

MARKING SCHEME AGRICULTURAL ECONOMICS

In considering this marking scheme the following points should be noted:

1. In many instances only key words are given i.e. these words must appear in the correct context in the candidate's answer in order to merit the assigned marks.
2. Marks shown in brackets represent marks for partial answers as indicated in the scheme.
3. Words, expressions or statements separated by solidus (/) are alternatives, which are equally acceptable.
4. The descriptions, methods and definitions in the scheme are **not** exclusive and alternative valid answers are acceptable.
5. The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer in the examination paper. Requirements may therefore vary from year to year.

LEAVING CERTIFICATE EXAMINATION, 2002

AGRICULTURAL ECONOMICS – ORDINARY LEVEL PAPER

<u>STRUCTURE</u>	Two parts: I and II		
	<u>PART I</u>	20 Questions -	120 marks
	<u>PART II</u>	6 Questions -	200 marks
		Total -	320 marks

OUTLINE MARKING SCHEME

PART I - Answer 15 Questions (15 x 8 = 120 marks)

(1) 1 x 8	(2) 1 x 8	(3) 2 x 4	(4) 2 x 4	(5) 1 x 8
(6) 1 x 8	(7) 1 x 8	(8) 1 x 8	(9) 2 x 4	(10) 1 x 8
(11) 1 x 8	(12) 2 x 4	(13) 2 x 4	(14) 2 x 4	(15) 1 x 8
(16) 1 x 8	(17) 1 x 8	(18) 1 x 8	(19) 2 x 4	(20) 1 x 8

PART II - Answer 4 Questions (4 x 50 = 200 marks)

Question 1	(i) 3 x 10	(ii) 3 x 4	(iii) 1 x 8	(50 marks)	
Question 2	(i) 1 x 12	(ii) 1 x 12	(iii) 3 x 6	(iv) 1 x 8	(50 marks)
Question 3	(i) 2 x 10 + 2 x 5	(ii) 1 x 10	(iii) 2 x 5	(50 marks)	
Question 4	(i) 1 x 20	(ii) 1 x 15	(iii) 1 x 15	(50 marks)	
Question 5	(i) 2 x 10	(ii) 3 x 10		(50 marks)	
Question 6	(i) 2 x 10	(b) 2 x 5 + 1 x 10	(c) 2 x 5	(50 marks)	

LEAVING CERTIFICATE EXAMINATION, 2002
AGRICULTURAL ECONOMICS ORDINARY LEVEL
MARKING SCHEME

PART I (120 marks)

1. 10% of land is rented / 5% of farm assets is borrowed / 15% of farm workforce is hired. [Any One 8 marks]

2. A self – employed person farming land who considers farming to be his/her principal gainful occupation or principal economic status. [8 marks]

3. Land use in Ireland – Mainly Grassland [4 marks]
 Land use in Europe – Tillage [4 marks]

4. (a) Beef [4 marks] (b) Dairying [4 marks]

5. 90% [8 marks]

6. Irish Co-operative Organisation Society (I.C.O.S.) [8 marks]

7. Returns from using an extra unit of input [8 marks]
Or
 Additional output per increment of input X Price of the product [4 marks + 4 marks]
Or
 Marginal Product X Product Price [4 marks + 4 marks]

8. Supply curve shifts to the left or a decreased supply [8 marks]

9. Demand = Purchasing Power [4 marks]
 Need food for survival [4 marks]

10. Income elasticity of demand [8 marks]

11. Real price of land is the nominal price adjusted for inflation [8 marks]

12. Ratio of Liquid assets [4 marks]
 to Current liabilities [4 marks]

13. (a) Knowledge of production functions. [4 marks]
(b) Knowledge of product prices and input prices. [4 marks]
14. Personal Loan – Borrower becomes the owner when asset is purchased. [4 marks]
Hire-Purchase Loan – Lender retains ownership of asset until loan is fully paid. [4 marks]
15. Changes in real GDP or changes in GDP at constant prices. [8 marks]
16. Most income nowadays is from other sources i.e. Transfer payments, Income from other employment. [8 marks]
17. (i) Analyse policy alternatives.
(ii) Administer policy decisions laid down by the government. [Any one 8 marks]
18. Do not have sufficient volume to earn satisfactory incomes with moderate supports, but with appropriate policies they could attain that state. [8 marks]
19. Poultry – Protection against imports
Cereal substitutes
New Zealand Butter or Lamb [Any Two 2 x 4 marks]
20. Expensive undertaking/Logistical problems
Dislocate trade/Dislocate native production [Any one 8 marks]

