

**WARNING**

This Question Paper **MUST** be returned with your answer book(s) at the end of the Examination, otherwise marks will be lost.

Write your Examination Number here ⇒



# Coimisiún na Scrúduithe Stáit State Examinations Commission

**LEAVING CERTIFICATE EXAMINATION, 2010**

**WEDNESDAY 23 JUNE 2010, MORNING 9.30 – 12.00**

## **ECONOMICS – ORDINARY LEVEL** (400 marks)

Answer **six** questions from Section A and **four** questions from Section B. Credit will be given for clear, precise answering and for orderly presentation of material.

### **SECTION A (100 marks)**

Answer **six** of the **nine** short response type questions in the spaces provided.

### **SECTION B (300 marks)**

Answer **four** questions.

Write the answers in your answer book(s).

Do **not** write answers to Section B on this question paper.

All questions carry equal marks (75 marks).

Note the sub-divisions in the questions.

### **Examiner use only**

<b>Q.</b>	<b>Mark</b>
1	
2	
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<b>Total</b>	

**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK(S) USED TO ANSWER THE QUESTIONS IN SECTION B**

## SECTION A (100 marks)

Answer **six** of the **nine** short response type questions in the spaces provided.

1. What economic institutions do the following initials stand for?

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

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

(16 marks)

2. Many Irish citizens donate financial aid to organisations that assist citizens in less developed countries (LDCs). Name **one** organisation involved in this activity. State **one** economic measure, other than financial donations, that **Irish citizens** can take to improve economic activity in LDCs.

Organisation: \_\_\_\_\_

Measure: \_\_\_\_\_

(16 marks)

3. Name the market structure (Perfect Competition, Imperfect Competition or Monopoly) to which each statement below applies:

	STATEMENT	MARKET STRUCTURE
(i)	Product differentiation exists	
(ii)	Products are homogeneous/identical	
(iii)	Firm has complete control over price or output	

(16 marks)

4. Explain the term opportunity cost and give **one** example.

Explanation: \_\_\_\_\_

Example: \_\_\_\_\_

(16 marks)

5. State **two** economic effects which an increasing level of unemployment may have on the Government's Current Budget Deficit.

Effect 1: \_\_\_\_\_

Effect 2: \_\_\_\_\_

(16 marks)

6. Currently more people are availing of third-level education in Ireland. Outline **two** economic advantages of this development for the Irish economy.

Advantage 1: \_\_\_\_\_  
 \_\_\_\_\_

Advantage 2: \_\_\_\_\_  
 \_\_\_\_\_

(17 marks)

7. The following items are either substitutes or complements for Mobile Phones. From the list below, identify which of the items are substitutes and which of the items are complements. Write your answers in the spaces provided.

<b>Mobile Credit</b>	<b>e-mail</b>	<b>Landline Telephone</b>	<b>Mobile Ringtones &amp; Apps</b>
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Answer:

<b>Substitutes for mobile phone</b>	(1)	(2)
<b>Complements for mobile phone</b>	(1)	(2)

(17 marks)

8. Entrepreneurship is important in the development of an economy. Explain the underlined term and state **one** economic reason why entrepreneurship is important.

Explanation: \_\_\_\_\_  
 \_\_\_\_\_

Reason: \_\_\_\_\_  
 \_\_\_\_\_

(17 marks)

9. State **two** economic effects on the economy of the Republic of Ireland of an increasing number of shoppers travelling to Northern Ireland to shop (cross-border shopping).

Effect 1: \_\_\_\_\_  
 \_\_\_\_\_

Effect 2: \_\_\_\_\_  
 \_\_\_\_\_

(17 marks)

*Remember to return this question paper with the answer book(s) used to answer the questions in Section B.*

## SECTION B (300 marks)

Answer **four** questions.

