

WARNING

This examination 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, 2018

ECONOMICS – ORDINARY LEVEL

(400 marks)

THURSDAY 21 JUNE MORNING 9.30 – 12.00

Answer **six** questions from Section A and **four** questions from Section B.

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.

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SECTION A (100 marks)

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

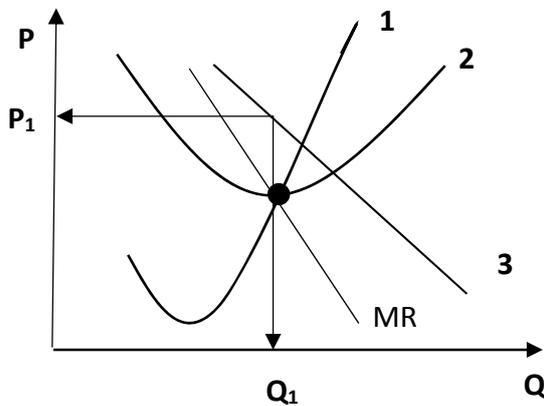
1. What do the following letters stand for? Write **each** answer in the appropriate space.

GNP	
CPI	
CSO	

(16 marks)

2. The diagram below represents the long run equilibrium of a firm in **Monopoly**.

- (i) Write in words **the full label** (not abbreviations) for each of the lines numbered 1 to 3. Use the answer box provided.



Answer Box	
Number	Full label
1	
2	
3	

- (ii) Some firms may wish to enter a **monopoly** industry but face barriers to entry. Outline **one** possible barrier to entry.

(16 marks)

3. Some of the factors below influence the **supply** of an individual firm. Write **True** or **False** after each of the following sentences.

	SENTENCE	TRUE or FALSE
(i)	The price of the good itself.	
(ii)	The consumer's level of income.	
(iii)	The cost of the firm's raw materials.	
(iv)	The state of the firm's production technology.	

(16 marks)

4. Name an economist you have studied and outline **one** contribution this person made to economic theory.

(i) Name economist: _____

(ii) Outline one contribution to economic theory:

(16 marks)

5. The following items are either **substitute goods** or **complementary goods** for cars. From the list below, identify which items are substitute goods for cars and which are complementary goods for cars.

Write your answers in the spaces provided.

BUS	WINDSCREEN WIPERS	TRAIN	DIESEL
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Answer:

Substitute goods	Complementary goods

(16 marks)

6. The rate of **DIRT** was reduced to 37% in Budget 2018.

(i) What do the letters DIRT stand for?

(ii) Outline **one** economic benefit for savers of this reduction in the rate of DIRT.

(17 marks)

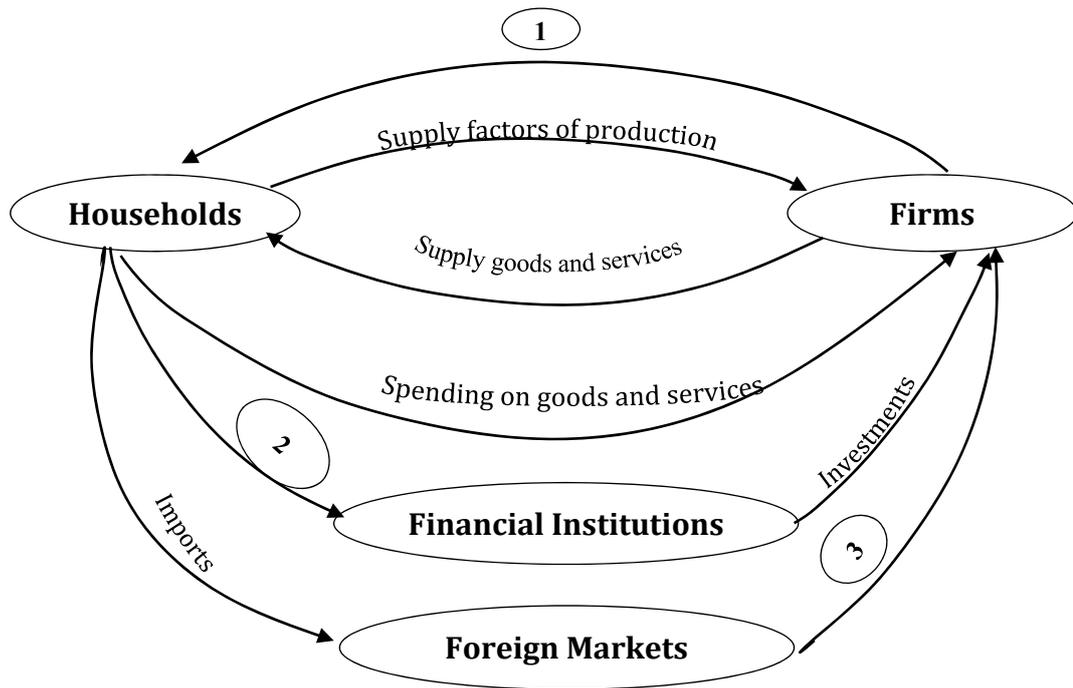
7. Price inflation in Ireland is very low at present. Explain the term price inflation **and** state **one** advantage of this low rate of price inflation for Irish consumers.

