

**ECONOMICS - ORDINARY LEVEL - 400 marks**

3823

THURSDAY, 20 JUNE - 9.30 - 12.00

Answer not more than SIX questions from Section A and FOUR questions from Section B. Credit will be given for clear, precise answering and orderly presentation of material.

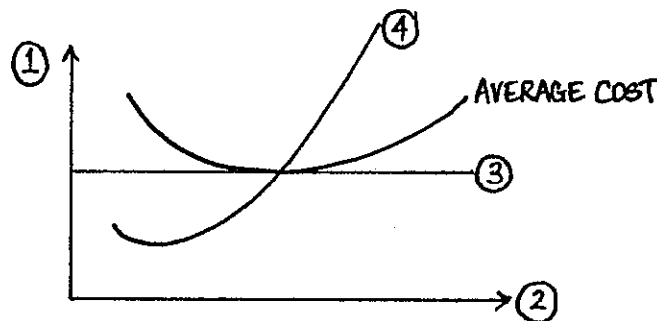
**SECTION A (100 marks)**

This section is on a separate sheet which also provides space for your answers. The completed sheet is to be returned with your answer books at the end of the examination.

**SECTION B (300 marks)**

Not more than FOUR questions to be answered. All questions carry equal marks. (i.e. 75)  
Note the sub-divisions in the questions.

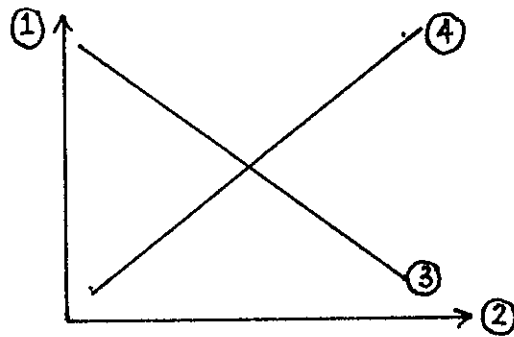
1. The diagram below represents the long run equilibrium position of a firm in Perfect Competition.



- (a) (i) Copy the diagram into your answerbook and clearly label each of the lines numbered, 1 to 4. (12)
- (ii) Show on your diagram:
- the output the firm will produce.
  - the average cost of producing this output.
  - the price it will charge for this output.
  - whether the firm is earning normal profit or super normal profit. (18)
- (b) (i) State FOUR distinguishing characteristics/assumptions of a Perfectly Competitive market structure.
- (ii) Write brief notes on any THREE of these. (25)
- (c) Give ONE reason in each case why Perfect Competition benefits:
- (i) the consumer.
- (ii) the economy in general. (20)

[75 marks]

2. The diagram below represents Demand and Supply in a market.



(a) (i) Copy the above diagram into your answerbook and clearly label the lines, 1 to 4. (12)

(ii) Show on your diagram:  
 • the price charged for the good on this market.  
 • the quantity sold on this market. (13)

(b) State and explain briefly THREE factors which affect EITHER:

• a person's demand for a good.

OR

• a firm's supply of that good. (30)

(c) (i) Complete the following Table:

Number of apples consumed	1	2	3	4	5
Total utility in utils	15	35	60	70	78
Marginal utility, in utils (for each extra apple consumed)	15		25	10	

(i) At what point does Diminishing Marginal Utility set in?

(ii) Explain your answer, briefly. (20)

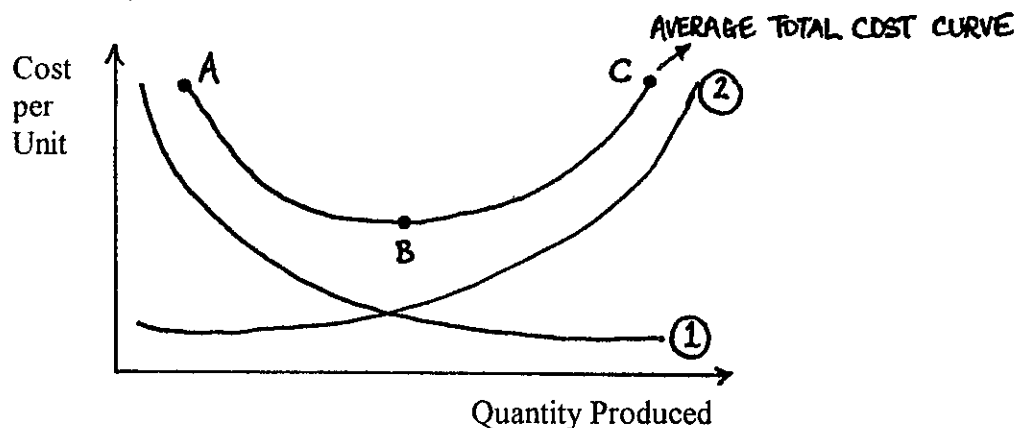
[75 marks]

3. (a) A manufacturing firm's costs may be divided into fixed costs and variable costs.

(i) Explain what is meant by fixed costs and by variable costs.

