

ECONOMICS - ORDINARY LEVEL - 400 marks

THURSDAY 24 JUNE, 9.30 - 12.00

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.

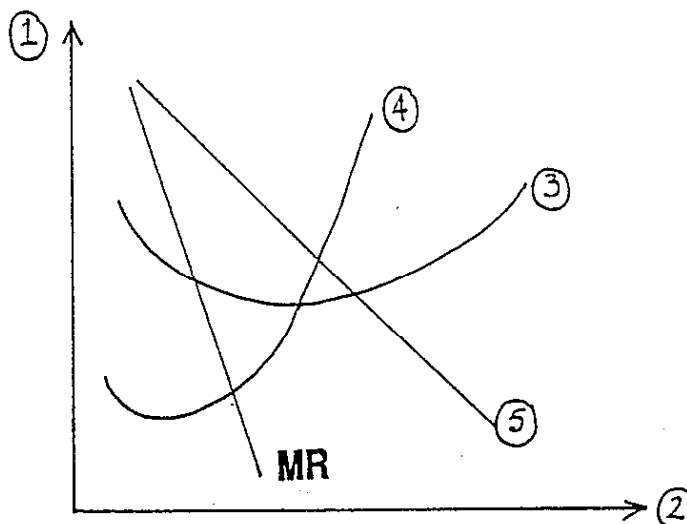
SECTION A (100 marks)

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)

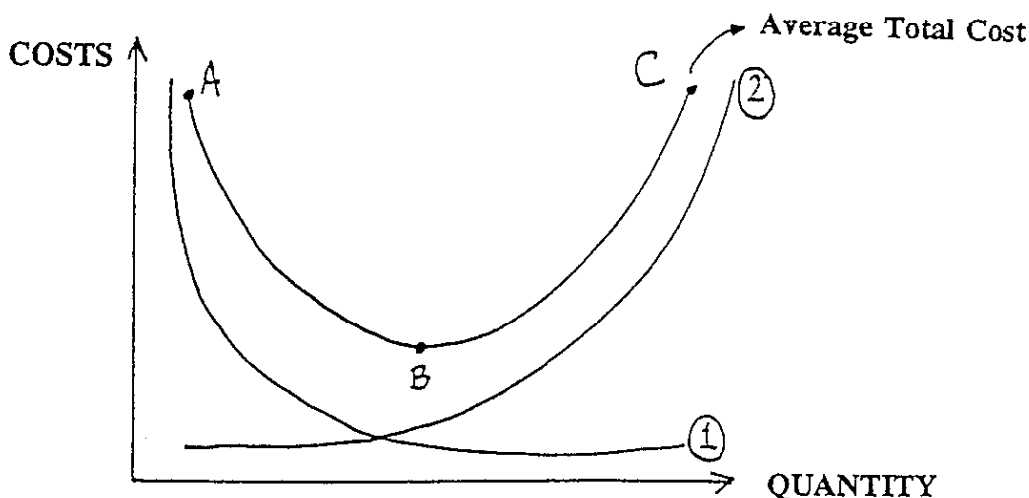
Not more than FOUR questions to be answered. All questions carry equal marks. (i.e. 75)
Note the sub-divisions in the questions.

1. The diagram below represents a **monopoly** firm in equilibrium.



- (a) (i) Copy the diagram into your answerbook and clearly label each of the lines numbered, 1 to 5 with its economic meaning. (10 marks)
- (ii) Show and identify on your diagram
- the output the firm will produce in equilibrium.
 - 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 TWO distinguishing characteristics of a **Monopoly** market structure.
- (ii) Write brief notes on each of these. (25 marks)
- (c) (i) Give TWO examples of industries which you consider to be monopolies in Ireland.
- (ii) New firms may wish to enter these industries but they face barriers to their entry. State and explain the nature of two possible barriers to entry. (20 marks)
- [75 marks]

2. (a) A manufacturing firm's costs may be divided into fixed costs and variable costs.
- (i) Explain what is meant by both of these types of costs.
- (ii) Give ONE example of each of these costs for a firm. (25 marks)
- (b) The following diagram represents the costs of a particular firm in the short run period:



- (i) Copy the diagram into your answerbook and label each of the curves 1 and 2.
- (ii) Explain the reasons for the U shape of the Average Total Cost Curve:
 from point A to B;
 from point B to C;
 the importance of point B. (25 marks)
- (c) Consider the construction of the proposed 'LUAS' transport system in Dublin.
- State and explain TWO economic advantages of this development.
 - State and explain TWO economic disadvantages of this development. (25 marks)
- [75 marks]

3. (a) A consumer's demand for goods and services depends on many factors.
- (i) State THREE factors which affect a consumer's demand.
- (ii) Write notes on each of the factors you have stated. (30 marks)

- (b) For a commodity to be considered an economic good it must possess certain characteristics. These characteristics include:
- it must be scarce in relation to demand;
 - it must be transferable;
 - it must provide the consumer with utility.
- (i) In relation to economic goods explain what is meant by any two of the terms underlined above;
- (ii) Give ONE example of a commodity which you would not consider to be an economic good. Give a reason for your answer. (25 marks)

- (c) The formula for measuring Price Elasticity of Demand is as follows:

$$\frac{\Delta Q}{\Delta P} \times \frac{P_1 + P_2}{Q_1 + Q_2}$$

Explain what each of the above terms (symbols) stands for. (20 marks)

[75 marks]

4. The following table illustrates the Comparative Advantages as between countries A and B in the production of food and machinery.

