

**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, 2019

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## ECONOMICS – ORDINARY LEVEL

(400 marks)

FRIDAY 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.

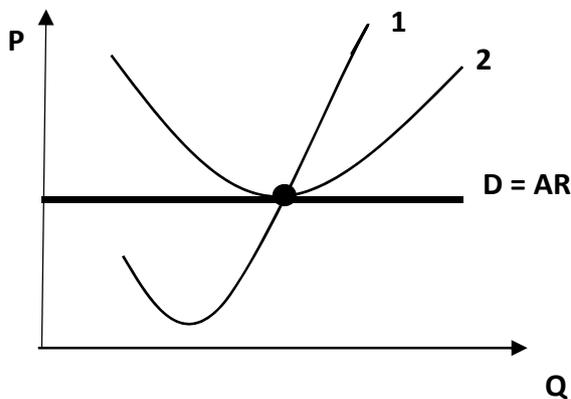
1. What do the following letters stand for? Write **each** answer in the appropriate space.

EU	
ECB	
WTO	

(16 marks)

2. The diagram below represents the long run equilibrium of a firm in Perfect Competition.

- (i) Write in words **the full label** (not abbreviations) for each of the lines numbered 1 and 2. Use the answer box provided.



Answer Box

Number	Full label
1	
2	

- (ii) **On the above diagram show:**

- The price the firm will charge for its output (use label  $P_1$ )
- The output the firm will produce in equilibrium (use label  $Q_1$ ).

(16 marks)

3. State **examples** of the four factors of production under each of the following headings:

Factor	Example of factor of production
Land	
Labour	
Capital	
Enterprise	

(16 marks)



7. The 4.75% rate of USC was reduced to 4.5% in Budget 2019.

(i) What do the letters USC stand for?

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

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(17 marks)

8. (a) Explain what is meant in economics by the term **scarcity of resources**.

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(b) Outline **two** examples of ways Irish citizens waste resources.

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

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

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(17 marks)

9. A pizza delivery firm must cover both its fixed costs and its variable costs in the long run.

(a) Explain what is meant by **fixed costs** and state **one** example of a fixed cost for a pizza delivery firm.

**Fixed Costs:** \_\_\_\_\_

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

(b) Explain what is meant by **variable costs** and state **one** example of a variable cost for a pizza delivery firm.

**Variable Costs:** \_\_\_\_\_

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

(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.

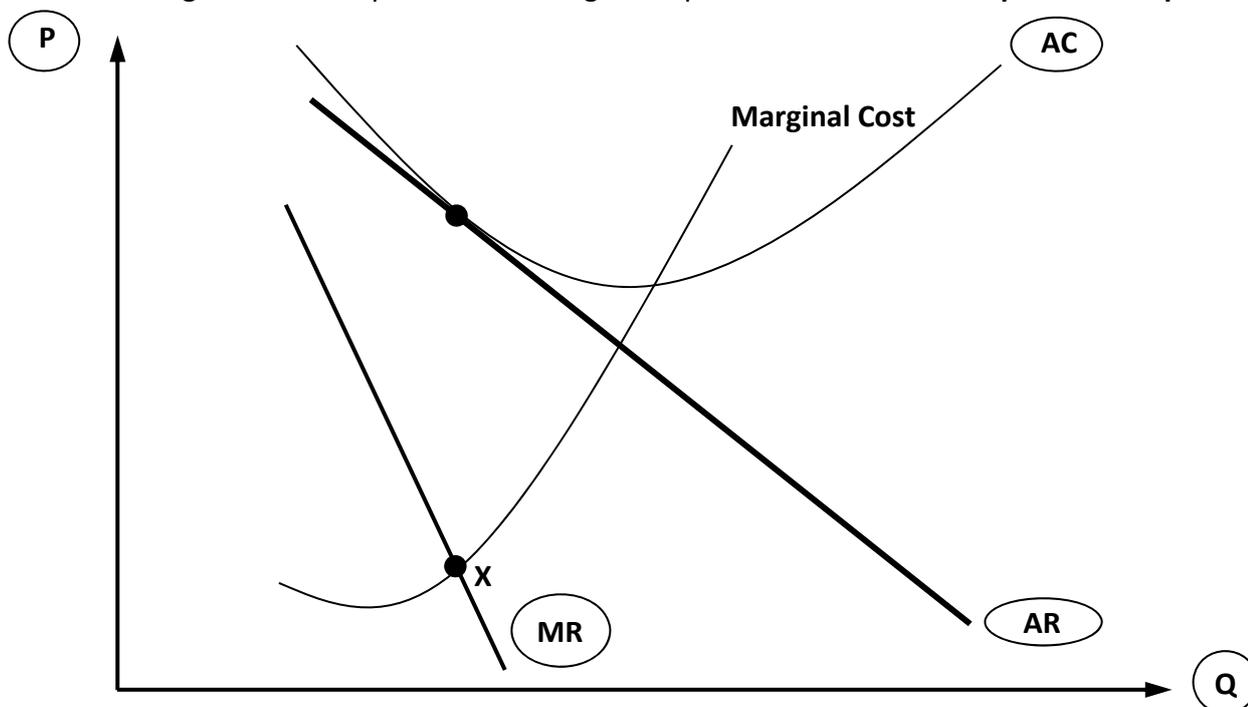
Write the answers in your answer book(s).