(i) Price Inflation: _____

(ii) Advantage of low rate of price inflation for Irish consumers: _____

(17 marks)

8. The diagram below represents the **Circular Flow of Income** in an open economy without government.



- (i) **Imports are a leakage** from the circular flow of income. Explain what this means.

- (ii) State what **each** of the lines numbered **1 to 3** represents.

Line 1: _____

Line 2: _____

Line 3: _____

(17 marks)

9. Use **three** of the five terms below to complete the explanation for **economic goods**.

Utility Price Quantity Scarce resources Opportunity Cost

Economic goods require the use of _____ to produce them and so their use has an _____. Such goods command a _____ in the marketplace.

(17 marks)

Remember to return this examination paper with the answer book(s) used to answer the Questions in Section B.

SECTION B (300 Marks)

Answer **four** questions.

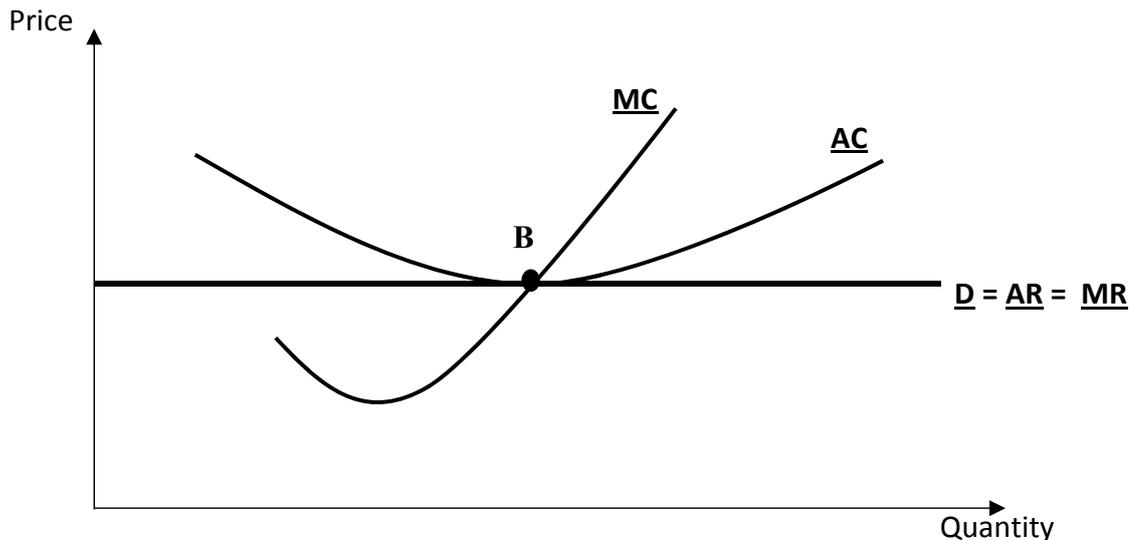
Write the answers in your answer book(s).

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**.



- (a) (i) Write out what **each** of the **five** underlined labels above represents.

Copy the diagram into your answer book.

- (ii) Equilibrium occurs at point **B** on the diagram.

Show on your diagram:

- The **price** the firm will charge for its output (use label **P₁**).
- The **output** the firm will produce in equilibrium (use label **Q₁**). **(30 marks)**

- (b) Explain **each** of the following characteristics of a perfectly competitive market.

