

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, 2009

WEDNESDAY, 17 JUNE 2009 – 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. Fill in the missing words in the spaces below to complete the names of the organisation / institution:

(i) IMF International _____

(ii) EU _____ Union

(iii) ECB _____ Bank

(16 marks)

2. Net Emigration of Irish citizens is increasing.

Explain the underlined term and state **one** economic reason for this development.

Explanation: _____

Reason: _____

(16 marks)

3. To be considered an economic good, a commodity or service must be transferable and provide utility. Explain the underlined terms.

Transferable: _____

Utility: _____

(16 marks)

4. Improving the country's infrastructure is one of the economic aims of the Irish Government. State **two** other economic aims of the Government.

(i) _____

(ii) _____

(16 marks)

5. In the case of each of the following:

Electrician Machinery Business Owner Oil

state in the blank spaces below, which factor of production it represents.

Factor	LAND	LABOUR	CAPITAL	ENTERPRISE
Represented by				

(16 marks)

6. State **two** reasons why the Irish economy needs entrepreneurs.

(i) _____

(ii) _____

(17 marks)

7. The formula for measuring Income Elasticity of Demand is as follows:

$$\frac{\Delta Q}{\Delta Y} \times \frac{Y_1 + Y_2}{Q_1 + Q_2}$$

Complete the following table to indicate what each of the above symbols stands for:

ΔQ	
ΔY	Change in consumer's income
Y_1	
Y_2	
Q_1	Original quantity of the good demanded.
Q_2	

(17 marks)

8. State **two** economic benefits to this country if citizens reduced the level of litter on Irish streets.

(i) _____

(ii) _____

(17 marks)

9. In relation to the economic ideas listed below, match the idea with the associated economist.

<u>Economic Idea</u>	<u>Economist</u>
A. Law of Comparative Advantage	1. Adam Smith
B. Laissez Faire	2. John Maynard Keynes
C. Theory of Population and Food Supply	3. David Ricardo
D. Multiplier	4. Thomas Malthus

Economic Idea	A	B	C	D
Economist				

(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)

Answer **four** questions.

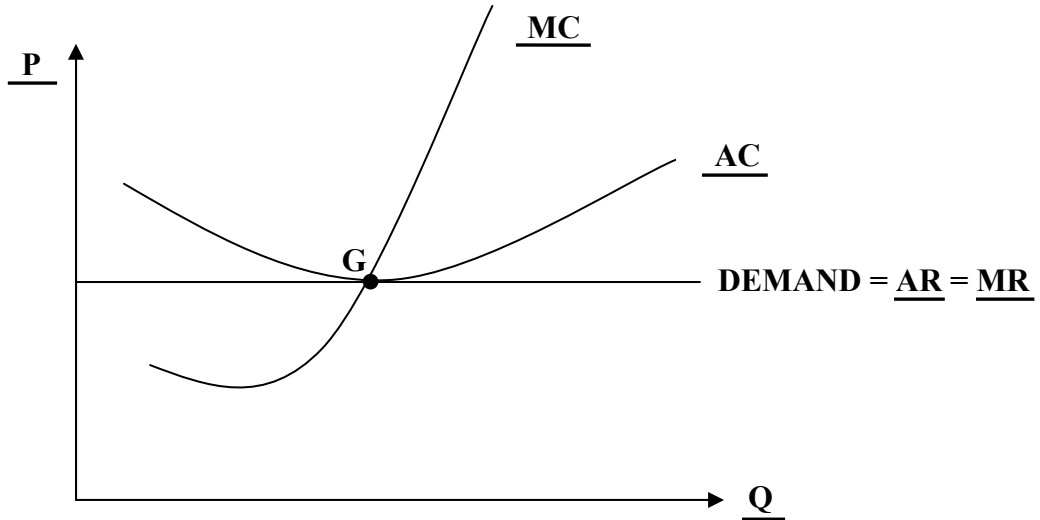
Write the answers in your answer book(s).

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.

