

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, 2012

WEDNESDAY 20 JUNE 2012, 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. (a) Which of the following **economists** developed the **Canons of Taxation**?
(Circle the correct answer.)

John Maynard Keynes

Adam Smith

David Ricardo

- (b) In relation to the following **canons of taxation**, match the canon with its appropriate explanation.

Canons		Explanation	
A	Equity	1	The tax revenue collected should be greater than the costs of collection.
B	Certainty	2	The tax should be collected in a way and at a time which accommodates the taxpayer.
C	Convenience	3	Takes a higher proportion of an individual's income in tax as income increases.
D	Economy	4	An individual's tax bill should be clear.

CANON	→	A	B	C	D
EXPLANATION	→				

(16 marks)

2. The Irish Government introduced a **cycle-to-work scheme**, which encourages people to cycle to work. Outline **two economic advantages** of this scheme:

(i) _____

(ii) _____

(16 marks)

3. **Complete the following statement:**

Labour, as a factor of production, is defined as the _____ effort involved in the production of _____ and services. The payment for labour is called _____.

(16 marks)

4. '**Austerity**' is a consequence of the policy of reducing Government Budget Deficits. Outline **any two** effects which government 'austerity' measures may have on Irish citizens.

Effect 1: _____

Effect 2: _____

(16 marks)

5. The Irish Government is considering privatisation. The EU / IMF want a significant part of the revenues received to be used to reduce Ireland's National Debt. Explain the underlined term **and** state what the initials EU and IMF stand for.

Explanation: _____

EU: _____

IMF: _____

(16 marks)

6. The formula for measuring Price Elasticity of Demand is as follows:

$$\frac{\Delta Q}{\Delta P} \times \frac{P_1 + P_2}{Q_1 + Q_2}$$

Complete the following table to indicate what each of the above symbols stands for:

ΔQ	Change in the quantity demanded of the good.
ΔP	
P_1	
P_2	
Q_1	Original quantity of the good demanded.
Q_2	

(17 marks)

7. The Minister of State in the Department of Health is concerned with the low price of alcohol in supermarkets in Ireland. Outline **one economic action** the Minister could take to encourage a decrease in alcohol consumption and **one advantage** of a reduction in alcohol consumption for society.

Action: _____

Advantage: _____

(17 marks)

8. *'The largest manufacturer of sportswear in Ireland reported a boom in the sale of GAA jerseys in Australia.'* (*The Irish Times*, 5 November 2011)

This is one of the effects of the current emigration of Irish citizens. Explain the underlined term and state **one** other economic effect of emigration on the Irish economy.

Explanation: _____

Effect: _____

(17 marks)

9. Outline the possible economic effect which the increase in the VAT rate from 21% to 23% may have for **each** of the following:

Cross-border shopping: _____

Irish employment levels: _____

Government Budget Deficit: _____

(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.

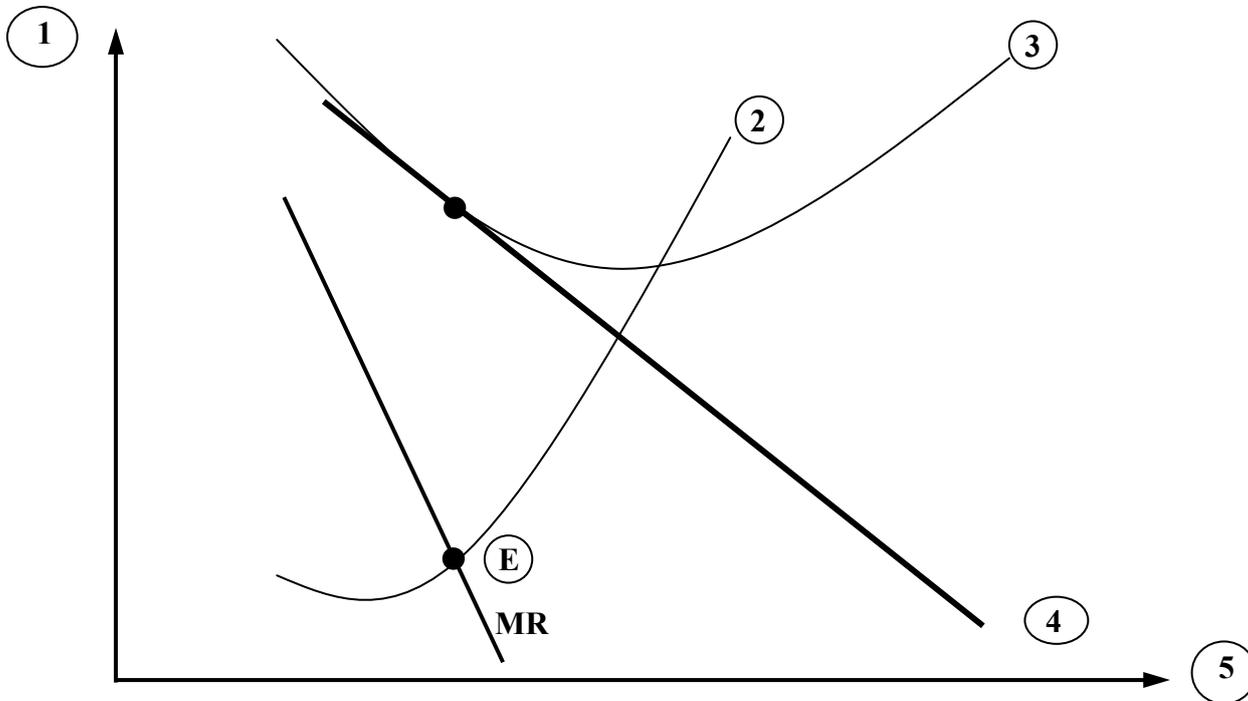
Write the answers in your answer book(s).

