

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 2016

WEDNESDAY 22 JUNE MORNING 9:30 to 12:00

ECONOMICS – ORDINARY LEVEL (400 marks)

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. Complete the following statement:

Land is a factor of production and is defined as anything supplied by _____ which helps in the production of _____ and services. The payment for land is called _____.

(16 marks)

2. Indicate by means of a tick (✓) the category to which each statement belongs.

Statement	Embargo	Quota	Tariff	Subsidy
A tax on goods imported into the country.				
A complete ban on the importation of certain goods.				
A physical limit placed by the government on the amount of goods that can be imported.				
Any payment or assistance given by the government to Irish producers of goods or services.				

(16 marks)

3. The table below, when completed, illustrates that diminishing marginal utility sets in when 4 units are consumed.

Number of units consumed	1	2	3	4	5	6
Total utility in units	15	40	70	85	95	100
Marginal utility in units	15	25		15		

- (a) Complete the **blank spaces** in the table above.
- (b) Explain why diminishing marginal utility sets in when 4 units are consumed.

(16 marks)

SECTION A (continued)

4. A firm produces 50 units each week. It receives €50,000 in total from the sale of these 50 units. The firm pays the following **costs**:
Wages: €5,000; Raw Materials: €25,000; Light & Heat: €3,000; Rent of Premises: €7,000.

Calculate the following, showing your workings.

- (a) **Total cost** of producing 50 units.

€ _____

- (b) **Profit** made on sales.

€ _____

- (c) **Cost of producing one unit.**
(average cost)

€ _____

Workings	
(a)	
(b)	
(c)	

(16 marks)

5. Match the economic ideas listed below with the related economist:

Economic Idea

- A. The Multiplier
- B. Law of Comparative Advantage
- C. Laissez Faire
- D. Worker exploitation in a capitalist system.

Economist

- 1. Karl Marx
- 2. Adam Smith
- 3. John Maynard Keynes
- 4. David Ricardo

Economic Idea	A	B	C	D
Economist				

(16 marks)

6. Homelessness is becoming a major social problem in Irish society. Homeless charities report that 70 families per month are being made homeless.

- (a) Outline **one** economic reason for the increase in homelessness.

- (b) Outline **one** possible economic measure that could be taken by the Irish government to help reduce the numbers becoming homeless in Ireland.

(17 marks)

SECTION A (continued)

7. The Irish government is considering only permitting the sale of cigarettes in plain packaging and banning all forms of branding.

(a) Explain the term **branding**. _____

(b) Outline **one** reason why the Irish government is considering introducing this measure.

(17 marks)

8. “The size of the black economy could be as high as €25 billion a year.”

(Source: *Irish Small & Medium Enterprises, Irish Independent*, Sept. 2015)

(a) Explain the term **black economy**. _____

(b) Outline how each of the following is affected by activities in the black economy.

Irish government: _____

Irish businesses: _____

(17 marks)

9. The formula for measuring **Income Elasticity of Demand** (YED) is as follows:

$$\frac{\Delta Q}{\Delta Y} \times \frac{Y_1 + Y_2}{Q_1 + Q_2}$$

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

ΔQ	
ΔY	
Y_1	Consumer's original income.
Y_2	
Q_1	
Q_2	New quantity demanded of the good.

(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.

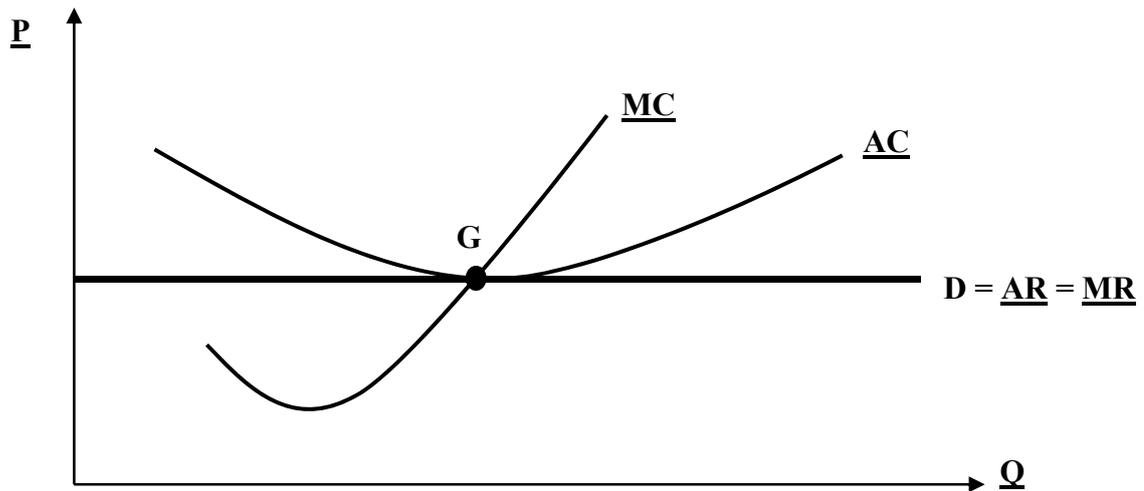
Write the answers in your answer book(s).

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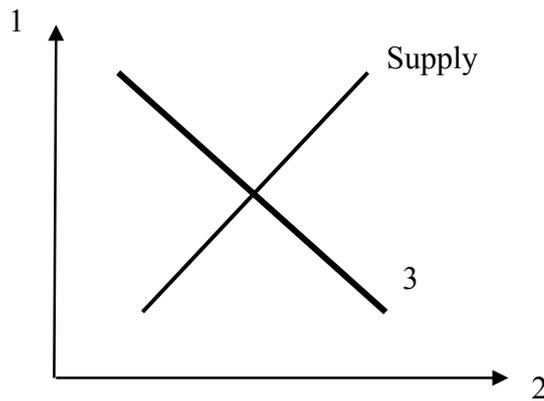
1. The diagram below represents the long run equilibrium of a firm in **Perfect Competition**.



