

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, 2013

WEDNESDAY 19 JUNE 2013 – 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. Write, in the blank spaces below, which factor of production **each** of the following represents:

Carpenter Business Owner Natural Gas Buildings

Factor	LAND	LABOUR	CAPITAL	ENTERPRISE
Represented by				

(16 marks)

2. Some of the factors outlined below influence the **supply of an individual firm**.

Write **True** or **False** after each of the following sentences.

	SENTENCE	TRUE or FALSE
(i)	The price of the good itself.	
(ii)	The cost of labour.	
(iii)	The consumer's taste / preference for the good.	
(iv)	The state of the firm's production technology.	

(16 marks)

3. Online purchasing (i.e. using the internet) by Irish consumers is growing annually.

(Irish Independent, October 2012)

Outline **one** reason for this development and state **one** economic effect for Irish retailers.

Reason: _____

Economic effect: _____

(16 marks)

4. John Maynard Keynes stated that people have three motives for holding their wealth in the form of cash. In the spaces provided briefly explain **each** motive.

Transactionary	
Precautionary	
Speculative	

(16 marks)

5. There has been a decline in financial aid donated by Irish citizens to organisations which assist citizens in Less Developed Countries (LDCs). State **one** possible reason for this decline and state **one** possible economic effect for the citizens of LDCs.

Reason: _____

Economic effect: _____

(16 marks)

6. A furniture firm produces 5 sofas each week. It receives €1,500 in total from the sale of these five sofas. The firm pays the following production costs for the five sofas:
Raw Materials: €400; Insurance on Premises: €100; Wages: €500; Rent of Premises: €300.

(a) Write, in the spaces below, which two are fixed costs and which two are variable costs.

Fixed Costs		Variable Costs	
1.	2.	1.	2.

(b) Calculate the following (Show your workings.):

(i) The **total cost** of producing all 5 sofas: _____

(ii) The **profit** made on total sales: _____

(17 marks)

7. ‘More than 60,000 people have cancelled their private health insurance policies over the last year’
 (Health Insurance Authority, December 2012).

State **one** possible economic reason why people may have cancelled their policies and state **one** possible economic effect of this reduction in private health insurance.

Economic Reason: _____

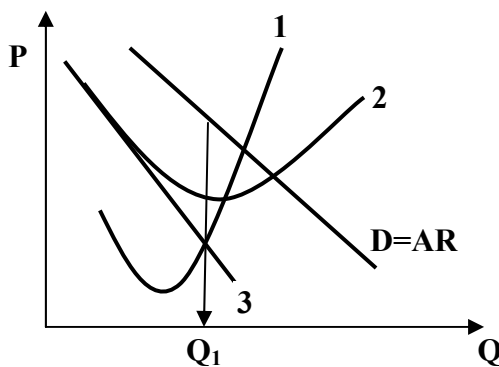
Economic effect: _____

(17 marks)

8. The diagram below represents a **Monopoly** firm in equilibrium

(a) Name each of the curves numbered **1** to **3**. Use the answer box provided.

(b) Show on the diagram the **price** the firm will sell at *and* its **average cost of production**.



ANSWER BOX

Curve	Name
1	
2	
3	

(17 marks)

9. The proposed construction of the National Children’s Hospital will improve Ireland’s infrastructure. Explain the underlined term and outline **one** economic benefit to the economy of **this** development.

Explanation: _____

Economic benefit: _____

(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.

