



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2018

Marking Scheme

Agricultural Economics

Higher Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.



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Note regarding the Marking Scheme

The support notes presented are neither exclusive nor complete. They are not model answers but a sample of possible responses.

The support notes in many cases contain key phrases which must appear in the candidate's answer in order to merit the assigned marks.

Further relevant points of information presented by candidates are marked and rewarded on their merits.

The level of 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.

Words, expressions, or phrases must be correctly used in context and not contradicted, and where there is evidence of incorrect use or contradictions the marks may not be awarded.

Summary of Mark Allocations

PART 1 (120 Marks)

Answer 15 questions from 20. 8 marks per question.

- | | | | |
|-----|---------------------|-----|---------------------|
| 1. | $3m + 3m + 2m$ | 11. | $3m + 1m + 3m + 1m$ |
| 2. | $2m + 2m + 2m + 2m$ | 12. | $4m + 4m$ |
| 3. | $4m + 4m$ | 13. | $4m + 4m$ |
| 4. | $4m + 4m$ | 14. | $4m + 4m$ |
| 5. | $4m + 4m$ | 15. | $4m + 4m$ |
| 6. | $4m + 4m$ | 16. | $4m + 4m$ |
| 7. | $4m + 4m$ | 17. | $4m + 4m$ |
| 8. | $4m + 4m$ | 18. | $3m + 3m + 2m$ |
| 9. | $4m + 4m$ | 19. | $2m + 2m + 2m + 2m$ |
| 10. | $4m + 4m$ | 20. | $3m + 3m + 2m$ |

PART 2 (200 Marks)

Answer 4 questions from 6. 50 marks per question.

- | | | | | | |
|----|----------|----------------------------|----|----------|----------------------|
| 1. | (a)(i) | $4m (2m + 2m)$ | 4. | (a) | $12m (6m + 6m)$ |
| | (a)(ii) | $4m (2m + 2m)$ | | (b)(i) | $12m (2 @ 6m)$ |
| | (a)(iii) | $4m (2m + 2m)$ | | (b)(ii) | $12m (2 @ 6m)$ |
| | (b)(i) | $16m (6m + 5m + 5m)$ | | (c) | $14m (2 @ 7m)$ |
| | (b)(ii) | $6m$ | | | |
| | (c) | $16m (6m + 5m + 5m)$ | | | |
| 2. | (a) | $10m (2 @ 5m)$ | 5. | (a) | $12m (4m + 4m + 4m)$ |
| | (b)(i) | $8m (1m + 4m + 3m)$ | | (b) | $14m (7m + 7m)$ |
| | (b)(ii) | $4m (2m + 2m)$ | | (c)(i) | $12m (2 @ 6m)$ |
| | (b)(iii) | $6m (3m + 3m)$ | | (c)(ii) | $12m (2 @ 6m)$ |
| | (b)(iv) | $10m (4m + 3m + 3m)$ | | | |
| | (c) | $12m [(3 @ 4m) (2m + 2m)]$ | | | |
| 3 | (a) | $10m (5m + 5m)$ | 6. | (a)(i) | $8m (4 @ 2m)$ |
| | (b) | $6m (3m + 3m)$ | | (a)(ii) | $14m (6m + 4m + 4m)$ |
| | (c)(i) | $6m (3m + 3m)$ | | (a)(iii) | $10m (4m + 3m + 3m)$ |
| | (c)(ii) | $16m [4 @ 4m (2m + 2m)]$ | | (b)(i) | $6m$ |
| | (c)(iii) | $12m [(3 @ 4m) (2m + 2m)]$ | | (b)(ii) | $12m (3 @ 4m)$ |

Support Notes

PART 1 (120 Marks)

Answer 15 questions from 20. 8 marks per question.