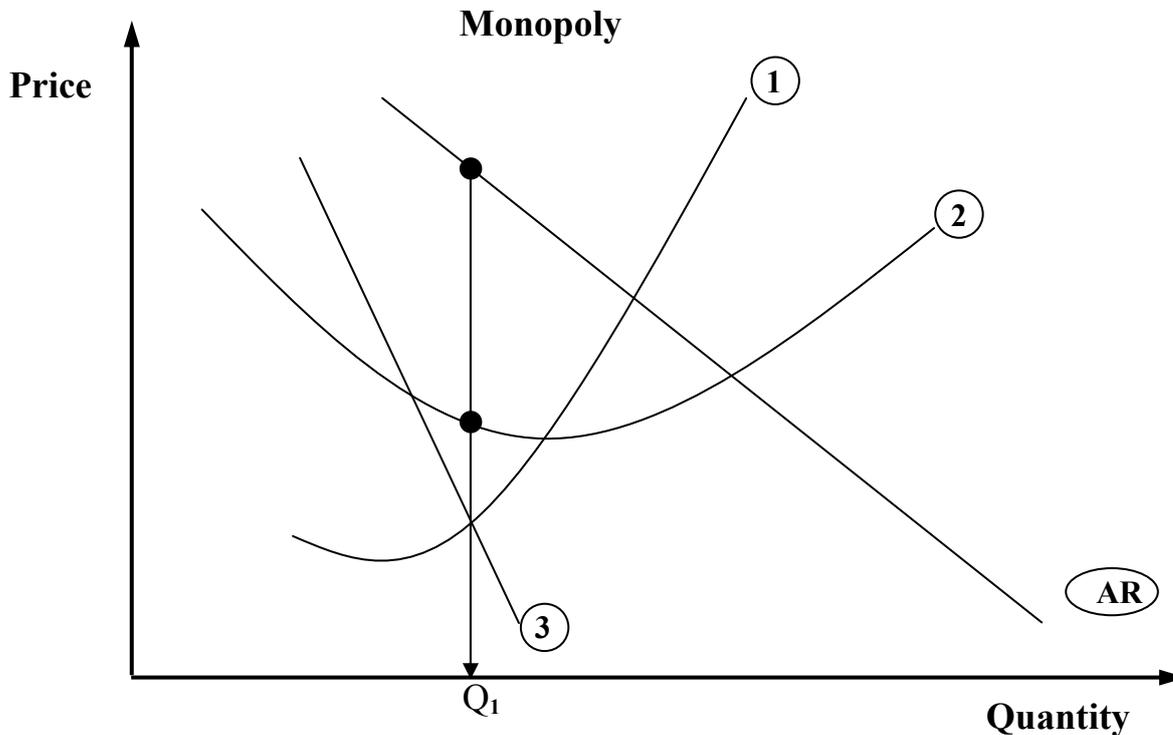
Write the answers in your answer book(s).

Do **not** write answers to Section B on this question paper.

All questions carry equal marks (75 marks).

Note the sub-divisions in the questions.

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



(a) Copy the diagram into your answerbook.

- (i) Clearly label each of the lines numbered 1 to 3.
- (ii) The above firm produces  $Q_1$ . Show on your diagram:
  - the price the firm will charge for  $Q_1$ . (use label  $P_1$ )
  - the average cost of producing this output. (use label  $C_1$ )

**(21 marks)**

(b) Explain **each** of the following barriers to entry **and** illustrate your answer with an example in each case:

- Patents and Copyrights;
- Legal monopolies/state monopolies;
- Economies of scale.

**(24 marks)**

(c) **An Post** is a monopoly firm in the delivery of 'letter-post'. The demand for letter-post is falling and some small rural post offices are being closed.

- (i) State and explain **two** advantages of **this** monopoly for consumers.
- (ii) Explain **two** reasons for the falling demand for letter-post.
- (iii) Discuss **two** effects of the closure of small rural post offices for the local economy.

**(30 marks)**

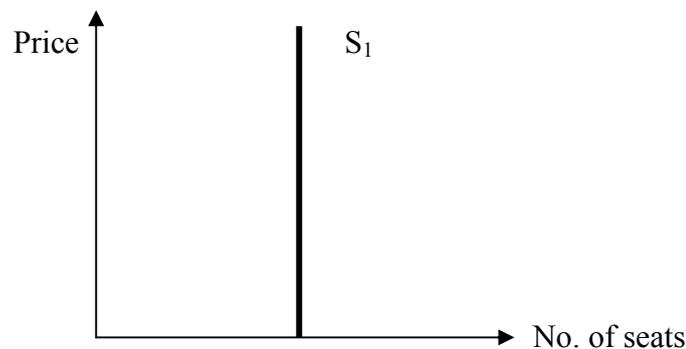
**[75 marks]**

2. (a) As consumers consume more units of a good their marginal utility will eventually fall.
- Explain the underlined term.
  - Suggest **one** good a person may consume which may **not** result in a fall in their marginal utility. Explain your answer.
  - Complete the following table in your answerbook. **State** at what point diminishing marginal utility sets in and **explain** your choice.

Number of units consumed	1	2	3	4	5	6
Total utility in units	10	35	75	95	110	115
Marginal utility in units	10	25	40	?	?	?

