadvantage of advertising for:
- (i) the supermarket itself.
 - (ii) a consumer who uses the supermarket.
 - (iii) the economy in general.
- (20 marks)

[75marks]

2. (a) State and explain **THREE** factors which affect the demand for a good or service. (20 marks)

(b) The table below represents the total utility and marginal utility which a consumer receives as the quantity of a good consumed increases.

Number of units consumed	1	2	3	4	5	6
Total utility in units	20	45	75	90	100	105
Marginal utility in units	20	25	30	?	?	?

- (i) Complete the table in your answerbook and calculate the missing figures.
 - (ii) How many **units** are consumed before Diminishing Marginal Utility sets in?
Explain your answer.
 - (iii) State **one** commodity a person consumes which may **not** result in a fall in marginal utility.
Explain your answer.
- (25 marks)

(c) (i) The formula for measuring Price Elasticity of Demand is:

$$\frac{\Delta Q}{\Delta P} \times \frac{P_1 + P_2}{Q_1 + Q_2}$$

Explain what each of the above symbols stands for.

- (ii) The Price Elasticity of Demand for a normal good is negative (i.e. it has a minus sign).
Explain the meaning of this statement and state **one** example of such a good.
- (30 marks)

[75marks]

3. (a) (i) Define **Land** as a factor of production.
 (ii) State and explain **ONE** way in which land differs from the other factors of production.
 (iii) The price of land (rent) has increased in Ireland in recent years.
 State and explain **TWO** reasons for this development. (30 marks)

(b) The price of land is one reason influencing an investor's decision to locate business in Ireland.
 State and explain **THREE** other reasons which may influence an investor's decision in locating business in Ireland. (20 marks)

(c) (i) Most workers are willing to work more hours when the hourly wage rate increases.
 However some workers may prefer to work less hours as the hourly wage rate increases.
 State and explain **ONE** reason why a worker might choose to work less hours.
 (ii) State and explain **TWO** reasons why different wage rates are paid for different jobs. (25 marks)

[75marks]

4. (a) The estimated government current budget for 2003 was as follows:

Government Current Income: €20,000m	Government Current Expenditure: €20,450m
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- (i) Calculate the difference between the two figures given, **and** state the economic term used to describe this difference.
(ii) How does the government finance this difference?
(iii) State **ONE** example of government current income and **ONE** example of government current expenditure.

(25 marks)

- (b) Explain what is meant by **ANY THREE** of the following government economic objectives/aims:

- Economic growth;
- Price stability;
- Balanced regional development;
- Full employment.

(20 marks)

- (c) The Irish government introduced a new saving scheme called Special Savings Investment Accounts (SSIAs).

- (i) Explain the economic meaning of the term **savings**.
(ii) State and explain **TWO** factors which may influence a person's level of savings.
(iii) State and explain **TWO** reasons why the government might wish to encourage an increase in the level of savings in Ireland.

(30 marks)

[75marks]

5. (a) Many less developed countries (LDCs) are experiencing economic problems at present.

- (i) State **FOUR economic** problems which these countries are experiencing.
(ii) Write brief notes on each of these.

(25 marks)

- (b) (i) State **THREE** measures that governments of less developed countries (LDCs) could take to deal with these economic problems.

- (ii) Write brief notes on each of these.

(20 marks)

- (c) Consider an LDC which is developing its infrastructure.

- (i) State and explain **TWO** economic advantages of this development for the citizens of the country.

and

- (ii) State and explain **TWO** economic disadvantages of this development for the citizens of the country.

(30 marks)

[75marks]

6. The table below illustrates the Law of Comparative Advantage.

Country	Output (production per worker per week)	
	MACHINES	CARS
FRANCE	20	5
KOREA	40	15
Total Output	60	20

Although Korea is more efficient in the production of both goods, the Law of Comparative Advantage implies that Korea will specialise in the production of cars and France will specialise in the production of machines.

- (a) (i) If Korea specialises in the production of cars and France specialises in the production of machines, calculate the resulting total output. Show your workings.
- (ii) Some governments may decide to restrict free international trade. State and explain **THREE** methods a government may use to restrict free trade. *(25 marks)*
- (b) (i) State and explain **TWO** reasons why exports are important to the Irish economy.
- (ii) Explain the term '**invisible exports**' and state **TWO** examples of such exports. *(30 marks)*
- (c) (i) Name **ANY TWO** countries which joined the European Union (EU) in May 2004.
- (ii) State and explain **TWO** economic advantages which these new member countries may experience as a result of membership of the EU. *(20 marks)*

[75marks]

7. (a) (i) Define **ANY THREE** of the following:
- Consumption;
 - Incomes-in-kind;
 - Investment;
 - Open economy.
- (ii) Given: National Income as $(Y) = C + I + G + X - M$
 $Y = €500m$; $C = €300m$; $I = €100m$; $G = €80m$ and $X = €50m$.
 Calculate, using the figures provided, the level of **imports (M)**. Show all your workings. *(25 marks)*
- (b) One of the methods used to calculate National Income is the **output method**.
- (i) State **TWO** other methods used to calculate National Income.
- (ii) State and explain **TWO** possible uses of National Income statistics. *(20 marks)*
- (c) Due to economic growth the GNP of a country rose from €500m in 2002 to €600m in 2003.
- (i) What do the letters '**GNP**' stand for?
- (ii) State and explain **TWO** possible advantages to a country of an increase in its GNP.
- (iii) State and explain **TWO** possible disadvantages to a country of an increase in its GNP. *(30 marks)*

[75marks]

8. (a) (i) Define the term **privatisation**.
(ii) Name the **THREE** companies **already** privatised in Ireland, from the list below.

ESB	EIRCOM	AN POST	AER RIANTA
IRISH FERRIES	CIE	AER LINGUS	GREENCORE

Note: Do not state more than three companies from the list.

- (iii) State and explain **TWO** reasons why the government might privatise state-owned companies.

(20 marks)

- (b) In the past Aer Lingus has experienced financial difficulties.

- (i) State and explain **ONE** reason why Aer Lingus may have experienced such difficulties.
(ii) If Aer Lingus was to be privatised state and explain **ONE** economic advantage and **ONE** economic disadvantage of this development for **each** of the following:
- Aer Lingus employees;
 - Aer Lingus passengers.

(25 marks)

- (c) The government may use the revenue received from privatisation to repay some of Ireland's **National Debt** and this will mean some **opportunity cost** for the government.

- (i) Define **both** underlined terms.
(ii) State **TWO** possible uses of the revenue received from privatisations other than repaying the National Debt.
(iii) State and explain **TWO** economic advantages which may result from a **reduction** in Ireland's National Debt.

(30 marks)

[75marks]

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