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



- (a) (i) Copy the diagram into your answer book.
Complete / write each of the **six** underlined labels in full.
- (ii) Equilibrium occurs at **point G** on the diagram.
Show on your diagram:
- the output the firm will produce in equilibrium (use label Q_1)
 - the price charged for this output (use label P_1)
 - the average cost of producing this output (use label C_1)
- (30 marks)
- (b) (i) State **three** characteristics of Perfect Competition.
- (ii) Write brief notes on each of these.
- (24 marks)
- (c) Perfect Competition is a market structure with few real world examples.
In practice firms produce and sell close substitutes.
- (i) Explain the underlined term.
- (ii) State examples of substitute goods for the following items:
- butter
 - bus transport
 - compact discs (CDs)
- (iii) State and explain **one economic advantage** of the availability of close substitutes for:
- consumers;
 - producers.
- (21 marks)

[75 marks]

2. The information below represents the expected market demand and supply schedules for iPods.

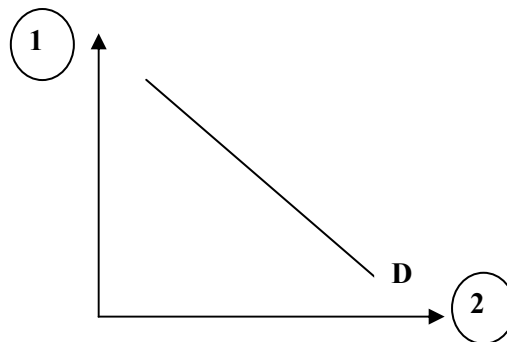
Price €	Quantity Demanded (units)	Quantity Supplied (units)
100	250	50
150	200	100
200	150	150
250	100	200
300	50	250

Using the above information and **one** diagram:

- (a) (i) Draw the market demand curve for iPods;
- (ii) Draw the market supply curve for iPods;
- (iii) Show on your diagram:
- The market equilibrium price for iPods;
 - The market equilibrium quantity for iPods.

(30 marks)

(b) The diagram below represents the demand curve for foreign holidays by Irish citizens.



Copy the diagram into your answerbook.

- (i) Label each of the lines 1 and 2.
- (ii) The following factors cause the above demand curve to shift:
- Government introduces a €10 per ticket travel tax;
 - Bad weather during the summer months in Ireland.

Show how **each** of the above developments may shift the demand curve and explain your answer in each case.

Note: a **separate** diagram is necessary in **each** case.

(25 marks)

(c) The demand for new cars in Ireland decreased in 2009.

- (i) State and explain **two** economic reasons for this development.
- (ii) Explain briefly how this development has affected **each** of the following:
- The Irish Motor Industry;
 - The Government's Current Budget.

(20 marks)

[75 marks]

3. The Table below shows the costs of production for a firm producing customised (made-to-order) furniture.

Number of units of output	Fixed Cost	Variable Cost	Total Cost	Marginal Cost
	€	€	€	€
1	300	700	1,000	1,000
2	300	1,400	1,700	700
3	300	2,100		
4	300	3,200		
5	300	4,600		

- (a) (i) Using the partially completed table above calculate:
- the total cost of producing unit 3, unit 4 and unit 5.
 - the marginal cost of producing unit 3, unit 4 and unit 5.
- Show your workings.**
- (ii) State **two** examples of fixed costs and **two** examples of variable costs for a furniture firm.
- (iii) Define what is meant by the term **marginal cost**.
- (25 marks)
- (b) Some costs of production for businesses operating in Ireland are beginning to fall. Consumer demand for output is falling.
- (i) Outline **two** economic advantages of falling costs of production for the Irish economy.
- (ii) Suggest **two** ways the government could try to increase consumer demand.
- (iii) Outline **one** possible economic advantage and **one** possible economic disadvantage of falling consumer demand for the Irish economy.
- (30 marks)
- (c) In 2008 the national minimum wage was €8.65 per hour.
- (i) Explain the underlined term.
- (ii) Outline **two** benefits to workers of the existence of the minimum wage.
- (iii) Outline **two** reasons why businesses may have concerns about an increase in the minimum wage.

(20 marks)

[75 marks]

4. (a) A Minister for Finance prepares the following draft Current Budget for 2009:

Current Budget - 2009			
Government Current Income	€5,600m	Government Current Spending	€7,600m

- (i) State **two** examples of government current income and **two** examples of government current expenditure.
- (ii) Calculate the Current Budget Deficit for the above budget.
Show your workings.
- (iii) If you were Minister for Finance and this Current Budget Deficit was predicted:
- State and explain **two** measures you would take to help reduce this deficit;
 - Explain how **each** measure you have stated could affect the standard of living within the country.

(30 marks)

- (b) Income from taxation has been decreasing in Ireland in recent times.

- (i) State and explain **two** reasons for this development.
- (ii) The Government increased the VAT rate from 21% to 21.5% in the 2008 Budget. State and explain the economic effects which this increase in VAT may have on each of the following:
- Consumer purchases;
 - Government Current Budget.

