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, 2013

WEDNESDAY 19 JUNE 2013 – 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.

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. Write, in the blank spaces below, which factor of production each of the following represents:

<table>
<thead>
<tr>
<th>Carpenter</th>
<th>Business Owner</th>
<th>Natural Gas</th>
<th>Buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor</td>
<td>LAND</td>
<td>LABOUR</td>
<td>CAPITAL</td>
</tr>
<tr>
<td>Represented by</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(16 marks)

2. Some of the factors outlined below influence the supply of an individual firm.

Write True or False after each of the following sentences.

<table>
<thead>
<tr>
<th>SENTENCE</th>
<th>TRUE or FALSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) The price of the good itself.</td>
<td></td>
</tr>
<tr>
<td>(ii) The cost of labour.</td>
<td></td>
</tr>
<tr>
<td>(iii) The consumer’s taste / preference for the good.</td>
<td></td>
</tr>
<tr>
<td>(iv) The state of the firm’s production technology.</td>
<td></td>
</tr>
</tbody>
</table>

(16 marks)

3. Online purchasing (i.e. using the internet) by Irish consumers is growing annually. (Irish Independent, October 2012)

Outline one reason for this development and state one economic effect for Irish retailers.

Reason:________________________________________________________________________
______________________________________________________________________________

Economic effect:________________________________________________________________
______________________________________________________________________________

(16 marks)

4. John Maynard Keynes stated that people have three motives for holding their wealth in the form of cash. In the spaces provided briefly explain each motive.

<table>
<thead>
<tr>
<th>Transactionary</th>
<th>Precautionary</th>
<th>Speculative</th>
</tr>
</thead>
</table>

(16 marks)

5. There has been a decline in financial aid donated by Irish citizens to organisations which assist citizens in Less Developed Countries (LDCs). State one possible reason for this decline and state one possible economic effect for the citizens of LDCs.

Reason:________________________________________________________________________
______________________________________________________________________________

Economic effect:________________________________________________________________
______________________________________________________________________________

(16 marks)
6. A furniture firm produces 5 sofas each week. It receives €1,500 in total from the sale of these five sofas. The firm pays the following production costs for the five sofas:

**Raw Materials:** €400; **Insurance on Premises:** €100; **Wages:** €500; **Rent of Premises:** €300.

(a) Write, in the spaces below, which two are fixed costs and which two are variable costs.

<table>
<thead>
<tr>
<th>Fixed Costs</th>
<th>Variable Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td>2.</td>
<td>2.</td>
</tr>
</tbody>
</table>

(b) Calculate the following (Show your workings):

(i) The **total cost** of producing all 5 sofas: ________________________________

(ii) The **profit** made on total sales: ________________________________

(17 marks)

7. ‘More than 60,000 people have cancelled their private health insurance policies over the last year’

(Health Insurance Authority, December 2012).

State **one** possible economic reason why people may have cancelled their policies and state **one** possible economic effect of this reduction in private health insurance.

**Economic Reason:** ________________________________

**Economic effect:** ________________________________

(17 marks)

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

(a) Name each of the curves numbered 1 to 3. Use the answer box provided.

(b) Show on the diagram the **price** the firm will sell at and its **average cost of production**.

**ANSWER BOX**

<table>
<thead>
<tr>
<th>Curve</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

(17 marks)

9. The proposed construction of the National Children’s Hospital will improve Ireland’s **infrastructure**.

Explain the underlined term and outline **one** economic benefit to the economy of **this** development.

**Explanation:** ________________________________

**Economic benefit:** ________________________________

(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 the Long Run Equilibrium of a firm in **Perfect Competition**.

![Diagram of Long Run Equilibrium](image)

(a) (i) Copy the diagram into your answer book.
Complete / write each of the **six** underlined labels in full.

(ii) Equilibrium occurs at **point E** on the diagram.
Show on your diagram:
   - the output the firm will produce in equilibrium; (use label Q₁)
   - the average cost of producing this output; (use label C₁)
   - the price it will charge for this output. (use label P₁)

(b) One of the characteristics of Perfect Competition is that all goods produced are **‘homogenous goods’**.