(25 marks)

- (b) The diagram below represents the supply of seats for the Rihanna concert in the O<sub>2</sub> Stadium. After the tickets for the concert are sold a 'black market' may develop for the tickets.



- Explain the underlined term.
- Explain the relationship between the price of tickets and the supply of seats, as shown in the diagram.
- Discuss **two** effects for potential ticket buyers if a 'black market' develops for the tickets.

(20 marks)

- (c) The demand for hotel accommodation in Ireland has been decreasing.

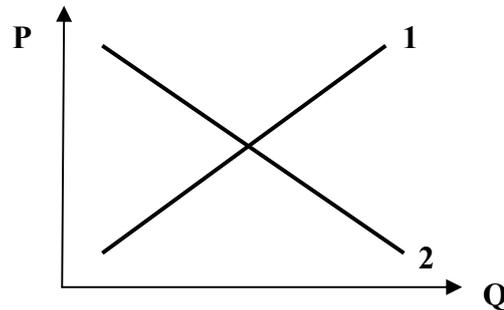
- State and explain **two** possible economic reasons for this development.
- State and explain **two** economic effects of this development for the hotel industry.
- Suggest **two** economic measures which the hotel industry could take to reverse this trend. Explain **each** measure.

(30 marks)

[75 marks]

3. (a) State and explain **four** factors which affect the demand for a good or service. (20 marks)

(b) The diagram below represents the market demand and market supply for sugar beet.



Copy the diagram into your answerbook.

(i) Label each of the lines numbered 1 and 2.

(ii) Show on your diagram:

- The market equilibrium price ( $P_1$ ) charged for sugar beet;
- The market equilibrium quantity ( $Q_1$ ) sold on the market.

(iii) If the sugar beet producers received a subsidy, to encourage production of sugar beet as a bio fuel;

- Show and explain the effect this would have on the market supply curve;
- Show the effect this would have on the equilibrium price and equilibrium quantity. (use labels  $P_2$  and  $Q_2$ )

(30 marks)

(c) Suppose the Price Elasticity of Demand (PED) for two goods was as follows:

$$\text{iPhone: PED} = -3.8 \quad \text{Petrol: PED} = -0.5$$

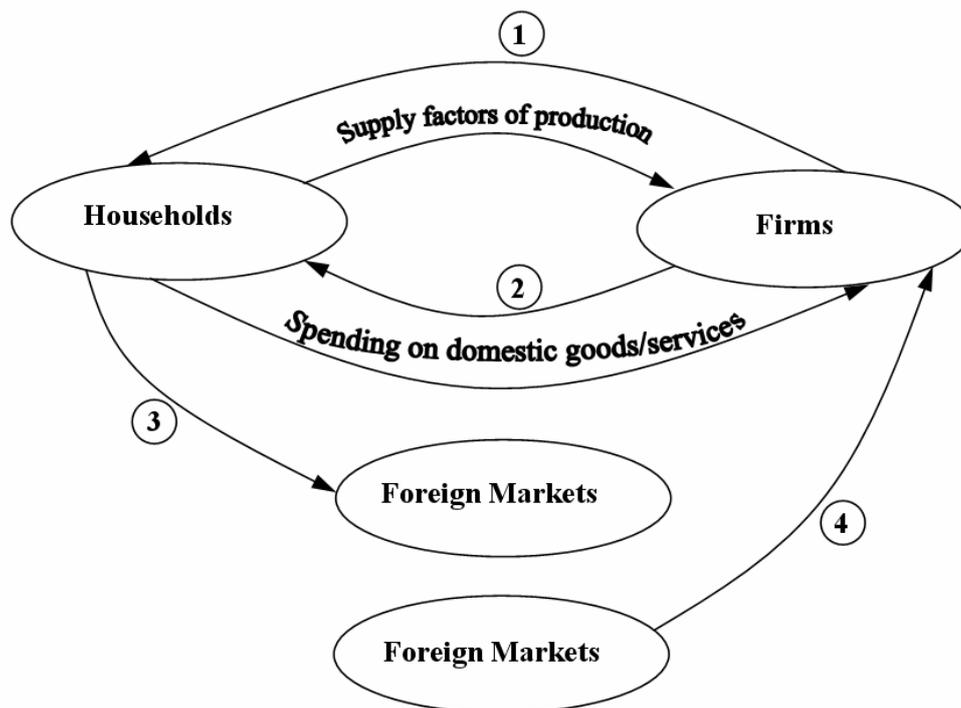
**If the price of each good was to increase by 10%:**

- Which good will experience the greatest fall in quantity demanded? Explain your answer.
- Which good would you consider a 'luxury' good and which would you consider a 'necessity'? Explain your answers.

