

**ECONOMICS - ORDINARY LEVEL - 400 marks**

**THURSDAY, 25 JUNE - 9.30 - 12.00**

5107

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.

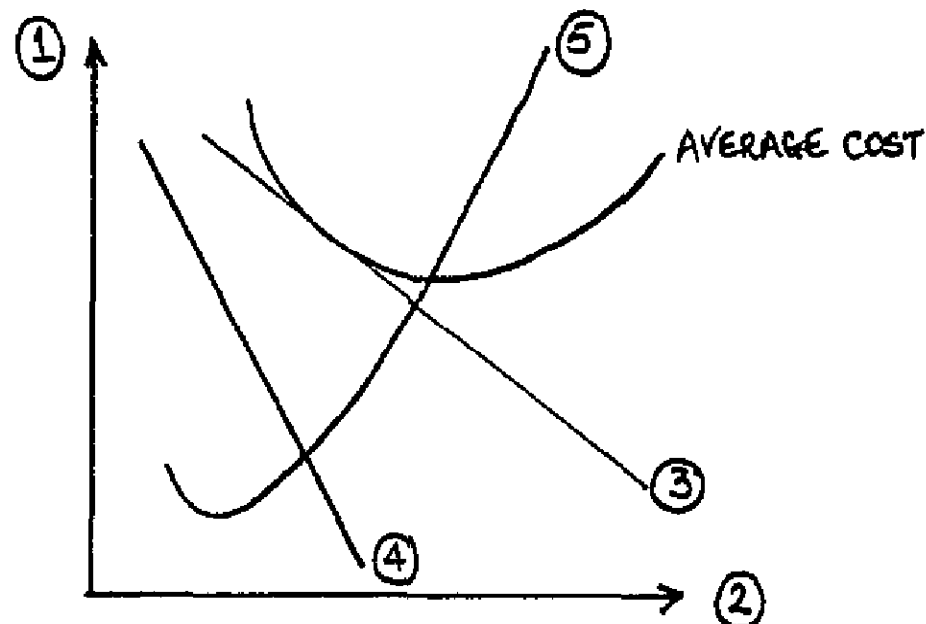
**SECTION A (100 marks)**

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 Imperfect Competition.



- (a) (i) Copy the diagram into your answerbook and clearly label each of the lines numbered, 1 to 5. (10 marks)
- (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 supernormal profit. (20 marks)
- (b) (i) State FOUR distinguishing characteristics/assumptions of an Imperfectly Competitive market structure.
- (ii) Write brief notes on any THREE of these. (25 marks)
- (c) The firm shown in the above diagram does not produce at the lowest point of the average cost.
- (i) Suggest one reason why this may be the case.
- (ii) Are the resources being efficiently used? Explain briefly. (20 marks)
- [75 marks]

2. The Law of Diminishing Marginal Utility states 'that as we consume more of a good or service the extra utility we get from consuming each extra unit will eventually fall'.

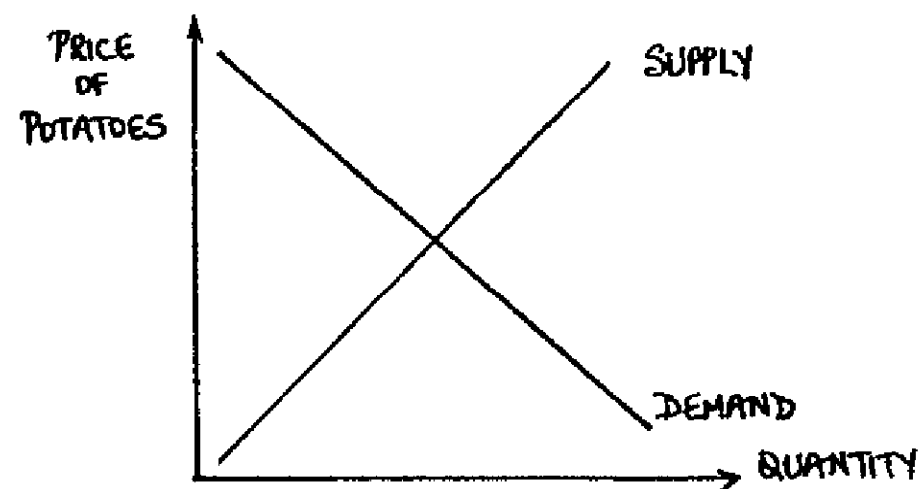
(a) Suggest **TWO** commodities which people consume which may not result in the fall of their marginal utility.  
Explain your answers briefly. (20 marks)

