

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 ⇒

AN ROINN OIDEACHAIS AGUS EOLAÍOCHTA
LEAVING CERTIFICATE EXAMINATION, 2002

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WEDNESDAY, 19 JUNE 2002, 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.

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SECTION B (300 marks)

Four questions to be answered in your answer book(s).
 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. What do the following initials stand for:

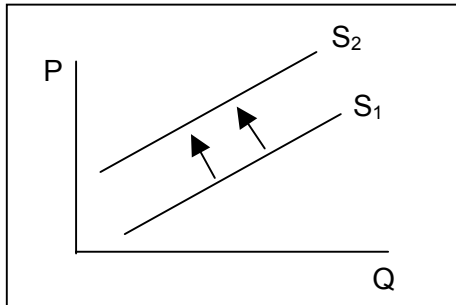
- (i) WTO _____
 - (ii) ECB _____
 - (iii) EU _____
- (16 marks)

2. Complete the following sentence:

The methods used to calculate National Income are: (i) **Income** method,

- (ii) _____ method and (iii) _____ method
- (16 marks)

3. Identify **TWO** factors which would cause the shift in the Supply Curve illustrated on the diagram below.



(i) _____

(ii) _____

(16 marks)

4. Name the market structure (Perfect Competition, Imperfect Competition or Monopoly) to which each statement below applies:

- (i) Barriers to entry exist: _____
- (ii) Many brands of the product or service exist: _____
- (iii) The **firm's** demand curve is horizontal: _____

(16 marks)

5. Complete the sentence below:

Land is any resource supplied by _____ which is used in the production of _____. In Economics, the payment for land is called _____.
(16 marks)

6. 'Economic development' is defined as:

(17 marks)

7. Explain the statement: "Price Elasticity of Demand for most goods and services is negative (i.e. has a minus sign)".

(17 marks)

8. How could a decrease in income tax rates affect the **supply** of labour in an economy?

(17 marks)

9. Classify the following as **Direct** taxes or **Indirect** taxes.

- (i) PAYE _____
- (ii) VAT _____
- (iii) Corporation Profits Tax _____
- (iv) Excise Duties _____

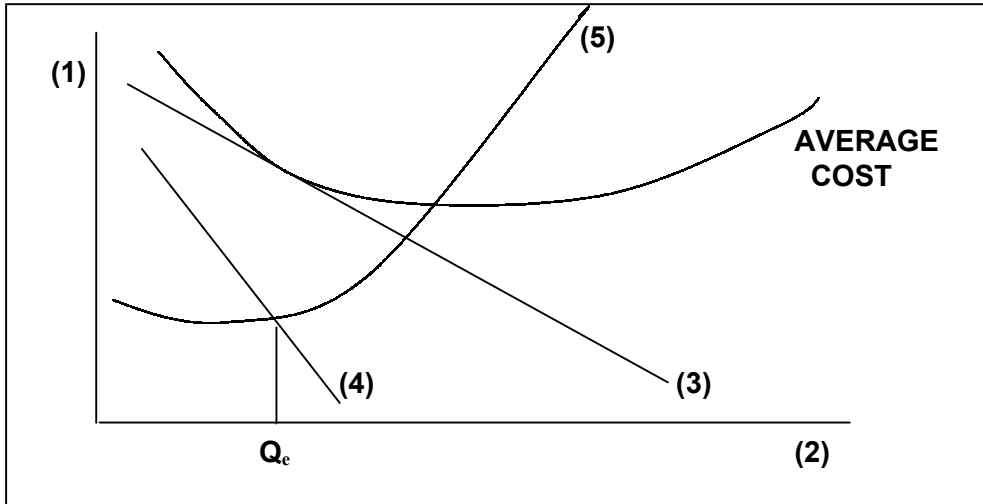
(17 marks)

Remember to return this question paper with the answer book(s) used to answer the questions in Section B.

SECTION B (300 marks)

Four questions to be answered in your answer book(s).
 All questions carry equal marks (75 marks).
 Note the sub-divisions in the questions.

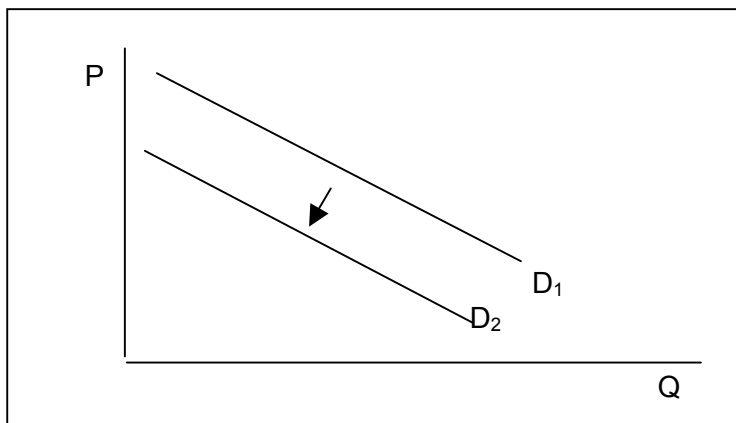
1. The diagram below represents the long run equilibrium of a firm in **Imperfect Competition**.