PART 1													
1.	(i) False					3							
	(ii) False					3							
	(iii) True					2							
2.	<table border="1" style="width: 100%; border-collapse: collapse; margin: 0 auto;"> <tr> <td style="width: 25%; text-align: center; padding: 5px;">Tillage</td> <td style="width: 25%; text-align: center; padding: 5px;">Dairy</td> <td style="width: 25%; text-align: center; padding: 5px;">Sheep</td> <td style="width: 25%; text-align: center; padding: 5px;">Cattle (ex brdg.)</td> </tr> <tr> <td style="text-align: center; padding: 5px;">7,387</td> <td style="text-align: center; padding: 5px;">15,639</td> <td style="text-align: center; padding: 5px;">12,758</td> <td style="text-align: center; padding: 5px;">27,627</td> </tr> </table>				Tillage	Dairy	Sheep	Cattle (ex brdg.)	7,387	15,639	12,758	27,627	4 @ 2m
Tillage	Dairy	Sheep	Cattle (ex brdg.)										
7,387	15,639	12,758	27,627										
3.	<p>The European Commission initiates/proposes/drafts new legislation, which is then sent to the Council (and Parliament) for debate and ratification.</p> <p>The Council of Ministers has the power to amend proposed legislation with the agreement of parliament or to reject it.</p>				4 4								
4.	<p>Real GDP is adjusted for changes in the level of prices (i.e. inflation), while nominal GDP is not.</p> <p>Nominal GDP = Real GDP + inflation.</p>				4 + 4								
5.	<p>Workings: $0.3 \times 5\% = 0.3 \times 5 / 100 = 1.5 / 100 = 1.5\%$</p> <p>Answer: 1.5% increase in food expenditure</p>				4 4								
6.	<p><i>Any two of, for example:</i></p> <ul style="list-style-type: none"> • Changes in output prices as a result of changing consumer demand. • Changes in technology that render existing assets/methods obsolete. • Many forms of natural disaster (i.e. act of God). • Loss that arise from farmer's own negligence. • Loss of profit due to market competition. • Losses arising from speculation. 				4 4								

PART 1		
7.	<p><i>Any two of, for example:</i></p> <ul style="list-style-type: none"> • Increasing the number of cows in the national herd. • Increasing the level of productivity through better use of technology and breeding. • Minor increases in the amount of land being used for dairy production through resource substitution from other farming activities. • Greater specialisation in dairy production on farms with mixed output. • Growth in farm size and use of farm partnerships to avail of economies of scale. 	<p>4</p> <p>4</p>
8.	<p>Workings: $(€2,500 + €500) - €4,000 = -€1,000$</p> <p>Answer: Opportunity cost is €1,000</p>	4 + 4
9.	<p><i>Any two of, for example:</i></p> <ul style="list-style-type: none"> • Accessibility to the land (access to market). • Productive quality of the soil/land. • Amenities available on or close to the land. • Price of output and type of farm enterprise that can be supported. • Size of land holding being offered for sale. 	<p>4</p> <p>4</p>
10.	<p>(i) 8%</p> <p>(ii) 2%</p>	<p>4</p> <p>4</p>

PART 1		
11.	(i) Direct taxes are paid directly to the government by the tax payer usually as a result of receiving and income or other payment. Indirect taxes are generally applied on the manufacture or sale of goods and services and are not paid directly to the government by the purchaser of these goods and services.	3 3
	(ii) Direct tax: <i>Any two of, for example:</i> <ul style="list-style-type: none"> • Income tax • Capital gains tax • Capital acquisitions tax • Property tax Indirect tax: <i>Any two of, for example:</i> <ul style="list-style-type: none"> • VAT • Excise duty • Stamp duty 	1 1
12.	<i>Any two of, for example:</i> <ul style="list-style-type: none"> • As a major exporting sector, risk from exchange rate fluctuations and changes in international market trends are a risk. • Beef exports lack diversity, with a strong reliant on one major export market, the UK. • High levels of international competition have reduced output prices and created a price-cost squeeze, especially for winter finishers. Many farmers are therefore reliant on cross-subsidisation from other enterprises (e.g. dairy). • Many Irish farms are small in relative size and lack economies of scale. 	4 4
13.	Gross capital formation refers to any additional assets purchased by the farmer, such as additional buildings, breeding stock, machinery and equipment.	4
	Net capital formation excludes any additional assets purchased by the farmer that are replacing existing capital that is worn out or depreciated. This means that net capital formation is the net increment to the capital stock of the farmer, i.e. Gross capital formation minus depreciation.	4
14.	(i) Knowledge of the production function (i.e. relationship between resource inputs and different levels of output).	4
	(ii) Knowledge of input and output prices.	4