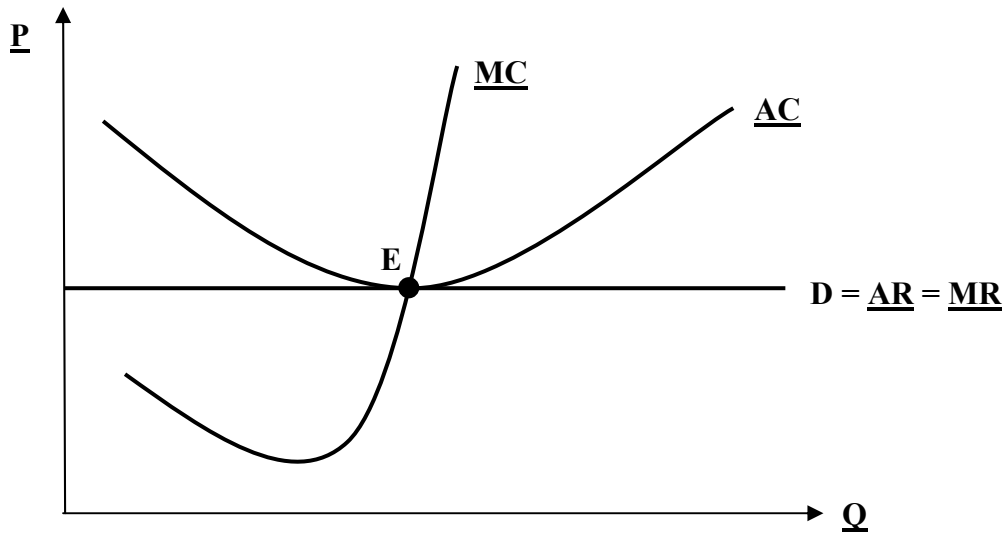
Write the answers in your answer book(s).

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 E** on the diagram.
Show on your diagram:
- the output the firm will produce in equilibrium; (use label Q_1)
 - the average cost of producing this output; (use label C_1)
 - the price it will charge for this output. (use label P_1)
- (b) One of the characteristics of Perfect Competition is that all goods produced are 'homogenous goods'.
- (i) Explain the underlined term.
- (ii) State **two** other characteristics of perfect competition.
- (iii) Write brief notes on **each** of these two other characteristics.
- (c) The prices of petrol and diesel have increased in Ireland in recent years.
- (i) State and explain **one** reason for these increases.
- (ii) State and explain **one** economic effect which high petrol and diesel prices may have on each of the following:
- Irish motorists;
 - the Irish economy.
- (iii) State and explain **two** measures the Irish Government could take to help reduce the costs for Irish motorists.

(30 marks)

(21 marks)

(24 marks)

[75 marks]

2. (a) The information below represents the market demand and supply schedules for Apple iPads.

Price €	Quantity Demanded (units)	Quantity Supplied (units)
300	1,000	200
400	800	400
500	600	600
600	400	800
700	200	1,000

Using the above information and **one** diagram:
(you may use graph paper if you wish)

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

(30 marks)

- (b) (i) Explain **any two** of the following economic terms:
- Normal good;
 - Substitute good;
 - Complementary good.
- (ii) Samsung, a competitor of Apple, introduced to the market a similar product to the iPad (Samsung Galaxy Tab 10) at a more competitive price.
- State and explain **one** possible effect of this development on the market demand curve for the Apple iPad.
 - State and explain **two** measures which Apple could take to encourage consumers to continue to buy its iPad.

(25 marks)

- (c) There is a financial cost and an opportunity cost involved in buying an Apple iPad.

- (i) Explain the underlined terms.
- (ii) Discuss why **each** cost should be considered before purchasing an item.

(20 marks)