(b) (i) Complete the following Table

Number of oranges consumed	1	2	3	4	5
Total utility in utils.	12	29	47	58	66
Marginal Utility, in utils (for each extra orange consumed)	12			11	

(ii) At what point does Diminishing Marginal Utility set in?  
(iii) Explain your answer, briefly. (25 marks)

(c) The following diagram represents the Supply of Irish Potatoes and the Demand for Irish Potatoes in Irish supermarkets.



Explain the effects which **EACH** of the following may have on  
**EITHER**  
the Supply of Irish Potatoes  
**OR**  
the Demand for Irish Potatoes

- (i) a successful advertising campaign in favour of Irish potatoes is introduced;
- (ii) a tariff on imported potatoes is removed;
- (iii) bad weather disrupts the production of Irish potatoes.

Explain your answers clearly. You may use diagrams if you wish. (30 marks)  
[75 marks]

3. (a) An entrepreneur requires factors of production to produce commodities. One of these factors of production is 'enterprise'.

(i) Name the other **THREE** factors of production.  
(ii) Explain what is meant by 'enterprise'. (20 marks)

(b) The factor of production enterprise is different from the other factors of production. State and explain **TWO** reasons why this is so. (20 marks)

(c) Entrepreneurs are important to the growth of an economy.

- (i) State and explain **TWO** reasons why entrepreneurs are so important to the Irish economy.
  - (ii) State and explain **TWO** ways by which the Irish government could encourage more individuals to become entrepreneurs. (35 marks)
- [75 marks]

4. (a) Some semi-state companies have been privatised.
- (i) Explain what is meant by the term 'privatisation'.
  - (ii) Give **ONE** example of a company that has been privatised.
  - (iii) Give **TWO** reasons why the government has privatised some semi-state companies. (25 marks)

- (b) State **ONE** possible effect which privatisation may have on **ANY TWO** of the following:
- the taxpayers in the economy;
  - the employees within the state companies;
  - the consumers of the company's good or service. (25 marks)

- (c) The rate of income tax has been falling recently in Ireland.

Answer **ANY TWO** of the following:

- (i) Will this development encourage people to work?
  - (ii) How might this development affect the demand for goods and services in the economy?
  - (iii) How might this development affect the level of inflation in Ireland?
- Explain your answers clearly. (25 marks)

[75 marks]

5. (a) (i) Explain what is meant by visible/physical exports.  
Give **TWO** examples of visible exports.
- (ii) Explain what is meant by invisible exports.  
Give **TWO** examples of invisible exports. (25 marks)

- (b) The Industrial Development Authority has been successful in attracting more foreign companies into Ireland.

Discuss the effect(s) of this development on **ANY TWO** of the following:

- (i) the level of employment in Ireland;
  - (ii) the balance of payments;
  - (iii) the level of government current revenue (or government current expenditure).
- Explain your answers clearly. (30 marks)

- (c) State and explain **TWO** reasons why - in your opinion - foreign companies find Ireland an attractive location for their operations. (20 marks)

[75 marks]

6. (a) The National Income of a country is the total of the incomes received by each of the four factors of production in that country in a given year.
- (i) Name the **THREE** ways which are used to calculate National Income.
  - (ii) Give **ONE** reason why all these three methods are used, instead of one. (20 marks)

- (b) The Gross National Product of a country at market prices is defined as 'the value of all the goods and services produced in a country valued at the prices paid for them by consumers in the market'.