PART II (200 marks)

1. Sectors within Irish Economy

- (i) A = Industry [10 marks]
B = Agriculture [10 marks]
C = Services [10 marks]
- (ii) Sector Declining – Agriculture [4 marks]

Sector Growing – Services [4 marks]

Sector Relatively Stable – Industry [4 marks]
- (iii) Indicates the direct contribution of each sector to the economy, but there are additional contributions through the linkages that exist between the various sectors. [8 marks]

(50 marks)

- 2. (i) Capital Formation is the additional land improvements, buildings, breeding livestock, machinery and equipment. [12 marks]
- (ii) Gross Capital Formation less depreciation equal Net Capital Formation [12 marks]
- (iii) Sources of Capital Formation
 - (a) Borrowings [6 marks]
 - (b) Farmers Savings [6 marks]
 - (c) Government Grants [6 marks]
- (iv) Balance Sheet [8 marks]

(50 marks)

3. Demand and Supply Schedules for a Crop

- (i) Demand Curve [10 marks]
Supply Curve [10 marks]
Price Axis [5 marks]
Quantity Axis [5 marks]
- (ii) Revenue = Price x Quantity
(€22 x 360000 = €7,920,000) [10 marks]

(iii) Revenue = Guaranteed Price x Quantity [5 marks]
 (€24 x 420,000 = €10,080,000)

Surplus (100,000 tonnes) [5 marks]

(50 marks)

4. Farm Accounts for a Dairy Farm

(i) Farm Output = € 66,000 [5 marks]
 + € 30,000 [5 marks]
 + € 4,000 [5 marks]
 - € 5,000 [5 marks]
 + € 1,500 [5 marks]
 € 96,500 or 20 marks

(ii) Farm Gross Margin = Farm Output = € 96,500 [10 marks]
 less Variable Costs = € 36,000 [5 marks]
 € 60,500 [or 15 marks]

(iii) Family Farm Income = Farm Gross Margin = € 60,500 [10 marks]
 less Fixed Costs = € 27,000 [5 marks]
 € 33,500 [or 15 marks]

Or

Family Farm Income = Farm Output = € 96,500 [5 marks]
 less Variable Costs = € 36,000 [5 marks]
 less Fixed Costs = € 27,000 [5 marks]
 € 33,500 [or 15 marks]

(50 marks)

5. Borrowing Money to Purchase Extra Land

(i) Criterion used by bank manager [10 marks]
 Repayment Capacity [10 marks]
 Explanation [10 marks]

Or Security [10 marks]
 Explanation [10 marks]

Or Cash flow [10 marks]
 Explanation [10 marks]

- (ii) Three Options
 - (a) Selling Assets [10 marks]
 - (b) Reduction of Living Expenses [10 marks]
 - (c) Extending the period of repayments [10 marks]

(50marks)

6. Marginal Analysis

- (i) (a) Marginal Cost – Change in the total cost per additional unit of output [10 marks]
- (b) Marginal Revenue – Change in Total Revenue per additional unit of output Or the price of the product [10 marks]

- (ii) Diagram – Labels – Marginal Cost [5 marks]
Marginal Revenue [5 marks]

The most profitable level of production is where the marginal cost curve meets the marginal revenue curve [10 marks]

- (iii) Producing more would be less profitable because the marginal cost curve would be above the marginal revenue curve [5 marks]

or

Producing less would be less profitable because the marginal revenue is greater than the marginal cost/foregoing profit. [5 marks]

(50 marks)