(20 marks)

- (c) The **Black Economy** is defined as economic activity which takes place which is not recorded and therefore not included in national income accounts.

- (i) State **one** example of an activity within this economy;
- (ii) Suggest **two** measures the government could take to discourage such activities;
- (iii) If these measures were successful, state and explain how they may affect the Government's Current Budget.

(25 marks)

[75 marks]

5. (a) The CSO estimates the National Income for Ireland. National Income is the total of the incomes received by each of the four factors of production in Ireland in a given year.

- (i) What do the letters CSO represent?
- (ii) Name the **three** methods used to estimate National Income.
- (iii) State **one** benefit of using three methods instead of one method for estimating National Income.

(25 marks)

- (b) Given: National Income (Y) as $Y = C + I + G + X - M$
where $C = €1,500m$ $I = €600m$ $G = €700m$ $X = €150m$ $M = €250m$

- (i) State what each of the letters / symbols in the formula above represents.
- (ii) Calculate, using the figures provided, the level of National Income.
Show your workings.

(20 marks)

- (c) The Irish economy is currently experiencing a decrease in GNP per person.

- (i) What do the initials GNP stand for?
- (ii) Discuss **three** economic effects which this decrease in GNP per person may have on citizens in Ireland.
- (iii) Suggest **two** measures the government could take to encourage economic activity in Ireland.

(30 marks)

[75 marks]

6. (a) Many economists have commented on Ireland's 'greying population' i.e. the structure of Ireland's population is getting older.
State and explain how this development may affect each of the following:
- Demand for goods and services;
 - Government finances.
- (20 marks)

- (b) The number of people unemployed in Ireland is increasing.
- (i) State and explain **two** possible economic reasons for this.
- (ii) State and explain **two** economic effects which this development may have on the economy.
- (iii) Suggest **one** way **each** of the following could help to reduce unemployment:
- Irish consumers;
 - The Irish Government.
- (30 marks)

- (c) High rates of population growth and unemployment are currently being experienced by many less developed countries (LDCs).
- (i) State **two** other economic problems which these countries are experiencing.
- (ii) Write brief notes on **each** of these.
- (iii) Discuss **three** measures which Irish citizens could take to help reduce the problems experienced in LDCs.
- (25 marks)
[75 marks]

7. Four functions of money are:
- Medium of exchange;
 - Measure of value;
 - Store of wealth;
 - Standard for deferred payment.

- (a) Explain **any two** of the above functions.
- (20 marks)

- (b) During 2008, the ECB reduced interest rates within the Euro zone.
- (i) Explain the term 'interest rate'.
- (ii) State and explain how a decrease in interest rates may affect **each** of the following:
- Households;
 - Businesses;
 - The Irish Economy.
- (25 marks)

- (c) Interest rates on savers' deposits is one of the factors which influence the level of savings in the economy.
- (i) Explain the underlined term.
- (ii) State and explain **two** factors, other than the rate of interest, which may influence a person's decision to save.
- (iii) State and explain **two** economic effects which an increase in the level of savings may have on the Irish economy.
- (30 marks)

[75 marks]

8. (a) The table below shows Ireland's exports and imports with other countries / regions.

	Countries / Regions	Visible Exports € million	Visible Imports € million	Balance of Trade € million	Surplus or Deficit
A	United Kingdom	14,500	17,000		
B	Other EU countries	45,000	20,000		
C	USA	17,000	9,000	<i>8,000</i>	<i>Surplus</i>
D	Rest of World	18,000	16,000		

- (i) Using the partially completed table above calculate Ireland's Balance of Trade with each country / region (A, B, D above) **and** state whether it is a surplus or deficit in each case.
- (ii) Distinguish between **visible exports** and **visible imports** and state **one** example in each case.
- (30 marks)

- (b) Ireland, as a small open economy, depends on international trade.

- (i) State and explain **two** reasons why exports are important for the Irish economy.
- (ii) State and explain **two** reasons why imports are important for the Irish economy.
- (20 marks)

- (c) You are given the following information about the Euro (€) to UK sterling (£) exchange rate.

Year 1: €1 = £0.75p

Year 2: €1 = £0.95p

The Euro has increased in value relative to the pound sterling from Year 1.

State and explain the possible economic effect which the above change may have on each of **any three** of the following:

- Ireland's exports to the UK;
- Ireland's imports from the UK;
- Employment in Ireland;
- Citizens in the Republic shopping in Northern Ireland.

(25 marks)

[75 marks]

Blank Page

Blank Page

Blank Page