Explain the effect which each of the following will have on GNP at market prices:

- (i) a rise in the level of Value Added Tax;
- (ii) the payment of food subsidies to Irish producers. (20 marks)

- (c) Given: National Income =  $C + I + G + X - M$   
 $C = \text{£}1,200\text{m}$ ;  $I = \text{£}500\text{m}$ ;  $G = \text{£}300\text{m}$ ;  $X = \text{£}40\text{m}$  and  $M = \text{£}30\text{m}$ .
- (i) Explain what each of the above symbols/letters stands for.  
(ii) Calculate, using the figures provided, the level of national income.  
Show all your workings. (15 marks)
- (d) Ireland's Gross National Product has been rising in recent years.  
State and explain **TWO** advantages of this development to the economy. (20 marks)
- [75 marks]

7. (a) (i) List **FOUR** of the main economic aims of the government.  
(ii) Write brief notes on **ANY THREE** of these aims. (25 marks)
- (b) The government has certain policies available to it to help it achieve its aims. Among these are:
- Fiscal Policy
  - Monetary Policy
  - Prices and Incomes Policy.
- Explain what is meant by **ANY TWO** of the above policies. (30 marks)
- (c) The government is paying the fees for students who attend third level colleges in Ireland.
- (i) State **ONE** economic advantage and **ONE** economic disadvantage of this policy.  
(ii) Write brief notes on each of your answers in (i) above. (20)
- [75 marks]

8. (a) The number of people living in the Irish Republic is counted regularly. This is usually done once every five years.  
What is this called? (10 marks)
- (b) Many economists have commented on Ireland's 'greying population'. They are referring to that fact that Ireland's population is getting older.  
State and explain **TWO** consequences of this development for the Irish economy. (20 marks)
- (c) Rev. Thomas Malthus considered the problems of population and food supply.  
Answer **ANY TWO** of the following:
- (i) What did he say concerning population and food supply?  
(ii) What did he say concerning population and wage rates?  
(iii) To which school of economic thought did he belong? (20 marks)
- (d) One of the advantages to workers of membership of the European Union is the increased mobility of labour.
- (i) State **ONE** way in which EU membership has improved the mobility of labour.  
(ii) It is understood that some unemployed people refuse an offer of an unskilled job. State **TWO** reasons why they might refuse such a job. (25 marks)
- [75 marks]

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

An Roinn Oideachais agus Eolaíochta  
Leaving Certificate Examination, 1998

M.58A

**ECONOMICS - ORDINARY LEVEL**

SECTION A (100 marks)

Examination Number

Answer any six of the following:-

1. In the case of **THREE** of the following what do the initials stand for?
  - (i) EBR: \_\_\_\_\_
  - (ii) IMF: \_\_\_\_\_
  - (iii) ECU: \_\_\_\_\_
  - (iv) WTO: \_\_\_\_\_

(16 marks)
  
2. Savings, in economics, simply means not spending all or part of your income. State **TWO** factors which may affect a person's level of savings.
  - (i) \_\_\_\_\_
  - (ii) \_\_\_\_\_

(16 marks)
  
3. Complete the following sentences:  
 Economics is a \_\_\_\_\_ science. It studies how scarce \_\_\_\_\_ are best distributed to satisfy our infinite \_\_\_\_\_ and \_\_\_\_\_.  

(16 marks)
  
4. State and explain **ONE** method by which a government might restrict free international trade.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  

(16 marks)

5. Name one of the two sources from which the numbers of people unemployed in Ireland are taken.

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**(16 marks)**

6. When a demand curve shifts outwards from the origin (i.e. out to the right) more of the commodity will be demanded by the consumer. State and explain ONE factor which may cause a demand curve to shift out to the right.

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**(17 marks)**

7. What is meant by an indirect tax?

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Give two examples of indirect taxes.

(i) \_\_\_\_\_ (ii) \_\_\_\_\_

**(17 marks)**

8. State TWO of the functions of money.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

**(17 marks)**

9. A student who completes his/her Leaving Certificate in June enters a third level college in September.

Suggest ONE possible 'opportunity cost' of this course of action to the student.

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**(17 marks)**