



# Coimisiún na Scrúduithe Stáit State Examinations Commission

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*Scrúduithe Ardteistiméireachta, 2005*

*Eacnamaíocht  
Talmhaíochta*

*Gnáthleibhéal*

*Marking Scheme*

*Leaving Certificate Examination, 2005*

*Agricultural Economics*

*Ordinary Level*

**Leaving Certificate Examination 2005**

**ORDINARY LEVEL**

**AGRICULTURAL ECONOMICS**

<p style="text-align: center;"><b>MARKING SCHEME</b> and <b>NOTES</b> For use with the Marking Scheme</p>
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In considering this marking scheme the following points should be noted:

- In many instances only key words are given i.e. these words must appear in the correct context in the candidate's answer in order to merit the assigned marks.
- Words, expressions or statements separated by solidus (/) are alternatives, which are equally acceptable.
- The descriptions, methods and definitions in the scheme are **not** exclusive and alternative valid answers are acceptable.
- The 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.



**STATE EXAMINATIONS COMMISSION**  
**LEAVING CERTIFICATE EXAMINATION 2005**  
**AGRICULTURAL ECONOMICS – ORDINARY LEVEL**  
**(320 MARKS)**

**PART I (120 MARKS)**

**ALL QUESTIONS CARRY EQUAL MARKS (8 MARKS)**

1. Land - Payment - Rent 4 Marks  
Labour - Payment - Wages or Salaries 2 marks  
Capital - Payment - Interest 2 marks
  
2. Labour 8 Marks
  
3. A Balance Sheet gives a picture on a given date of the assets and liabilities of a business.  
8 Marks
  
4. High Supply - Low Prices  
Low Supply - High Prices  
Any One 8 Marks
  
5. Provision to farmers by bacon factories of the capital to produce pigs on contract or any other relevant example  
8 Marks
  
6. (i) Product  
(ii) Place  
(iii) Price  
(iv) Promotion  
Any Two 2 X 4 Marks
  
7. ICOS is responsible for the coordination of the activities of the cooperative movement.  
8 Marks
  
8. Crops and produce used in the farm household and treated as if they are sold off the farm.  
8 Marks
  
9. Family Farm Income 8 Marks

10.  $4\%$  less  $2.5\% = 1.5\% =$  Real Rate of Interest 8 Marks
11. Fixed Cost - Permanent Labour, Depreciation etc. 4 Marks  
 Variable Cost - Purchased Feed, Fertilisers etc. 4 Marks
12. Third Party Insurance covers damage done to other people or their property 8 Marks
13. Depreciation is the proportion of the capital needed to replace outworn machinery, equipment and buildings. 8 Marks
14. (i) To determine profit or loss from the farm as a whole and from the farm enterprises.  
 (ii) Provide information for future plans.  
 (iii) Used to check the progress of the farm business throughout the year.  
 (iv) Provide financial information for computing income tax returns.  
 (v) Supply the facts needed for borrowing.  
 (vi) Used to provide information for national statistical advisory purposes
- Any Two 2 X 4 Marks
15. Output 4 Marks  
 Input 4 Marks
16. Economic growth is the continued rise in the volume of a nations output of goods and services. 8 Marks
17. Super Levy is a fine imposed on the quantity of milk supplied by a farmer above the quota. 8 Marks
18. (i) Regulation  
 (ii) Directive  
 (iii) Decision Any Two 2 X 4 Marks
19. Consumer Price Index measures the changes in the prices of goods and services over time in the economy/ measures inflation. 8 Marks
20. Thomas Malthus was mainly concerned about the pressure of population on resources. 8 Marks

**PART II (200 MARKS)**

1. (a) Food Chain  
Purchased + Farmers → Finished + Marketing → Beef  
Inputs Resources Cattle Resources  
(e.g. Fertiliser) (e.g. Labour) (e.g. processing)  
30 marks graded

- (b) Farmers Contribution – Employment of his land, labour, capital and management must be rewarded  
10 marks graded

- (c) Reasons for Diminishing Contribution  
(i) More dependence on purchased inputs  
(ii) Processing becoming more elaborate  
2 x 5 Marks graded

**[50 Marks]**

2. (a) Two Positive Effects of a Booming Economy  
(i) Higher Prices for development land  
(ii) More opportunities for off-farm employment  
(iii) Lower Interest Rates  
(iv) Increased Population – greater demand  
(v) More demand for organic produce  
25 Marks graded

- (b) Two Negative Effects of a Booming Economy  
(i) Higher Prices for agricultural land  
(ii) Higher labour costs  
(iii) Increased costs of inputs e.g. fuel  
(iv) Young people are reluctant to become farmers/other employment opportunities  
(v) Insurance costs  
(vi) Social Costs/noise, fumes, pollution  
25 Marks graded

**[50 marks]**

3. (a) Axes - Price and Quantity 2 x 4 Marks  
 Supply Curves ( $S_1$  and  $S_2$ ) 2 x 4 Marks  
 Demand Curves ( $D_1$  and  $D_2$ ) 2 x 4 Marks

- (b) Price Changes before and after Supply Shift  
 $D_1$  -  $P_1$  →  $P_3$   
 $D_2$  -  $P_1$  →  $P_2$  2 x 4 Marks

Explanation – The price change on the  $D_2$  curve is less than on the  $D_1$  curve because it is a more elastic demand curve/ more close substitutes available.  
 8 Marks

- (c) Reasons for the Shift to the right in the Supply Curve  
 (i) Environmental Variable – e.g. weather improvement  
 (ii) Technological Progress and Husbandry Improvements  
 (iii) Costs of Production of Commodity are Reduced  
 (iv) Prices of Related Commodities are Increased  
 (v) Costs of Production of Related Commodities are Increased

Any Two 2 x 5 Marks graded

**[50 Marks]**

4. (a) Demand Curve Construction - Axes 2x2 Marks  
 - Points 5x4 Marks

- (b) Reason for Negative Slope of the Demand Curve  
 High Prices - Less Demand  
 Low Prices - Greater Demand 2 x 3 Marks

- (c) Factors causing a shift in Demand Curve  
 (i) Changes in consumer income  
 (ii) Changes in prices of substitute commodities  
 (iii) Changes in taste and preferences of consumers  
 (iv) Changes in number of consumers  
 Any Two 2 x 5 Marks graded

- (d) Revenue earned at 60,000 tonnes

60,000 tonnes @ €2,000 per tonne = €120,000,000  
 (3 Marks) (3 Marks) (4Marks)

**[50 Marks]**

5. (a) Sources of funds for Capital Formation
- (i) Savings out of farm income 8 Marks
  - (ii) Borrowing from outside of farming 8 Marks
  - (iii) Government/EU Grants 8 Marks
- (b) Factors Influencing a Bank Manager's decision in granting a loan to a farmer.
- (i) Security
  - (ii) Feasibility or Repayment Capacity
- 2x 8 Marks graded
- (c) Bank Overdraft – Borrowers have the permission of the bank to write cheques on their current account up to a certain credit ceiling.
- 5 Marks

Term Loan – Money Borrowed for up to seven years or medium term with a regular schedule of repayments.

5 Marks

**[50 Marks]**

6. Impact of Direct Income Payments to Farmers on:

- (i) Farmers
    - Market Orientation
    - Higher Incomes
    - Less Production

20 Marks graded
  - (ii) Consumers
    - Lower Food Prices
    - Higher Consumption
    - Better Food Quality

20 Marks graded
  - (iii) Level of World Prices could be higher because of less supply coming from the EU onto the world markets/Greater competition from outside the EU could result in a fall in the level of world food prices
- 10 Marks graded

**[50 Marks]**