(i) Explain the underlined term.
(ii) State **two** other characteristics of perfect competition.
(iii) Write brief notes on **each** of these two other characteristics.

(c) The prices of petrol and diesel have increased in Ireland in recent years.

(i) State and explain **one** reason for these increases.
(ii) State and explain **one** economic effect which high petrol and diesel prices may have on each of the following:
   - Irish motorists;
   - the Irish economy.

(iii) State and explain **two** measures the Irish Government could take to help reduce the costs for Irish motorists.

(30 marks)

(21 marks)

(24 marks)
2. (a) The information below represents the market demand and supply schedules for Apple iPads.

<table>
<thead>
<tr>
<th>Price €</th>
<th>Quantity Demanded (units)</th>
<th>Quantity Supplied (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>300</td>
<td>1,000</td>
<td>200</td>
</tr>
<tr>
<td>400</td>
<td>800</td>
<td>400</td>
</tr>
<tr>
<td>500</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>600</td>
<td>400</td>
<td>800</td>
</tr>
<tr>
<td>700</td>
<td>200</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Using the above information and one diagram:
(you may use graph paper if you wish)

(i) Draw and label the market demand curve for iPads;
(ii) Draw and label the market supply curve for iPads;
(iii) Show on your diagram:
• The market equilibrium price for iPads;
• The market equilibrium quantity for iPads.

(30 marks)

(b) (i) Explain any two of the following economic terms:
• Normal good;
• Substitute good;
• Complementary good.

(ii) Samsung, a competitor of Apple, introduced to the market a similar product to the iPad (Samsung Galaxy Tab 10) at a more competitive price.

• State and explain one possible effect of this development on the market demand curve for the Apple iPad.
• State and explain two measures which Apple could take to encourage consumers to continue to buy its iPad.

(25 marks)

(c) There is a financial cost and an opportunity cost involved in buying an Apple iPad.

(i) Explain the underlined terms.
(ii) Discuss why each cost should be considered before purchasing an item.

(20 marks)

[75 marks]
3. The factor of production labour receives a payment called wages.

(a) (i) Explain the underlined term.
(ii) State and explain two reasons why different wage rates are paid for different jobs.
(iii) Explain the term occupational mobility of labour and outline one factor which may influence a worker’s occupational mobility.  

(b) ‘The Irish Government plans to reduce the numbers employed in the public sector from 287,000 in 2013 to 282,500 in 2014’ (Budget 2013).

(i) Explain the underlined term and state one example of an occupation in this sector.
(ii) State and explain one reason why the government continues to reduce the numbers employed in the public sector.
(iii) Discuss two effects on the Irish economy of this reduction in the numbers employed in the public sector.  

(c) Some companies in the Information Technology (IT) sector are experiencing shortages of skilled labour such as computer programmers.

(i) State and explain two economic effects of this skills shortage for the Irish economy.
(ii) Outline one action which any two of the following could take to reduce this skills shortage:

- the IT companies;
- Colleges / Universities;
- the Irish Government.  

4. (a) The Irish Government is planning to privatise some state assets such as the National Lottery licence.

(i) What is meant by the term 'privatisation'?
(ii) Outline two economic arguments in favour of privatisation.
(iii) Outline two economic arguments against privatisation.  

(b) The Institute of Public Health in Ireland recommended that a ‘sugar tax’ be introduced, in addition to a VAT charge on soft drinks.

(i) Explain the term 'VAT'.
(ii) State and explain two economic arguments in favour of this 'sugar tax'.
(iii) State and explain one economic argument against introducing this ‘sugar tax’.  

(c) Outline one economic argument in favour of and one economic argument against each of the following government measures announced in Budget 2013.

- Introduction of the household property tax (i.e. 0.18% on values of homes).
- Reduction in the rate of child benefit (i.e. minimum of €10 per child).
- Increase in third level education registration charge (i.e. €250 each year between 2013-2015).
5. The diagram below represents the **Circular Flow of Income** in an open economy without Government.