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 **Imperfect Competition**.



(a) Copy the diagram into your answer book.

- (i) Clearly label each of the lines numbered 1 to 5.
- (ii) Equilibrium occurs at point E on the diagram. Show on your diagram:
 - The quantity the firm will produce in equilibrium (use label Q_1)
 - The price the firm will charge for Q_1 (use label P_1)
 - The average cost of producing this output (use label C_1)

(30 marks)

(b) Firms in imperfect competition produce goods that are close substitutes.

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

(21 marks)

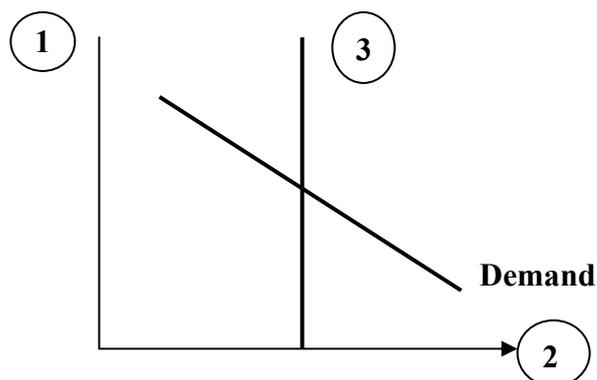
(c) Bord Gáis increased its electricity prices by 12% in August 2011.

- (i) Name **one** competitor to Bord Gáis which supplies electricity in Ireland.
- (ii) State and explain **one** economic effect of this increase in electricity prices for **each** of the following:
 - Consumers of Bord Gáis;
 - Other suppliers of electricity in the market;
 - The Irish economy.

(24 marks)

[75 marks]

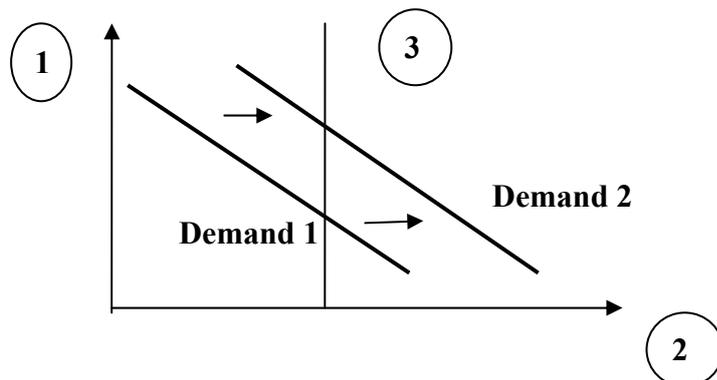
2. (a) The diagram below shows the demand for match tickets by Irish soccer supporters and the supply of tickets in the venues (i.e. Poznan and Gdansk) for the Irish matches in the Euro 2012 European Football Championships.



- (i) Copy the diagram into your answer book. Label each of the lines 1 to 3.
(ii) Show on your diagram:
 - equilibrium price (use label P_1)
 - equilibrium quantity (use label Q_1)
(iii) Explain the relationship between the price of tickets and the supply of tickets as shown on your diagram.

(21 marks)

- (b) Assume the demand for these match tickets shifts to the right as shown below.



- (i) State and explain **two** possible reasons why the demand curve for these tickets may shift to the right as illustrated above.
(ii) Explain the effect this shift in the demand curve has on the equilibrium price.
(iii) State **one** complementary good for these match tickets **and** explain the effect on the demand for **this complementary good** if the demand for these match tickets continues to increase.

(30 marks)

- (c) The government is considering introducing toll charges for more motorways in Ireland.

- (i) Outline **one** possible economic advantage and **one** possible economic disadvantage of introducing new toll charges.
(ii) Explain how this development would affect **each** of the following:
 - Irish Trucking/Haulage Companies;
 - Government's Current Budget Deficit.