**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 **Imperfect Competition**.



(a) (i) Write out in full what **each** of the **five** labels circled above represents.

**Copy the diagram into your answer book.**

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

Show on your diagram:

- The **price** the firm will charge for its output (use label  $P_1$ ).
- The **output** the firm will produce in equilibrium (use label  $Q_1$ ).

**(30 marks)**

(b) **Free entry and exit** is one of the characteristics of an imperfectly competitive market.

- (i) Explain the term **free entry and exit**.
- (ii) State **two** other characteristics of Imperfect Competition.
- (iii) Write brief notes on **each** of these characteristics.

**(21 marks)**

(c) An increasing number of firms, such as Greenstar, Clean Ireland, AES and Mr Binman, are providing household waste collection services throughout Ireland. Outline **two** possible economic advantages and **one** possible economic disadvantage of the increased entry of firms into the market for household waste collection services.

**(24 marks)**

**[75 marks]**

2. The information below represents the quantity demanded and the quantity supplied at different prices for sandwiches in a school canteen.

Price €	Quantity Demanded (units)	Quantity Supplied (units)
5.00	100	500
4.50	200	400
4.00	300	300
3.50	400	200
3.00	500	100

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

- (a) (i) Draw and label the demand curve for sandwiches.  
(ii) Draw and label the supply curve for sandwiches.  
(iii) Show on your diagram:
- The equilibrium price of the sandwiches (use  $P_1$ )
  - The equilibrium quantity of the sandwiches (use  $Q_1$ ).

(30 marks)

- (b) The demand curve for sandwiches **or** the supply curve for sandwiches may shift to the right or the left due to the following:
- An increase in the cost of ingredients for the sandwiches
  - An additional 200 students visiting due to an athletics competition in the school.

In relation to **each** of the above situations, answer the following **three** questions.

- (i) State whether the demand curve **or** supply curve will shift.  
(ii) State whether the curve you mention will shift to the right **or** the left.  
(iii) Explain why the curve has shifted in the direction you have stated.

(20 marks)

- (c) The Government extended the electric vehicle (EV) purchase grant of €5,000 in Budget 2019.
- (i) Outline **one** economic reason why the government took the above action.  
(ii) State and explain **one** economic effect the above action may have on the demand for electric vehicles (EVs) in Ireland.  
(iii) State and explain **two** other actions the Irish government could take to encourage the purchase of electric vehicles (EVs).

(25 marks)

[75 marks]

3. (a) Explain **any three** of the following terms:
- National minimum wage rate
  - Occupational mobility of labour
  - Benefit-in-kind
  - Public sector employment.
- (21 marks)**

(b) Labour has a major role to play in helping an economy develop.

- Explain the term underlined above.
- Outline **two** reasons why employers might demand additional labour.
- State and explain **two** factors which may encourage more people to participate in the labour force.

**(30 marks)**

(c) The Irish economy is currently experiencing skills shortages in certain sectors such as the construction, IT, health and education sectors.

- Discuss **one** economic effect of skills shortages for **each** of the following:
  - Firms
  - The Irish economy.
- State and explain **two** measures firms could take to increase the supply of skilled labour.

**(24 marks)**

**[75 marks]**

4. (a) Explain **any three** of the following terms:

- Open economy
- Exchange rate
- Economic growth
- Tariffs.

**(21 marks)**

(b) Irish rugby supporters will travel to Japan for the Rugby World Cup 2019.

- Is this an example of an invisible import **or** an invisible export for the Irish economy? Explain your answer.
- Explain what a **surplus** in Ireland's Balance of Trade means.
- Outline **two** economic advantages of international trade for the Irish economy.