(a) (i) State what each of the lines numbered 1 to 5 represents.
(ii) Referring to the diagram above, explain briefly the types of activities which take place between each of the following:
   - households and financial institutions;
   - households and foreign markets;
   - foreign markets and firms.

(30 marks)

(b) The level of consumer expenditure in Ireland has fallen in recent times.
   (i) Outline two economic reasons for this development.
   (ii) Discuss two actions which the government could take to increase consumer expenditure.

(20 marks)

(c) ‘Illegal trade (black economy) costs the State €860m in lost revenue annually’
   *(Sunday Independent, 28 October 2012).*

   (i) State one example of an activity in Ireland’s 'black economy'.
   (ii) State and explain two reasons for the recent growth in Ireland’s 'black economy'.
   (iii) Explain two economic effects which the growing 'black economy' may have on the Irish economy, other than lost government revenue.

(25 marks)

[75 marks]
6. (a) **Emigration** from Ireland in recent years has increased.
   (i) Explain the underlined term.
   (ii) State and explain two reasons for the increase in emigration.
   (iii) State and explain two economic effects which this increase in emigration may have on the Irish economy.

   (24 marks)

(b) ‘The number of people aged over 65 years is projected to rise from 12% of the population to over 15% within a decade’ (*The Irish Times*, 27 October 2012).
   (i) Outline two possible economic effects which this ageing population may have for the Irish economy.
   (ii) Suggest one reason why the Irish Government increased the retirement age to 66 years effective from 2014.

   (21 marks)

(c) The rate of unemployment in Ireland remains in excess of 14%.
   (i) Name one method of measuring unemployment in Ireland.
   (ii) State and explain two possible reasons for Ireland’s continuing high unemployment.
   (iii) Suggest one measure each of the following could take to reduce Ireland’s unemployment rate:
         - Irish consumers;
         - the Irish Government.

   (30 marks)

   [75 marks]

7. (a) ‘Half of all groceries purchased in a family’s weekly shop are imported.’
      (*Irish Independent*, June 2012)
   (i) State one example of a visible import to Ireland.
   (ii) State and explain two benefits of imported goods for the Irish economy.
   (iii) State and explain two reasons why the Irish government may wish to restrict imports.

   (26 marks)

(b) **The Gathering Ireland 2013** aims to attract an extra 325,000 visitors to Ireland in 2013.
   (i) State and explain two economic factors which people might consider if they were to choose to visit Ireland in 2013.
   (ii) State and explain two advantages for the Irish economy of an increase in tourism.

   (24 marks)

(c) Kerry Group plc is an example of an Irish MNC. It employs 23,000 staff in manufacturing facilities in 25 different countries.
   (i) What do the initials MNC stand for?
   (ii) Name one other Irish MNC.
   (iii) Discuss two benefits to the Irish economy of Irish MNCs.

   (25 marks)

   [75 marks]
8. (a) The rate of DIRT on savings increased to 33% in the 2013 Budget.

(i) What do the initials DIRT stand for?
(ii) Outline two factors, other than the rate of DIRT, which a person may consider when deciding to save.
(iii) Discuss one economic advantage and one economic disadvantage of savings for the Irish economy.

(25 marks)

(b) ‘Allied Irish Bank (AIB) closed 44 of its bank branches in October 2012 and aims to shut one in four branches in 2013’ (The Irish Times, October 2012).

(i) State and explain one reason why some of Ireland’s major banks are closing branches.
(ii) Discuss one possible economic effect which the closure of these bank branches may have on each of the following:
   • Customers of the branch;
   • Employees of the branch;
   • the local community.

(24 marks)

(c) A new series of €5 notes is in circulation throughout the Euro zone as the ECB begins to replace banknotes.

(i) What do the initials ECB stand for?
(ii) 'Money should be durable'. Explain this statement and state two other characteristics of money.
(iii) The euro currency has been experiencing difficulties.
   • State and explain one economic advantage of the euro (€) for the Irish economy.
   • State and explain one economic disadvantage of the euro (€) for the Irish economy.

(26 marks)

[75 marks]
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