(25 marks)

[75 marks]

4. (a) The diagram below represents the Circular Flow of Income in an open economy without Government.



- (i) State clearly what each of the lines numbered 1 to 4 represents.
- (ii) Referring to the diagram above, explain briefly the types of activities which take place between the following:
- households and firms;
  - households and foreign markets;
  - firms and foreign markets.

(25 marks)

- (b) Given: **National Income as  $Y = C + I + G + (X - M)$ .**

- (i) If National Income, without imports and exports, is €1,500m calculate national income if exports are €70m and imports are €100m. **Show your workings.**
- (ii) The economist John Maynard Keynes developed the concept of the Multiplier to help understand how an economy works. Explain, using an example, the underlined term.

(20 marks)

- (c) There is more emigration than immigration in Ireland at present.

- (i) Explain the two underlined terms.
- (ii) State and explain **two** reasons for the above situation.
- (iii) State and explain the possible economic effects which increased emigration may have on **each** of the following:
- Irish Labour market;
  - Demand for State services;

(30 marks)

[75 marks]

5. (a) Explain the following terms:
- (i) Direct tax;
  - (ii) Government Capital Spending;
  - (iii) National debt.
- (20 marks)**
- (b) The economist Adam Smith developed the following Canons of Taxation as principles which could ensure a good taxation system.
- EQUITY ECONOMY CERTAINTY CONVENIENCE**
- (i) Explain **each** of the above canons of taxation.
  - (ii) In addition to these canons discuss **one** further principle you would consider important to a good taxation system.
- (25 marks)**
- (c) Discuss the possible economic effects which the following proposals, if implemented, could have on the Irish economy.
- (i) Introduction of third level college fees;
  - (ii) Increase in the statutory retirement age from 65 to 68 years;
  - (iii) Introduction of a household property tax.
- (30 marks)**
- [75 marks]**
6. (a) Explain the following terms:
- (i) Barter;
  - (ii) Interest rate;
  - (iii) Creditworthy customer.
- (20 marks)**
- (b) (i) Name **two** commercial banks operating in Ireland.  
 (i) Discuss **two** main functions of commercial banks.  
 (ii) Outline **one** economic reason why commercial banks should be regulated.
- (20 marks)**
- (c) The ECB decides the main interest rate within the euro zone.
- (i) What do the initials ECB represent?
  - (ii) If the ECB was to increase interest rates, state and explain the effects this development could have on **each** of the following:
    - Borrowers;
    - Savers;
    - Irish Economy.
  - (iii) State and explain **two** functions of the Central Bank of Ireland.
- (35 marks)**
- [75 marks]**

7. Consumer prices fell at an annual rate of 6.6% in October 2009, according to figures issued by the CSO.

- (a) (i) What do the initials CSO represent?  
(ii) State the economic term used for the situation underlined above.  
(iii) Discuss the effects which the above development may have for **each** of the following:
- People in receipt of social welfare;
  - Savers;
  - Employees.
- (25 marks)**

- (b) Savings within the Irish economy are increasing.
- (i) Explain the underlined term.  
(ii) Discuss **one** reason for this development.  
(iii) State and explain **two** possible economic reasons why an increase in consumer spending, rather than saving, may be better for the Irish economy.
- (20 marks)**

- (c) The smuggling of cigarettes into Ireland is an example of an activity in the 'black economy'.
- (i) Explain the underlined term and give **one** other example of such an activity.  
(ii) State and explain **two** possible reasons for smuggling activity.  
(iii) Discuss **two** economic effects of this development for the Irish economy.
- (30 marks)**

**[75 marks]**

8. The Irish economy is an open economy which relies on exports to help economic growth.

- (a) (i) Explain **each** of the underlined terms.  
(ii) State and explain **three** reasons why exports are so important for the Irish economy.
- (25 marks)**

- (b) Spending by Irish people attending sporting events abroad would be an example of an invisible import.
- (i) Explain the underlined term.  
(ii) State **two** other examples of invisible imports.  
(iii) State and explain **two** reasons why some governments wish to restrict imports.
- (25 marks)**

- (c) During **2009** the euro (€) **increased in value** relative to the UK pound sterling (£).

Discuss the economic effects of the above development on **each** of the following:

- (i) Irish firms exporting to the UK;  
(ii) Irish imports from the UK;  
(iii) Employment within Ireland.

**(25 marks)**

**[75 marks]**

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