



Foundation Certificate in Marketing - Stage 1

ECONOMICS

WEDNESDAY, MAY 7, 2003. 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 the economic issues in relation to **two** of the following:
The production possibilities frontier
Charging for public services
Hospital waiting lists.
2. There has been a very big increase in house prices over the past decade, and simultaneously a very large rise in the number of new houses built and sold. Explain, with appropriate supply and demand diagrams, how this could happen.
3. Explain the importance of **each** of the following:
Price elasticity
Cross price elasticity
Income elasticity.
4. Perfectly competitive industry produces an outcome where $P=MR=MC=AC$ and AC is a minimum. Explain, using diagrams as appropriate, how this comes about.
5. In regulating monopolies an attempt is sometimes made to force the monopoly to produce where $MC=P$. Show diagrammatically what impact this will have on output, price and profits. What is the basis of this form of regulation? (You may assume that the monopoly is not a natural monopoly).
6. Using a numerical example with a cash ratio of 5% describe the money supply process. **P.T.O.**

7. In many EU countries the budget position has weakened very sharply in recent years. Explain how this can happen, even without policy changes.
8. Inflation in Ireland is running well above the target set for the Eurozone, and the actual inflation experienced in the Eurozone. Can you explain how this could happen?