PART 1																						
15.	For a firm's economic losses to decrease as output increases, its Total Revenue must be less than its Total Cost, and its Marginal Revenue must be greater than its Marginal Cost.	4 4																				
16.	<p><i>Any two of, for example:</i></p> <ul style="list-style-type: none"> Habit: inclination to continue existing activities. Desire for increased leisure or family time. Enhanced social status. Reduced risk or perceived/real level of risk. Increased sense of achievement. Off-farm employment. 	4 4																				
17.	<p><i>Any two of, for example:</i></p> <ul style="list-style-type: none"> Danger of bankruptcy. Loss of farm income due to repayment requirements. Loss of access to additional credit. Restrictions upon future investment plans. Pressures on business cashflow during certain periods. 	4 4																				
18.	<p>What type of organisation is each of the following?</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;"></th> <th style="width: 20%; text-align: center;">Public company</th> <th style="width: 20%; text-align: center;">State body</th> <th style="width: 20%; text-align: center;">Voluntary body</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>(i) Irish Farmers Association</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;">3</td> </tr> <tr> <td>(ii) Kerry Group</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;">3</td> </tr> <tr> <td>(iii) Coillte Teoranta</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;">2</td> </tr> </tbody> </table>		Public company	State body	Voluntary body		(i) Irish Farmers Association	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	3	(ii) Kerry Group	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3	(iii) Coillte Teoranta	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2	
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(iii) Coillte Teoranta	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2																		
19.	<p>(i) (Free movement of) Labour</p> <p>(ii) (Free movement of) Goods</p> <p>(iii) (Free movement of) Services</p> <p>(iv) (Free movement of) Capital / Finance</p>	2 2 2 2																				
20.	An Oligopoly market structure is on with high barriers to entry, in which a small number of firms compete and decisions on market action are interdependent .	3 3 2																				

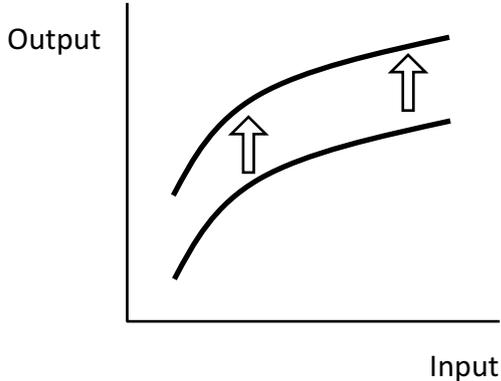
PART 2 (200 Marks)

Answer 4 questions from 6. 50 marks per question.

PART 2: Question 1	
(a) (i) Susan's EU direct farm payments: Yes, part of FFI, as direct payments arise from farming activities (e.g. output, land use).	2 + 2
(ii) Income from selling 20 cattle during the year: Yes, part of FFI, as this income is directly related to the farming business.	2 + 2
(iii) Rental income from Susan' apartment in the city: No, not part of FFI, as this is unrelated to the farming business.	2 + 2
(b) (i) <i>Any three of, for example:</i> <ul style="list-style-type: none">• Differences between farm enterprises: certain types of farming (e.g. dairy) are able to generate higher levels of income than other forms (e.g. beef).• Level of direct payments received: different farm types and farm location can result in differing levels of direct payments. For example, due to the large land holdings involved, tillage farmers often attract larger direct payments as a proportion of total income.• Farm size: larger farms can often benefit from greater economies of scale, thus allowing for greater income levels.• Land fertility: many farms live on property that is of a relatively poor quality, which limits the quantity and type of output that can be produced.• Access to market: where farms are more remote and lack access to market for output, there can be limits on the type of output and cost of transportation.• Other sources of income: many farms can continue to operate on relatively low levels of farm income as a result of off-farm earnings by the farmer, their spouse or other family members. This is particularly associated with certain types of farming (e.g. suckler farming).	3 + 3 3 + 2 3 + 2