(ii) Give TWO examples of each of these costs for a manufacturing firm. (30)

- (b) The following diagram represents the typical costs of a business in the short run period:



- (i) Copy the diagram into your answerbook.  
Label each of the curves 1 and 2.
- (ii) Explain the reasons for the U shape of the Average Total Cost Curve:
- from point A to B;
  - from point B to C;
  - the importance of point B.
- (25)
- (c) A firm is constructing a new toll road in your locality costing IR£35m.  
State one economic advantage and one economic disadvantage of this new road. (20)
- [75 marks]

4. The following table illustrates the Law of Comparative Advantage.

Country	Commodity (production per hour per person)	
	FOOD	MACHINERY
Country A	8 tonnes	2 units
Country B	16 tonnes	8 units
Total Output	24 tonnes	10 units

- (a) Country B is more efficient in the production of both goods but each country will specialise in the production of one good.
- (i) Which good will Country B produce? Why? (7)
- (ii) Which good will Country A produce? Why? (7)
- (iii) Calculate the resulting total output, if specialisation takes place. (6)
- (20)
- (b) International Trade plays an important role in the development of the Irish economy. Discuss the importance which either imports or exports have for the Irish economy.
- (Note your answer should contain a minimum of two well developed points) (25)
- (c) If international trade is so important to the development of an economy,
- (i) Why do governments try to restrict free international trade? (20)
- (Note your answer should contain a minimum of two well developed points)
- (ii) State and explain ONE method by which a government might restrict free international trade. (10)

[75 marks]

5. (a) Explain what is meant by the term 'inflation'. (15)
- (b) What index is used to measure the rate of inflation? (9)
- (c) Discuss the effects which a rise in the rate of inflation may have on the following:
- (i) People in receipt of social welfare;
- (ii) Savers;
- (iii) Borrowers;
- (iv) Employees. (36)
- (d) A firm which exports goods from Ireland would favour a lower inflation rate here than that in its exports markets.  
In your opinion, why is this so? Answer briefly. (15)
- [75 marks]**

6. (a) Taxes in Ireland can be classified as direct or indirect.
- (i) Explain what is meant by direct taxes and indirect taxes.
- (ii) Give TWO examples of each of these types of taxes. (20)
- (b) The famous economist, Adam Smith, developed FOUR canons (or principles) which would help to make sure that a tax was fair.  
These canons are:
- EQUITY      ECONOMY      CERTAINTY      CONVENIENCE**
- Explain briefly and clearly, what is meant by each of these canons of taxation. (20)
- (c) Taxes in Ireland are considered high by many economists.  
Yet we must still borrow to fund government activities.  
This results in a high national debt.
- (i) State and explain TWO problems caused by high taxes in Ireland.
- (ii) State and explain TWO problems caused by Ireland's large national debt. (35)
- [75 marks]**

7. (a) List THREE of the main economic aims of the government.  
Write brief notes on each of these aims. (30)
- (b) The government has certain policies available to it to help it achieve its aims.  
Among these are:
- Fiscal Policy
  - Monetary Policy.
  - Prices and Incomes Policy.
- Explain what is meant by ANY TWO of the above policies. (30)
- (c) One of the aims of the European Union is to have a common Single European Currency.  
State and explain one advantage of a Single European Currency to you as a consumer. (15)

8. (a) The National Income of a country is the total of the incomes received by each of the four factors of production in that country in a given year.
- (i) Name the **THREE** ways which are used to calculate National Income.
- (ii) Give **one** reason why all these three methods are used, instead of one. (20)

- (b) You are given the following information relating to a country.

	<u>1980</u>	<u>1990</u>
Gross National product at current market prices	£1,000m	£1,200m

- (i) Suppose that the level of prices (inflation) rose by 10% between 1980 and 1990 and that the population has not changed. Has the average standard of living gone up or gone down? (18)
- (ii) Suppose that the population had risen by 25% between 1980 and 1990 and that the level of prices (inflation) has not changed. Has the average standard of living gone up or gone down?

Show clearly how you arrive at your answer in each case. (17)

- (c) Given :           National Income = C + I + G + X - M  
                           C = £1,300m; I = £400m; G = £500m; X = £30m and M = £50m.

- (i) Explain what each of the above symbols/letters stands for.
- (ii) Calculate, using the figures provided, the level of national income. Show all your workings. (20)

**[75 marks]**

**WARNING**

You must return this paper with your answerbook, otherwise marks will be lost.

An Roinn Oideachais  
Leaving Certificate Examination, 1996

M.58A

**ECONOMICS - ORDINARY LEVEL**

**SECTION A (100 marks)**

Examination Number

Answer any six of the following:-

1. In the case of **THREE** of the following what do the initials stand for ?

- (i) C.A.P.: .....
- (ii) G.N.P.: .....
- (iii) I.M.F.: .....
- (iv) E.B.R.: .....

(16)

2.

Period 1 : IR£1 = \$1.60

Period 2: IR£1 = \$1.50

Given the above information, has the Irish Punt gone up or gone down in value compared with the US Dollar ?

Answer:

Explain your answer, briefly.

.....

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.....

.....

(16)

3. The **FOUR** factors of production are:

- (i) ..... (ii) .....
- (iii) ..... (iv) .....

(16)

**OVER →**

4. Savings, in economics, simply means not spending all or part of your income. State **TWO** factors which may affect a person's level of savings.

- (i) .....
- (ii) .....

(16)

5. Price Elasticity of Demand (P.E.D.) measures the percentage change in demand for a good caused by a percentage change in the price of that good. For normal goods, price elasticity of demand is negative (i.e. - sign). Explain what is meant by this.

.....  
.....  
.....

(16)

6. Complete the following sentences:

Economics is a  science.

It studies how scarce  are best distributed to satisfy our infinite

and

(17)

7. State **ANY TWO** functions of the Central Bank of Ireland:

- (i) .....
- (ii) .....

(17)

8. Explain what is meant by the term: **Current Budget Deficit**.

.....  
.....  
.....

(17)

9. State **TWO** ways in which a **reduction** in the level of unemployment would affect the size of the Current Budget Deficit.

- (i) .....
- (ii) .....

(17)