**(30 marks)**

(c) The government is planning to contribute €500m into Ireland's '**Rainy Day Fund**' from 2019 and this involves an opportunity cost.

**Note:** The fund was introduced to help the economy manage future economic shocks such as Brexit, trade wars, banking crises, etc.

- Explain the term **opportunity cost**.
- In your opinion is this Rainy Day Fund a good idea? Explain your answer.
- Suggest **two** uses for the €500m, other than the Rainy Day Fund, giving **one** reason for your answer in **each** case.

**(24 marks)**

**[75 marks]**

5. (a) Maynooth University issues a campus smartcard called 'MyCard', to all its students. This allows users to purchase on campus without using cash.
- Outline **one** advantage of a **non cash-based** method of payment for **each** of the following:
- Students
  - University
  - Banks.
- (21 marks)**
- (b) Some economists are predicting an increase in interest rates within the year. Explain how an increase in interest rates is likely to affect **each** of the following:
- Households
  - Firms
  - The Irish Government.
- (24 marks)**
- (c) One hundred and sixty one post offices are set to close in Ireland in the next year.  
(Source: RTE News, August 2018)
- (i) State and explain **two** possible reasons for the closure of some post offices.
- (ii) Outline **one** economic effect which the closure of the post offices may have on **each** of the following:
- Customers of the post offices
  - Employees of the post offices
  - The local community.
- (30 marks)**  
**[75 marks]**
6. Raising revenue from taxation and reducing tax evasion are important aims of government.
- (a) (i) Explain the term underlined above and state **one** example of tax evasion.  
(ii) State and explain **two** economic reasons why taxation is essential for an economy.
- (21 marks)**
- (b) In Budget 2019, the Value Added Tax (VAT) rate for the hospitality sector (hotels, restaurants etc.) increased from 9% to 13.5%.
- (i) Explain the term **Value Added Tax**.
- (ii) Is VAT an example of a direct tax or an indirect tax? Explain your answer.
- (iii) Outline **two** possible economic effects on the Irish economy of this increase in the rate of VAT for the hospitality sector.
- (30 marks)**
- (c) Outline **one** economic argument **in favour of** and **one** economic argument **against any two** of the following government measures announced in Budget 2019:
- Increase in social welfare payments of €5 per week
  - Increase of 50c in the price of a packet of 20 cigarettes
  - Introduction of 2 extra weeks paid parental leave to every parent of a child under one year of age.
- (24 marks)**  
**[75 marks]**

7. (a) The CSO calculates the level of National Income in Ireland and three methods are used to calculate it: the income method, the output method and the expenditure method.

- (i) What do the letters CSO stand for?
- (ii) Explain **any one** of the three methods used to calculate national income.
- (iii) State and explain **two** reasons why it is important to calculate the level of National Income in a country.

(24 marks)

(b) One possible reason why multinational companies (MNCs) such as Google and Apple locate in Ireland is the low rate of corporation tax.

- (i) Explain the terms **multinational company** and **corporation tax**.
- (ii) Discuss **two other** economic reasons why MNCs may locate in Ireland.
- (iii) Discuss **one** economic reason why some MNCs **may not** locate in Ireland.

(30 marks)

(c) The Multiplier formula for an open economy is: 
$$\frac{1}{MPS + MPM}$$

- (i) Explain **each** of the terms **MPS** and **MPM**.

Assume that MPS is 0.1 and MPM is 0.4.

- (ii) Calculate, using the above formula, the size of the multiplier. **Show your workings**.
- (iii) Explain the meaning of your answer.

(21 marks)

[75 marks]

8. (a) Explain **any three** of the following terms:

- Price inflation
- Full employment
- Emigration
- Privatisation.

**(21 marks)**

(b) The government is committed to improving the infrastructure in the country, including the provision of broadband in rural areas.

(i) Explain the term **infrastructure**.

(ii) Discuss **one** economic advantage which the provision of broadband in rural areas may have on **each** of the following:

- Households
- Firms.

(iii) State **one** example of infrastructure, other than broadband, which you think Ireland should invest in, and explain **one** reason for your choice.

**(30 marks)**

(c) Small-town Ireland must fight to thrive.

*(Source: Irish Independent, 30 November 2018)*

(i) Outline **two** possible problems caused by the decline in economic activity in some small towns and rural areas of the country.

(ii) State and explain **two** measures which could be introduced to help reverse this economic decline.

**(24 marks)**

**[75 marks]**

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