PART 2: Question 1	
<p>(b) (ii) Direct farm payments accounts for a much larger proportion of farm income for beef farms relative to dairy farms. While dairy farms receive a relatively large average direct payment (€19,735 in 2016), this accounts for a relatively small proportion of their income (38% in 2016). While beef farmers receive a smaller average direct payment (€14,400 for cattle rearing and €16,209 for other in 2016), this accounts for a much larger proportion of their income (115% for cattle rearing and 96% for other in 2016).</p> <p><i>(Note: students would not be expected to produce the above figures to receive full marks in this question).</i></p>	3 + 3
<p>(c) Any three of, for example:</p> <ul style="list-style-type: none"> • Off-farm employment: paid employment off-farm allows the farmer and/or spouse to diversify household income and reduce the reliance on a single source of income. This can be an important aspect of medium to long-term farm income planning. • Savings: substantial levels of savings provide the farm household with means to support household expenditure during short-run periods of reduced farm income. • Borrowing: borrowing money during short-term periods of reduced farm income can help maintain household income. However, future household income will need to be sufficient to repay such borrowings. • Ability to vary the level of labour input: farms rely on the labour of the farmer and other household members, which is often unpaid. Increasing the level of such labour input to grow the business or substitute for paid labour (e.g. contractors) can help maintain farm income during periods of reduced income. • Contractual arrangements with suppliers and processors: contracts with suppliers and processors that give guaranteed prices to the farmers. This protects farmers from adverse changes in market conditions. • Quasi-vertical integration: more comprehensive than contractual arrangements. It involves linking two or more stages in the food chain to streamline the flow of produce. The farmer would receive capital from the processor to supply output to that processor. • Sale of assets: farmers can consider the sale of assets (e.g. land) during periods of reduced farm income. However, such sales may have implications for the future viability of the farm business. • Reductions in household or farm expenses during period of reduced farm income. 	3 + 3 3 + 2 3 + 2

PART 2: Question 2	
<p>(a) A fixed factor of production is one that has a given level of input despite changes in the level of output.</p> <p><i>Examples of fixed factors of production – any one of, for example:</i></p> <ul style="list-style-type: none"> • Land • Family labour • Buildings • Machinery • Advisory services • Crop variety <p>A variable factor's level of input changes with the level of output.</p> <p><i>Examples of variable factors of production – any one of, for example:</i></p> <ul style="list-style-type: none"> • Livestock • Feed • Energy • Fertilizer • Machinery operating costs • Seeds • Labour from off-farm (e.g. contractors) • Water 	<p>3</p> <p>2</p> <p>3</p> <p>2</p>
<p>(b) (i) Total product curve relating agricultural output to a variable input.</p> <div style="text-align: center;"> </div>	<p>1</p> <p>2 + 2</p> <p>3</p>
<p>(ii) The curve describes how agricultural output responds to different levels of the variable factor input while all other input factors are held constant.</p>	<p>2 + 2</p>

PART 2: Question 2	
<p>(b)(iii) The law of diminishing returns means that while output increases as use of the variable input increases, the rise in output declines for each additional unit of input used.</p> <p>On the diagram, diminishing returns is shown by the reduction in the slope (levelling out) of the curve as the input amount rises.</p>	<p>3</p> <p>3</p>
<p>(iv) Technological progress allows a higher level of output to be produced with a given level of inputs.</p> <p>This is represented on the diagram by a shift in the total product curve in an upwards direction. Thus, at each quantity of the variable input the level of output achieved has increased.</p> <div style="text-align: center;">  </div>	<p>2 + 2</p> <p>3</p> <p>3</p>
<p>(c) Any three of, for example:</p> <ul style="list-style-type: none"> • Lower prices for consumers are created when savings on per-unit production costs are passed on by producers. • Reducing per-unit production costs help improve the competitiveness of domestic producers on international markets. • Lower per-unit production costs help improve farm profitability and thereby enable farms to reinvest more and grow their business. • As the productivity of individual workers increase, they are placed in a better position to earn higher wages. • Increased productivity allows for greater economic growth, thus creating rising incomes and better job prospects. • Increased farm profitability can help improve government finances through increased tax revenue, thus enabling better public services. • Increased productivity allows for reallocation of resources (e.g. labour) from one sector, to be used in increasing the level of output from other sectors. 	<p>2 + 2</p> <p>2 + 2</p> <p>2 + 2</p>

