

ECONOMICS - ORDINARY LEVEL - 400 marks

THURSDAY, 26 JUNE - 9.30 - 12.00

5956

Answer not more than SIX questions from Section A and FOUR questions from Section B. Credit will be given for clear, precise answering and orderly presentation of material.

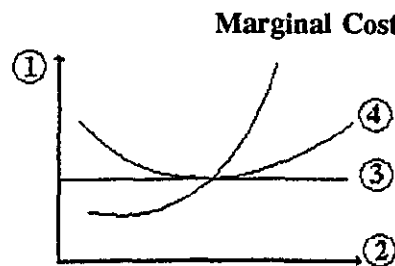
SECTION A (100 marks)

This section is on a separate sheet which also provides space for your answers. The completed sheet is to be returned with your answer books at the end of the examination.

SECTION B (300 marks)

Not more than FOUR questions to be answered. All questions carry equal marks. (i.e. 75)
Note the sub-divisions in the questions.

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



- (a) (i) Copy the diagram into your answerbook and clearly label each of the lines numbered, 1 to 4. (8)
- (ii) Show on your diagram:
- the output the firm will produce.
 - the average cost of producing this output.
 - the price it will charge for this output.
 - whether the firm is earning normal profit or super normal profit. (17)
- (b) One of the assumptions/characteristics of perfect competition is that all the goods sold are homogeneous goods.
- (i) Explain what is meant by the term: 'homogeneous goods'.
- (ii) Should a firm in perfect competition advertise its goods ?
Explain your answer clearly. (20)
- (c) Consider the example of a firm in Ireland which is involved in the supermarket trade. These firms regularly advertise.
Outline one advantage and one disadvantage of advertising in the case of any two of the following:
- (i) the supermarket itself.
 - (ii) a consumer who uses the supermarket.
 - (iii) the economy in general. (30)

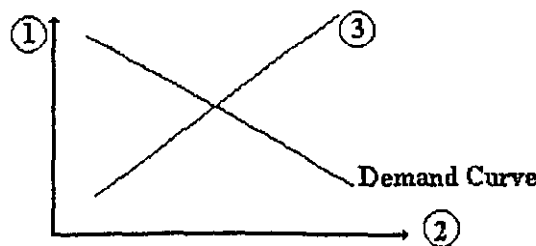
(30)
[75 MARKS]
OVER→

2. A manufacturing firm combines labour with the other factors of production to produce a product. It then sells this product on the market and receives revenue.

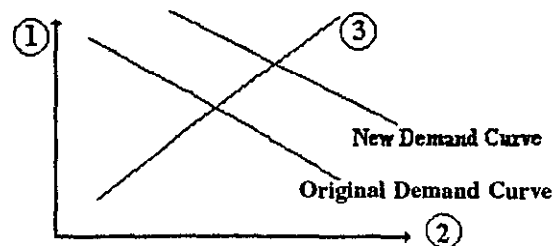
- (a) Name the other factors of production referred to above. (15)
- (b) State and explain briefly two reasons which would encourage a manufacturing firm to employ additional workers. (20)
- (c) Most workers, when the wage rate per hour increases, are willing to work more hours. But there are some workers who prefer to work less hours as the wage rate per hour increases. Suggest one reasons why a worker might choose to do this ? (10)
- (d) All workers do not receive the same wage rate per hour worked. A skilled person may earn many times as much as what an unskilled worker earns. State and explain briefly, three reasons why there are different wage rates paid for different jobs. (30)

[75 MARKS]

3. The diagram below represents demand and supply in a market.



- (a) (i) Copy the above diagram into your answerbook and clearly label the lines, 1 to 3.
- (ii) Show on your diagram:
- the price charged for the good on this market.
 - the quantity sold on this market.
- (25)
- (b) Suppose the demand curve in the above diagram moves out to the right as shown below:



- (i) State (or show) what has happened to the price charged and the quantity sold; (10)
- (ii) State and explain two reasons why this might happen i.e. why a consumer would demand more of a commodity. (15)
- (c) During 1996 the demand for beef by Irish consumers declined.
- (i) State and explain one reason for this decline.
- (ii) State and explain one effect which this decline in demand for beef may have on beef producers in Ireland.
- (iii) State and explain one measure which the European Union could take to help Irish beef producers. (25)

[75 MARKS]

4. (a) The estimated government current budget for 1996 was as follows:

Government current income:	£12,434 m	Government current expenditure:	£12,516 m
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Answer the following questions:

