



Foundation Certificate in Marketing - Stage 1

ECONOMICS

WEDNESDAY, 23RD AUGUST 2000. TIME: 2.00 pm - 5.00 pm

Please attempt **FIVE** questions.

(If more than the specified number of questions are attempted, delete those you do not wish to have marked. Otherwise the Examiner will mark the **FIRST** five questions in your Answer Book).

All questions carry equal marks.

Do **NOT** repeat question in answer, but show clearly the number of the question attempted on the appropriate page of the Answer Book.

1. Write brief notes on **each** of the following:

Economics as a science
Current Budget surplus
Eurosystem

2. Describe the **three** components of a market. (6 marks)

Which of these is **directly** influenced by a change in cost of raw materials?
(4 marks)

Show, with the aid of a diagram, the effects on a market of an increase in costs of raw materials. (10 marks)

3. Define total revenue of a firm. (4 marks)

How is it calculated? (4 marks)

Show the effects on total revenue of an increase in the price of a product for which demand is

- (a) price elastic and (6 marks)
- (b) price inelastic (6 marks)

4. Explain the law of diminishing returns. (8 marks)

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- Show, with the aid of diagrams, its effects on
- (a) marginal cost (4 marks)
 - (b) short run average variable cost (4 marks)
 - (c) short run average total cost. (4 marks)
5. What are the assumptions underlying imperfect competition? (8 marks)
- Distinguish, with the aid of diagrams, the short and the long run equilibrium of a firm operating under such conditions. (12 marks)
6. Describe
- Balance of Trade (Merchandise trade) (4 marks)
 - Balance of International Payments (8 marks)
- Describe the trends in Ireland's international trade in the past decade. (8 marks)
7. Distinguish between the government's current and capital budget indicating the main components of each.
8. In relation to an economic theory of consumer behaviour explain
- (a) the assumption about the consumer and (10 marks)
 - (b) the law of diminishing marginal utility (10 marks)