PART 2: Question 3	
<p>(a) D1 is perfectly elastic – any quantity of the good is demanded at the $P = 4$. If the price rises or falls demand falls to zero. Thus, the PED has a value of infinity.</p> <p>D3 is perfectly inelastic – the quantity demanded is the same regardless of the market price. Thus, the PED has a value of zero.</p>	<p>2 + 2 + 1</p> <p>2 + 2 + 1</p>
<p>(b) All three demand curves intersect S1 at the same point.</p> <p>Therefore, total revenue (TR) in the market ($P_e \times Q_e$) is €480.</p>	<p>3 + 3</p>
<p>(c) (i) Decrease in supply.</p> <p>At each and every price level the quantity supplied is less on S2 than on S1.</p>	<p>3</p> <p>3</p>
<p>(c) (ii) <i>Any four of, for example:</i></p> <ul style="list-style-type: none"> • Increase in input costs, resulting in a reduced willingness to supply a given level of output at each given price level. • Change in government regulations that add to production costs (e.g. tax on producers or inputs) • Adverse environmental, including weather conditions, that reduce the ability of producers to supply a given level of output. • Disimprovement in production methods resulting in lower output from a given level of inputs. • Increase in the price of substitute goods in production that cause producers to substitute out of current output production. • Decrease in the price of complimentary goods in production that reduce the revenue that can be earned from total output. • Reduction in the relative cost of producing substitute goods in production that cause producers to substitute out of current output production. 	<p>4 @ 4m (2+2)</p>
<p>(c) (iii) D1: New TR = €160 (€4 x 40) i.e. a decrease in TR of €320</p> <p>D2: New TR = €480 (€6 x 80) i.e. no change in TR</p> <p>D3: New TR = €960 (€8 x 120) i.e. an increase in TR of €480</p>	<p>2 + 2</p> <p>2 + 2</p> <p>2 + 2</p>

<p>(ii) Any two of, for example:</p> <ul style="list-style-type: none"> • Adjust farming practices (e.g. timing of planting, harvesting, fertilizing) to mitigate the effect of climate change. • Adapting to changes in climate by altering varieties of crops, such as those which are more drought resistant in certain areas. • Investing in new technology and skills that help protect plants and animals from the effect of climate changes (e.g. irrigation, animal housing). • Improving the effectiveness of pest and disease control through better monitoring and diversified crop rotations. • Making better use of water by reducing water loss, improving irrigation practices and recycling water. • Using better breeding techniques to improve the resilience of animal livestock. 	<p>3 + 3</p> <p>3 + 3</p>
<p>(c)</p> <p>(i) Knowledge Transfer and Information Actions: farmer meetings (discussion groups) facilitated by qualified advisors that involve the transfer and exchange of information and best practice. Under this measure training is provided on environmental schemes such as GLAS and BDGP.</p> <p>(ii) Investment in Physical Assets Measures: provides funding to farmers for investment in infrastructure, facilities and equipment. The funding is provided for investment in particular target areas, which include those targeting sustainability (e.g. organic capital investment, low emission slurry spreading).</p> <p>(iii) The Green, Low-carbon, Agri-environment Scheme: the GLAS scheme directly promotes agricultural actions that address issues of climate change, water quality and habitat protection through the issuing of direct payments contingent upon conditions.</p> <p>(iv) Areas Facing Natural Constraint Measures: based on and replacing the Less Favoured Areas Scheme and Disadvantaged Areas Scheme, this scheme makes payments to farmers for income foregone and additional costs linked to the disadvantage of the area concerned. Maintaining a farming presence in such areas can play an important role in protecting habitats.</p>	<p>4 + 3</p> <p>4 + 3</p>