- (i) What is the amount of the difference in the two figures given, and what is the economic term used to describe this difference ?
- (ii) How does the government finance this difference ?
- (iii) Give two examples of government current income. (20)
- (b) The government collects considerable amounts of revenue in taxes each year. State two uses to which this tax revenue is put. (10)
- (c) Explain the effect which a reduction in the rates of income tax in Ireland would have on any two of the following:
- (i) the government's current budget;
- (ii) the level of employment in Ireland;
- (iii) the level of emigration from Ireland. (20)
- (d) Three examples of indirect taxes in Ireland are:
Value Added Tax, Excise Duty and Custom (import) Duty.
- (i) Explain briefly but clearly any two of the above taxes.
- (ii) State and explain one reason why the government chooses regularly to increase the rate of VAT/Excise Duty on commodities such as cigarettes and alcohol and not on foodstuffs. (25)

[75 MARKS]

5. Membership of the European Union has resulted in many benefits to Ireland's small open economy.

- (a) (i) Name three members of the European Union, other than Ireland.
- (ii) What is meant by the term: 'open economy'. (20)
- (b) State and explain three benefits of membership of the European Union to Ireland. (30)
- (c)

In period 1:

IR£1 = 10 Deutschmark

In period 2:

IR£1 = 5 Deutschmark

The Irish punt has gone down in value relative to the German Deutschmark. Discuss the possible effects that this fall in the value of the Irish punt will have on:

- (i) Ireland's exports to Germany.
- (ii) Ireland's imports from Germany. (25)

[75 MARKS]

6. (a) Money is defined as anything which is accepted in payment of a debt. State two items which are accepted as money in a modern economy. (10)
- (b) The four functions of money in an economy are:
- It acts as a medium of exchange.
 - It acts as a measure of value.
 - It acts as a store of wealth.
 - It acts as a standard of deferred payment.
- Explain what is meant by any two of the above functions. (20)
- (c) (i) State any two of the functions of the Central Bank.
(ii) Write brief notes on each of these functions. (30)
- (d) Suppose the supply of money in an economy is greater than the supply of goods and services in that economy. Explain the effects which this may have on either.
- (i) Prices for goods and services in that economy.
or
(ii) The amount of goods imported into that economy. (15)

[75 MARKS]

7. (a) Explain what is meant by the term 'Full Employment'. (15)
- (b) The number of people unemployed in Ireland has been falling recently.
- (i) State and explain two possible reasons for this.
- (ii) State and explain two benefits of this to the Irish economy. (30)
- (c) In recent years the number of people emigrating from Ireland has declined.
- (i) State and explain two reasons for the high levels of emigration from Ireland in the past.
- (ii) State and explain two reasons why the numbers emigrating has declined. (30)

[75 MARKS]

8. (a) Many underdeveloped countries (UDC's, sometimes referred to as the Third World) are experiencing economic problems at the moment.
- (i) State four problems which UDC's are currently experiencing.
(ii) Write brief notes on any one of these. (30)
- (b) The governments of these countries could take various measures to deal with those problems.
- (i) State three of these measures.
(ii) Write brief notes on any two of these measures. (25)
- (c) Consider an underdeveloped country which is beginning to develop its infrastructure (such as improvements in land, transport, communications, education, health, housing etc).
- State and explain two advantages of these improvements to the citizens of the country.
- or
- State and explain two disadvantages of these improvements to the citizens of the country. (20)

WARNING
You must return this paper with your answerbook, otherwise marks will be lost.

An Roinn Oideachais
Leaving Certificate Examination, 1997

M.58A

ECONOMICS - ORDINARY LEVEL

SECTION A (100 marks)

Examination Number

Answer any six of the following:-

1. What is meant by a direct tax? Give ONE example.

(16 marks)

2. Give TWO examples of current spending by central government.

(i)

(ii)

(16 marks)

3. What is meant by the term 'inflation'?

(16 marks)

4. A manufacturing firm's costs may be divided into fixed costs and variable costs. Explain what is meant by FIXED COSTS and give ONE example of fixed costs.

EXAMPLE:

OR

Explain what is meant by VARIABLE COSTS and give ONE example of variable costs.

EXAMPLE:

(16 marks)

5. An increasing number of people are availing of third level education. State ONE advantage of this development to the economy in general.

(16 marks)

6. National Income $\gamma = C + I + G + X - M$
C = £1,200 m; I = £300 m; G = £400 m; X = £40 m and M = £30 m
Calculate, using the above figures, the level of national income.
(Show all your workings)

(17 marks)

7. Complete the following sentence:

Price Elasticity of Demand (P.E.D) measures:

the percentage change in _____ for a good caused by a percentage change in the _____ of the good.

For normal goods, price elasticity of demand is _____.

(17 marks)

8. State any three of the main aims of Government Economic Policy.

- (i) _____
- (ii) _____
- (iii) _____

(17 marks)

9. Recent media reports suggest that many individuals are involved in the black economy. What is meant by the term: the 'black economy'.

(17 marks)