Country	Commodity (production per hour per person)	
	FOOD	MACHINERY
Country A	16 tonnes	4 units
Country B	32 tonnes	16 units
Total Output	48 tonnes	20 units

- (a) Country B is more efficient in the production of both goods but each country could benefit by specialising in the production of one good.
- (i) Which good would Country B produce? Why? (7 marks)
- (ii) Which good would Country A produce? Why? (7 marks)
- (iii) Calculate the resulting total output, if specialisation were to take place. (6 marks)
- (b) Imports and exports are very important to the Irish economy.
- (i) State and explain TWO reasons why imports are important to the Irish economy.
- (ii) State and explain TWO reasons why exports are important to the Irish economy. (30 marks)
- (c) If Ireland's visible exports are valued at IR€1,000m and our visible imports are valued at IR€800m:
- (i) Calculate our Balance of Trade, stating whether it is in surplus or deficit;
- (ii) Give TWO examples of invisible exports from Ireland;
- (iii) Give TWO examples of invisible imports into Ireland. (25 marks)

[75 marks]

5. (a) What is 'money'? (10 marks)

- (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 for deferred payments.

Explain what is meant by any two of the above functions. (20 marks)

- (c) The Central Bank is responsible for printing Irish currency.

- (i) State any three of the other functions of the Central Bank.
- (ii) Write brief notes on each of these functions. (25 marks)

- (d) Ireland is one of the countries which is moving towards the use of the new EU currency - called the **EURO**.

State and explain one advantage of this currency to each of the following:

- (i) Irish consumers;
- (ii) Irish exporting firms. (20 marks)

[75 marks]

6. (a) Explain clearly what is meant by the term 'inflation'. (15 marks)
- (b) What index is used to measure the rate of inflation? (10 marks)
- (c) Discuss the effects which an increase in the rate of inflation may have on ANY TWO of the following:
 (i) Employees;
 (ii) Employers;
 (iii) People in receipt of social welfare. (30 marks)
- (d) A reduction in interest rates brings benefits to the Irish economy. Discuss the benefits which a reduction in interest rates brings to ANY TWO of the following:
 (i) Borrowers;
 (ii) The government;
 (iii) Employers. (20 marks)
- [75 marks]**

7. (a) Many underdeveloped countries (UDC's) are experiencing economic problems at present.
 (i) State FOUR problems which UDC's are currently experiencing.
 (ii) Write brief notes on any two of these problems. (30 marks)
- (b) The governments of these countries could take various measures to deal with these problems.
 (i) State three of these measures.
 (ii) Write brief notes on any two of these measures. (25 marks)
- (c) The governments of countries in the developed world can also help UDC's to overcome some of their problems.
 (i) Explain what is meant by 'the developed world'.
 (ii) State TWO measures which these governments could take to help UDC's.
 (iii) Write brief notes on each of these measures. (20 marks)
- [75 marks]**

8. (a) Taxes can be classified as direct or indirect.
 (i) Explain what is meant by direct and indirect taxes.
 (ii) Give TWO examples of each of these types of taxes. (30 marks)
- (b) The four canons (or principles) of taxation are:
 EQUITY ECONOMY CERTAINTY CONVENIENCE
 Explain briefly and clearly what is meant by each of these canons of taxation. (25 marks)
- (c) The following made significant contributions to the development of economic thought (ideas):
Thomas Malthus; Adam Smith; John Maynard Keynes;
 (i) State one contribution which any ONE of these made to the development of economic thought;
 (ii) Write a brief note explaining this contribution clearly. (20 marks)
- [75 marks]**

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WARNING

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

An Roinn Oideachais agus Eolaíochta
Leaving Certificate Examination, 1999

M.58A

ECONOMICS - ORDINARY LEVEL

SECTION A (100 marks)

Examination Number

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Answer any **six** of the following:-

1. The **four** factors of production are:

- (a) _____ (c) _____
- (b) _____ (d) _____

(16 marks)

2. In economics what is meant by the term 'entrepreneur'?

(16 marks)

3. Explain what is meant by the term 'mobility of labour'.

(16 marks)

4. The National Income of a country is the total of the incomes received by each of the four factors of production in a country in one year.

State the **THREE** ways which are used to calculate National Income.

- (a) _____
- (b) _____
- (c) _____

(16 marks)

5. Explain what is meant by the term '**homogeneous goods**' - as is used in Perfect Competition and give one example.

(16 marks)

6. Name FOUR members of the European Union, *other than Ireland*.

(a) _____ (c) _____

(b) _____ (d) _____

(17 marks)

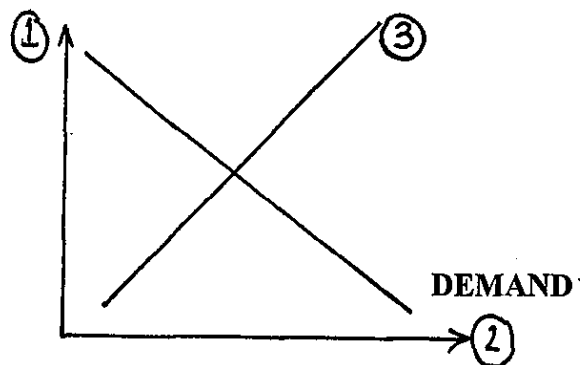
7. Recent media reports suggest that many individuals are involved in the black economy. What is meant by the term the '**black economy**'?

(17 marks)

8. Explain what is meant by the term '**Current Budget Surplus**'.

(17 marks)

9. The diagram below represents Demand and Supply in a market.



(i) Clearly label each of the lines numbered 1 to 3.

(ii) Show on the above diagram:

- the price charged for the good on this market
- the quantity sold on this market.

(17 marks)