- (i) Perfect knowledge exists.
- (ii) All goods produced are homogenous goods.
- (iii) Free entry and exit exists in the industry.

(21 marks)

- (c) In 2017 Ryanair experienced increased competition from other low-cost airlines such as Norwegian Airlines. Increased competition is generally considered good for consumers.

Outline **two** possible advantages for consumers and **one** possible challenge for producers of increased competition.

(24 marks)

[75 marks]

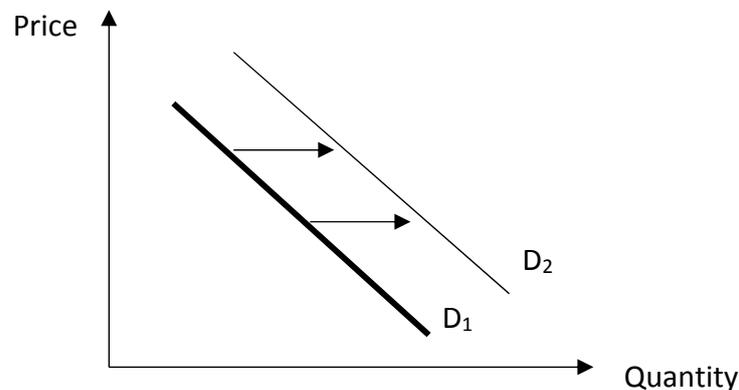
2. (a) People consume goods because they receive utility. As they consume more units of the good their marginal utility will eventually decline.

- (i) Explain **each** of the underlined terms.
- (ii) Using the table below calculate the marginal utility at **A, B and C**.
(Show your workings in your answer book.)
- (iii) State at what point diminishing marginal utility sets in **and** explain your answer.

Number of units consumed	1	2	3	4	5	6
Total utility in units/utills	15	35	70	110	130	140
Marginal Utility in units/utills	15	20	35	A	B	C

(25 marks)

(b) The diagram below shows two demand curves for smartphones.



- (i) Explain the shape of a demand curve for smartphones.
- (ii) State whether the shift in demand from D_1 to D_2 above represents an increase or a decrease in the demand for smartphones.
- (iii) State and explain **two** reasons why the demand for smartphones might shift as indicated in the above diagram.

(25 marks)

(c) A tax on sugar-sweetened drinks was introduced in the Government Budget 2018.

- (i) Outline **two** reasons why the government introduced the sugar tax.
- (ii) Outline **two** possible advantages **and one** possible disadvantage of this sugar tax for consumers in Ireland.

(25 marks)

[75 marks]

3. (a) Profit is the return to the factor of production **enterprise**.

Explain the **three** other factors of production **and** state the return to **each** of these factors of production. **(24 marks)**

(b) The table below shows the output, total cost and total revenue for a firm producing a component for the information technology (IT) industry.

The **selling price is €10** per unit of output sold.

Use this table to answer the questions which follow.

(Show your workings in your answer book.)

Output (units)	0	100	200	300	400
Total Cost (€)	300	500	600	1,050	1,500
Total Revenue (€)	0	1,000	A	B	C

(i) Calculate the **total revenue** received at **each** level of output above (**A, B, and C**).

(ii) Calculate the **profit** earned when the firm sells 200 units.

(iii) The total costs of the firm include fixed costs and variable costs.

Explain **each** of the underlined terms **and** give **one** example of **each** for the above firm.

(30 marks)

(c) Trade unions favour an increase in the national minimum wage rate.

State and explain **one** possible economic effect of an increase in the national minimum wage for **each** of the following:

- Employees
- Businesses
- Consumers.

(21 marks)

[75 marks]

4. (a) State and explain any **three** functions of money.

(21 marks)

(b) (i) State and explain **two** reasons why consumers may decide to save rather than spend their income.

(ii) Discuss **one** economic advantage and **one** economic disadvantage of savings for the Irish economy. **(24 marks)**

(c) There is a move away from cash-based methods of payments to non cash-based methods of payment.

(i) Name **two** non cash-based methods of payments.

(ii) Outline **one** possible economic advantage which non cash-based methods of payment may have for **each** of the following:

- Banks
- Businesses
- Consumers.

(30 marks)

[75 marks]

5. (a) The following figures were presented in Budget 2018:

Government Current Income	€67.4 bn	Government Current Expenditure	€70.1 bn
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- (i) Is the government planning a budget deficit or budget surplus? Explain your answer.
(Show your workings in your answer book.)