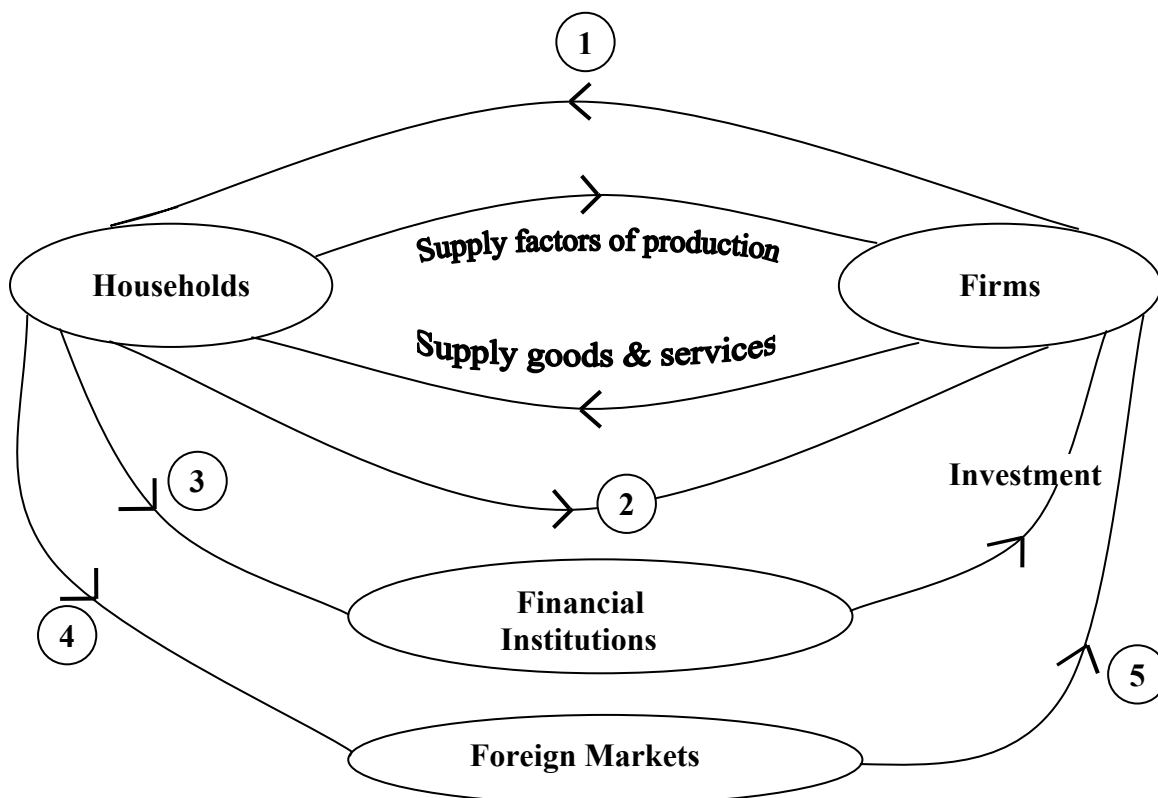
[75 marks]

3. The factor of production labour receives a payment called wages.

- (a) (i) Explain the underlined term.
(ii) State and explain **two** reasons why different wage rates are paid for different jobs.
(iii) Explain the term **occupational mobility of labour** and outline **one** factor which may influence a worker's occupational mobility. **(25 marks)**
- (b) 'The Irish Government plans to reduce the numbers employed in the public sector from 287,000 in 2013 to 282,500 in 2014' (*Budget 2013*).
(i) Explain the underlined term and state **one** example of an occupation in this sector.
(ii) State and explain **one** reason why the government continues to reduce the numbers employed in the public sector.
(iii) Discuss **two** effects on the Irish economy of this reduction in the numbers employed in the public sector. **(26 marks)**
- (c) Some companies in the Information Technology (IT) sector are experiencing shortages of skilled labour such as computer programmers.
(i) State and explain **two** economic effects of this skills shortage for the Irish economy.
(ii) Outline **one** action which **any two** of the following could take to reduce this skills shortage:
 - the IT companies;
 - Colleges / Universities;
 - the Irish Government.**(24 marks)**
[75 marks]

4. (a) The Irish Government is planning to privatise some state assets such as the National Lottery licence.
(i) What is meant by the term 'privatisation'?
(ii) Outline **two** economic arguments in favour of privatisation.
(iii) Outline **two** economic arguments against privatisation. **(25 marks)**
- (b) The Institute of Public Health in Ireland recommended that a 'sugar tax' be introduced, in addition to a VAT charge on soft drinks.
(i) Explain the term 'VAT'.
(ii) State and explain **two** economic arguments in favour of this 'sugar tax'.
(iii) State and explain **one** economic argument against introducing this 'sugar tax'. **(20 marks)**
- (c) Outline **one** economic argument in favour of **and one** economic argument against **each** of the following government measures announced in Budget 2013.
 - Introduction of the household property tax (i.e. 0.18% on values of homes).
 - Reduction in the rate of child benefit (i.e. minimum of €10 per child).
 - Increase in third level education registration charge (i.e. €250 each year between 2013-2015).**(30 marks)**
[75 marks]