- (a) (i) Copy the diagram into your answer book. Clearly label **each** of the lines numbered (1) to (5). (10 marks)
- (ii) The firm produces at point Q_e . **Show on your diagram**
- the price the firm will charge for this output (use label P) and
 - the average cost of producing this output (use label C) (10 marks)
- (iii) In Economics, what is meant by ‘**the long run**’? (10 marks)
- (b) State and explain **THREE** assumptions which apply in an imperfectly competitive market structure. (20 marks)
- (c) (i) Explain what is meant by ‘**competitive advertising**’. (10 marks)
- (ii) State **ONE** advantage and **ONE** disadvantage of advertising to
- Consumers
 - Sellers (15 marks)

[75 marks]

2. (a) The diagram below represents a change in demand for a particular product:



Explain **TWO** factors which could have caused the change shown above. (20 marks)

- (b) The demand for new cars has increased in Ireland in recent years.
- State **ONE** economic reason for this development.
 - Explain **ONE** economic advantage and **ONE** economic disadvantage of this development.
 - Outline **TWO** ways in which the government could encourage the use of alternative systems of transport. (25 marks)
- (c) (i) State **TWO** characteristics of an **economic good**.
- (ii) Explain why the following items would **not** be considered economic goods:
- FRESH AIR GOOD HEALTH
- (30 marks)
- [75 marks]**

3. (a) (i) State the **FOUR factors of production**.
- (ii) In the case of **each** of the following, state which factor of production it represents:
- machinery
 - carpenters
 - ordinary shareholders
 - forests
 - factory buildings
- (30 marks)
- (b) (i) Explain the term '**enterprise**'.
- (ii) Explain **TWO** economic reasons why enterprise is important. (25 marks)
- (c) (i) Explain the term '**privatisation**'.
- (ii) Name **ONE** company which has been privatised in Ireland in recent times.
- (iii) State **ONE** economic advantage and **ONE** economic disadvantage of privatisation for the consumer. (20 marks)
- [75 marks]**

4. (a) (i) Define **savings**.
- (ii) Explain **TWO** factors which influence the level of savings in an economy.
- (iii) State **TWO** economic effects of increases in the level of savings. (30 marks)
- (b) (i) Define '**money**'.
- (ii) State and explain **TWO** functions of money. (20 marks)
- (c) State and explain the advantages of a **decrease** in interest rates to **each** of the following:
- Borrowers
 - Government
 - Employers
- (25 marks)
- [75 marks]**

5. (a)

	€ Billion
• Visible exports	50
• Invisible exports	10
• Visible imports	40
• Invisible imports	12

Using the above figures, calculate:

- (i) the Balance of Trade
- (ii) the Balance of Invisible Trade
- (iii) the Balance of Payments (on Current Account).

Note: In each case show your workings and state if the answer represents a **surplus** or a **deficit**.

(20 marks)

(b) Which category of imports or exports (visible or invisible) does **each** of the following represent?

- (i) Aer Lingus insures its planes with a London Insurance company.
- (ii) An Irish company sells beef to Egypt.
- (iii) An Irish car dealer buys German cars.
- (iv) A group of French tourists holiday in Ireland.

(20 marks)

(c) Outline **TWO** reasons why the level of imports in an economy increases during a period of economic growth. (15 marks)

(d) (i) “Ireland is a small open economy”.
Explain this statement.

(ii) State and explain **TWO** reasons why foreign companies are important to the Irish economy. (20 marks)

[75 marks]

6. (a) (i) State **TWO** examples of Government Current Income and **TWO** examples of Government Current Expenditure.

(ii) Explain briefly how the Government’s Budget Surplus would be affected by **each** of the following:

- Free health care offered to all citizens over 70 years of age.
- Public Sector Trade Unions succeed in obtaining large pay increases for members.
- Interest rates in the economy fall. (30 marks)

(b) (i) Explain the term “**Black Economy**” (also known as the **Underground Economy**).

(ii) Explain how the Government’s Budget Surplus would be affected if Black Economy activities were reduced. (20 marks)

(c) Deregulation of markets, that is, allowing more suppliers of a good or service into the market, is a recent development in the Irish economy (e.g. the Taxi Industry).

Briefly explain how deregulation could affect **each** of the following:

- (i) consumers of the good or service
- (ii) the level of employment in the industry
- (iii) the profit levels of existing suppliers.

(25 marks)

[75 marks]

7. (a) (i) State **TWO** economic objectives of government, other than full employment.
- (ii) Describe, with examples, **TWO** economic policies which a government may use to achieve its objectives. (30 marks)
- (b) (i) Define '**full employment**'.
- (ii) If an economy is at full employment, explain briefly how this might affect **each** of the following:
- development of roads
 - immigration levels in the economy
 - the demand for child-care services in the economy. (30 marks)
- (c) State and explain **TWO** reasons why the numbers emigrating from Ireland in recent years have declined. (15 marks)
- [75 marks]

8. (a) (i) What is meant by the term '**National Income**'?
- (ii) State and explain how **each** of the following affects National Income:
- a decrease in consumer spending
 - an increase in government spending
 - a decrease in the level of exports. (30 marks)
- (b) Explain **THREE** of the terms listed:
- Income-in-kind
Transfer Payments
GNP
Depreciation
Subsidy. (20 marks)
- (c) (i) Define '**investment**'.
- (ii) Briefly explain **TWO** factors which affect the level of investment in an economy.
- (iii) State **ONE** way in which a fall in investment could affect future levels of consumer spending in an economy. (25 marks)
- [75 marks]

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