PART 2: Question 5	
<p>(a) Exchange rate is the price of one currency expressed in terms of another currency.</p> <p><i>Fixed exchange rate:</i> an exchange rate regime where the government or central bank takes measures to ensure the exchange rate of the domestic currency remains at a given level in relation to another currency or asset (e.g. gold).</p> <p><i>Floating exchange rate:</i> an exchange rate regime where the value of a countries currency is allowed to vary in responses to changes in market conditions.</p>	<p>4</p> <p>2 + 2</p> <p>2 + 2</p>
<p>(b) <i>Net exports:</i> as it is now cheaper for Irish importers to buy sterling, the level of imports into Ireland for the UK can be expected to rise. On the other hand, exports from Ireland to the UK have now become relatively more expensive and so the level of Irish exports should decrease. Overall, net exports should decline.</p> <p><i>Inflation:</i> as Ireland imports many inputs and finished products from the UK, a depreciation in the value of sterling will reduce the cost of such imports and put downward pressure on price levels. The reduction in Irish exports to the UK as a result of the depreciation in sterling may also have an indirect impact on Irish price levels as suppliers seek to sell more output in the domestic market. Overall, inflation should fall.</p>	<p>4 + 3</p> <p>4 + 3</p>

PART 2: Question 6		
(a)(i)	A = €37,000	2
	B = €15,000	2
	C = €8,000	2
	D = – €25,000	2
(a) (ii)	<p>Mary's farm started the year with a cash surplus of €8,000 and finished the year with a cash deficit of €3,000 - a cash reduction of €11,000 over the year. This was a serious reduction compared to size of income for the year.</p> <p>The main reasons for this are:</p> <ul style="list-style-type: none"> • The reduction in off-farm income in Q3 and Q4. • The increase in farm costs during the winter period (Q1 and Q4), which is a typical feature of Irish farming. • The rise in household costs throughout the year. • The reduction in farm income during the winter period (Q1 and Q4), which is again a feature of Irish farming. 	<p>3 + 3</p> <p>4</p> <p>4</p>
(a) (iii)	<p><i>Any three of, for example:</i></p> <ul style="list-style-type: none"> • Find a higher paying off-farm job that provides more regular payments, especially in Q3 and Q4. • Control and reduce the level of household spending where possible. • Raise the overall level of farm income through the expansion of existing farm system or diversification. • Control farm costs, especially in Q1 and Q4, where possible. 	<p>4</p> <p>3</p> <p>3</p>

PART 2: Question 6	
<p>(b) (i) Repayment capacity = $\frac{12,000}{150} \times \frac{\text{€}1,000}{1} = \text{€}80,000$</p> <p>No. Michael cannot afford to meet the repayments on this loan (as his repayment capacity is less than €130,000 which is the cost of the land).</p> <p>The annual repayments would be €19,500 per year (130 x 150). His farm currently generates an annual cash surplus of €12,000 which is not enough to fund the loan.</p>	<p>2</p> <p>2</p> <p>2</p>
<p>(ii) <i>Any three of, for example:</i></p> <ul style="list-style-type: none"> • Over recent years the government have encouraged farmers to engage more with the long-term leasing of land through income tax incentives. It therefore may be a good time for Michael to consider a long-term lease to take advantage of these tax incentives. • Long-term lease provides security of tenure as he knows he will have the use of the land for at least five years. • A long-term lease would allow Michael to implement longer-term plans for the farm business without fear of losing access to the land. • Long-term leasing offers the opportunity to invest in the land and fixed assets (e.g. machinery) and recover the cost before the end of the lease. • Buildings and other infrastructure may come with the land and reduce investment costs. • Long term leasing provides secure access to the land without the risk of capital loss if land prices were to fall. 	<p>2 + 2</p> <p>2 + 2</p> <p>2 + 2</p>