5. The diagram below represents the **Circular Flow of Income** in an open economy without Government.



- (a) (i) State what each of the lines numbered **1** to **5** represents.
(ii) Referring to the diagram above, explain briefly the types of activities which take place between **each** of the following:
- households and financial institutions;
 - households and foreign markets;
 - foreign markets and firms.
- (30 marks)**
- (b) The level of consumer expenditure in Ireland has fallen in recent times.
- (i) Outline **two** economic reasons for this development.
(ii) Discuss **two** actions which the government could take to increase consumer expenditure.
- (20 marks)**
- (c) 'Illegal trade (black economy) costs the State €860m in lost revenue annually'
(Sunday Independent, 28 October 2012).
- (i) State **one** example of an activity in Ireland's 'black economy'.
(ii) State and explain **two** reasons for the recent growth in Ireland's 'black economy'.
(iii) Explain **two** economic effects which the growing 'black economy' may have on the Irish economy, other than lost government revenue.

(25 marks)
[75 marks]

6. (a) Emigration from Ireland in recent years has increased.
- Explain the underlined term.
 - State and explain **two** reasons for the increase in emigration.
 - State and explain **two** economic effects which this increase in emigration may have on the Irish economy.
- (24 marks)**
- (b) ‘The number of people aged over 65 years is projected to rise from 12% of the population to over 15% within a decade’ (*The Irish Times*, 27 October 2012).
- Outline **two** possible economic effects which this ageing population may have for the Irish economy.
 - Suggest **one** reason why the Irish Government increased the retirement age to 66 years effective from 2014.
- (21 marks)**
- (c) The rate of unemployment in Ireland remains in excess of 14%.
- Name **one** method of measuring unemployment in Ireland.
 - State and explain **two** possible reasons for Ireland’s continuing high unemployment.
 - Suggest **one** measure **each** of the following could take to reduce Ireland’s unemployment rate:
 - Irish consumers;
 - the Irish Government.
- (30 marks)**
- [75 marks]**
7. (a) ‘Half of all groceries purchased in a family’s weekly shop are imported.’
(*Irish Independent*, June 2012)
- State **one** example of a **visible import** to Ireland.
 - State and explain **two** benefits of imported goods for the Irish economy.
 - State and explain **two** reasons why the Irish government may wish to restrict imports.
- (26 marks)**
- (b) **The Gathering Ireland 2013** aims to attract an extra 325,000 visitors to Ireland in 2013.
- State and explain **two** economic factors which people might consider if they were to choose to visit Ireland in 2013.
 - State and explain **two** advantages for the Irish economy of an increase in tourism.
- (24 marks)**
- (c) Kerry Group plc is an example of an Irish MNC. It employs 23,000 staff in manufacturing facilities in 25 different countries.
- What do the initials MNC stand for?
 - Name **one** other **Irish** MNC.
 - Discuss **two** benefits to the Irish economy of **Irish** MNCs.
- (25 marks)**
- [75 marks]**

8. (a) The rate of DIRT on savings increased to 33% in the 2013 Budget.
- (i) What do the initials DIRT stand for?
 - (ii) Outline **two** factors, other than the rate of DIRT, which a person may consider when deciding to save.
 - (iii) Discuss **one** economic advantage *and* **one** economic disadvantage of savings for the Irish economy.
- (25 marks)**
- (b) 'Allied Irish Bank (AIB) closed 44 of its bank branches in October 2012 and aims to shut one in four branches in 2013' (*The Irish Times*, October 2012).
- (i) State and explain **one** reason why some of Ireland's major banks are closing branches.
 - (ii) Discuss **one** possible economic effect which the closure of these bank branches may have on **each** of the following:
 - Customers of the branch;
 - Employees of the branch;
 - the local community.
- (24 marks)**
- (c) A new series of €5 notes is in circulation throughout the Euro zone as the ECB begins to replace banknotes.
- (i) What do the initials **ECB** stand for?
 - (ii) 'Money should be durable'. Explain this statement and state **two** other characteristics of money.
 - (iii) The euro currency has been experiencing difficulties.
 - State and explain **one** economic advantage of the euro (€) for the Irish economy.
 - State and explain **one** economic disadvantage of the euro (€) for the Irish economy.
- (26 marks)**
- [75 marks]**

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