(24 marks)

[75 marks]

3. (a) A business must control both its fixed costs and variable costs so that it can earn normal profit.
- Explain the underlined term.
 - Define fixed cost and variable cost and state **one** example of each.
 - State and explain **two** reasons why it is important for a business to earn profit.
- (25 marks)**
- (b) The factor of production 'Enterprise' combines the other factors of production into a production unit, in the expectation of making a profit.
- Name the other factors of production referred to above.
 - Outline **two** reasons why entrepreneurs are important to the development of the Irish economy.
 - Outline **one** action each of the following could take to encourage enterprise:
 - The Irish Government;
 - Schools / Colleges.
- (30 marks)**
- (c) Businesses throughout Ireland are encouraging consumers to shop local (i.e. shop in their local areas).
- State and explain **two** methods a Local Authority could use to encourage more consumers to shop local.
 - Discuss **two** benefits to the local economy if more consumers shop locally.
- (20 marks)**
[75 marks]
4. (a) 'Barter' and 'money' are used as mediums of exchange. Money has a number of characteristics including the following: relatively scarce; portable and durable.
- Explain **any two** of the underlined terms.
 - Outline the difficulty of using 'barter' as a medium of exchange.
 - Explain **two** functions of money other than a 'medium of exchange'.
- (25 marks)**
- (b) The ECB decreased interest rates in 2011 with the aim of increasing economic growth.
- Explain the underlined term.
 - What do the initials ECB stand for?
 - State and explain **two** possible economic effects which an increase in economic growth may have on the Irish Economy.
- (25 marks)**
- (c) One measure of price inflation is the CPI.
- Explain the underlined term.
 - What do the initials CPI stand for?
 - Explain how **a fall in the rate of price inflation** may affect **each** of the following:
 - Employees;
 - People in receipt of social welfare;
 - Business.
- (25 marks)**
[75 marks]

5. (a) Social welfare payments and student grants are examples of transfer payments.
- Explain the underlined term.
 - Explain why transfer payments are not included in National Income.
 - State and explain **two** possible uses of National Income Statistics.
- (25 marks)**
- (b) The Multiplier formula for an open economy is:
$$\frac{1}{MPS + MPM}$$
- Assume that MPM is 0.2 and MPS is 0.3.
- Explain each of the above underlined terms.
 - Calculate, using the above formula, the size of the Multiplier.
(Show all your workings.)
- (20 marks)**
- (c) The Irish government is concerned about the size of the 'black economy'.
- Explain the underlined term.
 - State **two** examples of activities considered part of the black economy.
 - State and explain **two** actions the Irish Government could take to discourage activities in the black economy.
- (30 marks)**
[75 marks]
6. (a) One of the main economic aims of the Irish Government is to reduce the number on the Live Register.
- Explain the underlined term.
 - Outline **two** economic advantages to the economy if the number on the Live Register decreased.
 - State and explain **three** other economic aims of the Irish Government.
- (30 marks)**
- (b) The Irish Government reduced capital expenditure on infrastructure by approximately €750m in its 2012 budget.
- Explain the underlined term.
 - Outline **three** economic effects which this reduction in capital expenditure may have on the Irish economy.
- (20 marks)**
- (c) The Irish Government provided grants towards energy improvements in an effort to encourage people to improve the energy performance of their homes. However, these grants involved an opportunity cost.
- Explain the underlined term.
 - Discuss **one** economic effect which these grants have for each of the following:
 - Individual households;
 - Businesses;
 - The Irish economy.
- (25 marks)**
[75 marks]

7. (a) The table below illustrates the Law of Comparative Advantage.

Country	Output Production per worker per week	
	Wine	Cars
Germany	1600 litres	1200 units
France	800 litres	400 units
Total Output	2400 litres	1600 units

Although Germany is more efficient in the production of both goods, according to the Law of Comparative Advantage each country will specialise in the production of one good.

- (i) Which good will Germany produce? Explain briefly.
- (ii) Which good will France produce? Explain briefly.
- (iii) If each country specialises in the good you have selected, calculate the resulting total output. (Show your workings.)

(20 marks)

- (b) Irish people attending the Olympic Games in London 2012 is an example of an invisible import for Ireland.

- (i) Explain the underlined term **and** state **one** other example of an invisible import.
- (ii) Discuss **three** benefits to the Irish economy of increasing exports.

(25 marks)

- (c) IDA Ireland has been successful in attracting investment in the form of multinational companies (MNCs) to Ireland.

- (i) Name **two** MNCs in Ireland.
- (ii) State and explain **two** reasons why MNCs are attracted to Ireland.
- (iii) Discuss **two** economic advantages to the Irish economy of MNCs locating here.

(30 marks)

[75 marks]

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

- Current Budget Deficit;
- Progressive Tax;
- Nationalisation;
- Economic recession.

(21 marks)

(b) An increased rate of VAT, increased carbon taxes, and a new €100 household charge were introduced in the 2012 Government Current Budget.

- (i) Explain **each** of the underlined taxes.
- (ii) Discuss **one** economic effect which these tax increases will have for **each** of the following:
- Households;
 - Retailers in Ireland;
 - Government's Current Budget Deficit.

(30 marks)

(c) One of the functions of the NTMA is to manage Ireland's National Debt on behalf of the Government.

- (i) What do the initials NTMA stand for?
- (ii) Explain the underlined term.
- (iii) State and explain **two** economic disadvantages of Ireland's National Debt.

(24 marks)

[75 marks]

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