The national debt is approximately €200 billion currently.

- (ii) State the effect which Budget 2018, calculated in part (i) above, will have on the national debt. Explain your answer.
(iii) State and explain **one** economic advantage and **one** economic disadvantage of increasing the national debt.

(24 marks)

(b) In the case of **each** of the following taxes:

- a tax on company profits
- a tax on employees' wages
- a tax on goods or services.

- (i) Name **each** tax above.
(ii) State whether each tax is an example of a direct tax or an indirect tax.
(iii) Explain **each** of the underlined terms in part (ii) above.

(30 marks)

(c) Spending by the Irish government on education is set to hit €10 billion in 2018 and this involves an opportunity cost.

- (i) Explain the term **opportunity cost**.
(ii) State and explain **two** possible economic advantages of increased government spending on education for the Irish economy.

(21 marks)

[75 marks]

6. (a) Given National Income (Y) as: $Y = C + I + G + (X - M)$ where
 $C = \text{€}2,500\text{m}$ $I = \text{€}500\text{m}$ $G = \text{€}600\text{m}$ $X = \text{€}300\text{m}$ $M = \text{€}200\text{m}$
- (i) State what each of the letters in the formula above represents.
(ii) Calculate, using the figures provided, the level of National Income.
(Show your workings in your answer book.)
- (20 marks)**
- (b) Multinational Companies (MNCs), such as Facebook and Amazon, locate in Ireland and contribute to economic growth.
- (i) Explain the terms **multinational company** and **economic growth**.
(ii) Discuss **two** possible economic benefits of MNCs, other than economic growth, for the Irish economy.
(iii) Discuss **one** possible economic challenge of MNCs for the Irish economy.
- (25 marks)**
- (c) ‘An extra €13 million is being spend by the Irish government towards increasing the overseas development aid budget.’ **(Source: The Irish Times, October 2017)**
- (i) Outline **two** characteristics of Less Developed Countries (LDCs).
(ii) Describe **two** types of aid, other than financial aid, which can be provided to LDCs.
(iii) Outline **two** reasons why financial aid may **not** always help LDCs resolve their difficulties.
- (30 marks)**
[75 marks]
7. (a) Ireland as a small open economy relies on international trade.
- (i) Explain the term **open economy**.
(ii) State and explain **three** economic reasons why Ireland engages in trade.
- (24 marks)**
- (b) ‘Visible exports were €45,537 million in the second quarter of 2017 while visible imports were €22,178 million in the same period.’ **(Source: CSO, 2017)**
- (i) Explain **each** of the underlined terms.
(ii) Name **one** example of a visible export **and** a visible import for the Irish economy.
(iii) Outline **two** economic advantages for the Irish economy if exports are greater than imports.
- (30 marks)**
- (c) Brexit will occur formally in March 2019.
- (i) What is meant by the term Brexit?
(ii) Irish exporting firms may have to deal with tariffs and quotas. Explain **each** of the underlined terms.
(iii) State and explain **one** economic challenge, other than tariffs and quotas, which an Irish exporting firm may have following Brexit.
- (21 marks)**
[75 marks]

Q. 8 is on the next page



8. (a) 'Ireland's unemployment rate is expected to be 6 % or lower by the end of the year.'
(Source: Department of Finance, 2017)
- (i) Name **one** method of measuring unemployment in Ireland.
- (ii) Discuss **one** economic effect which the continuing **rise in employment** may have on **each** of the following:
- Retailers in Ireland
 - Government finances
 - Ireland's Balance of Trade. (30 marks)
- (b) 'There will be one million people over 65 years old in Ireland by 2031 - experts say we need a plan.'
(Source: www.thejournal.ie, September 2017)
- Outline **two** advantages of extending the public service retirement age beyond 65 years for **each** of the following:
- | | | |
|------------|-------------|------------|
| Employees; | Government. | (24 marks) |
|------------|-------------|------------|
- (c) 'The number of homeless people increased again in September, with 8,374 people accessing emergency accommodation.'
(Source: The Irish Examiner, October 2017)
- (i) Outline **one** economic reason for the increase in number of homeless people.
- (ii) State and explain **two** economic measures that could be taken by the Irish government to help reduce the number of homeless people in Ireland. (21 marks)
[75 marks]

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