- (a) (i) Copy the diagram into your answer book.
Write each of the **six** underlined labels in full.
- (ii) Equilibrium occurs at **point G** 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) One of the characteristics of perfect competition is that perfect knowledge exists.
- (i) Explain the underlined term.
- (ii) State **two** other characteristics of perfect competition.
- (iii) Write brief notes explaining **each** of these two characteristics.
- (20 marks)**
- (c) Alcohol advertising is to be banned in all sports grounds.
(Source: *Public Health (Alcohol) Bill*, December 2015)
- (i) State **one** reason why sporting organisations may **not** favour the above measure.
- (ii) State and explain **two** other measures which could be taken to help reduce the consumption of alcohol in Ireland.
- (iii) Outline **two** benefits to society of reduced alcohol consumption.

(25 marks)
[75 marks]

2. (a) Assume the diagram below represents the market for electric cars in Ireland.



- (i) Copy the diagram into your answer book. Clearly label each of the lines marked **1** to **3**.
(ii) Show on your diagram:
- equilibrium price (use label P_1)
 - equilibrium quantity (use label Q_1)
- (iii) Outline **two** possible advantages for Ireland of increased usage of electric cars.
(iv) Outline **one** measure the Irish government could consider to encourage consumers to switch to electric cars.

(25 marks)

- (b) The following factors cause **either** a demand curve **or** a supply curve to shift to the right or to the left:
- income levels in the economy fall
 - the firm's production technology improves.

In relation to **each** factor above, 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) Electronic banking refers to the use of computers to carry out banking transactions.

- (i) State and explain **two** functions of commercial banks.
(ii) Outline **two** economic reasons why a bank may favour electronic banking.
(iii) Outline **two** possible disadvantages of electronic banking for bank customers.

(30 marks)
[75 marks]

3. (a) An entrepreneur takes a risk in combining land with the other two factors of production in setting up a business.
- (i) State and explain the **two** factors of production, other than enterprise and land.
 - (ii) Outline **two** benefits of entrepreneurs for the Irish economy.
- (24 marks)**
- (b) The national minimum wage in Ireland was increased from €8.65 to €9.15 in Budget 2016.
- (i) Explain the underlined term.
 - (ii) Outline **two** aims of a national minimum wage.
 - (iii) Outline **two** possible economic disadvantages of an increase in the national minimum wage.
- (27 marks)**
- (c) The **Web Summit** held annually in Dublin over the past three years attracted over 100,000 participants and is re-locating for the next three years to Lisbon, Portugal.
- Note:** the Web Summit is an annual technology conference with founders of international technology start-ups in attendance.
- (i) Outline **two** advantages to the local economy in Dublin of hosting major conferences such as the Web Summit.
 - (ii) State **two** measures that either the Irish government **or** local government/authorities could take to attract major international conferences to Ireland.
- (24 marks)**
[75 marks]
4. (a) In April 2016 the CSO conducted a count of Ireland’s population at an estimated cost of €55m.
- (i) What do the initials CSO stand for?
 - (ii) What is the official term used for a count of the population?
 - (iii) State **one** possible expenditure item included in the cost of €55m.
 - (iv) Explain **one** use **each** of the following could make of the data collected:
 - Businesses
 - Irish government.
- (25 marks)**
- (b) China is no longer a centrally planned economy but it is not yet a free enterprise economy. China recently ended its “one-child policy” allowing couples to have two children for the first time since 1979.
- (i) Explain the underlined term.
 - (ii) Outline **two** advantages of the change in the “one-child policy” for the Chinese economy.
 - (iii) State and explain **two** possible economic disadvantages for citizens who live in a centrally planned economy.
- (25 marks)**
- (c) Economic development continues to be a key economic aim for the governments of LDCs.
- (i) Explain the underlined term.
 - (ii) Outline **two** economic difficulties which citizens of LDCs experience.
 - (iii) Suggest **two** possible solutions to the economic difficulties identified.
- (25 marks)**
[75 marks]

5. (a) Irish citizens contribute both direct taxes and indirect taxes to the government.
- Explain **each** of the underlined terms and state **one** example of **each**.
 - Outline **two** uses of taxation revenue by the government.
 - The Irish government may consider introducing a **sugar tax** to address the obesity crisis. Discuss **two** arguments for **or** against the introduction of a sugar tax.
- (30 marks)**
- (b) In Budget 2016 the Government reduced the rates of USC.
- What do the initials USC stand for?
 - Explain **one** possible economic effect which reductions in the USC rates may have on **each** of the following:
 - employees
 - imports into Ireland
 - level of employment in Ireland.
- (20 marks)**
- (c) *“The unemployment rate is continuing to fall with new figures showing a decline to 9.3% in October 2015, but youth unemployment stands at 19.7%.”*
(Source: *The Irish Times*, November 2015)
- Name **one** method of measuring unemployment in Ireland.
 - State and explain **two** possible economic advantages for Ireland of this fall in unemployment.
 - Suggest **one** measure the Irish government could take to reduce youth unemployment.
- (25 marks)**
[75 marks]
6. (a) Irish people attending the Euro 2016 (European soccer championships) in France is an example of an invisible import for Ireland.
- Distinguish between a **visible import** and an **invisible import**.
 - State and explain **two** reasons why imports are important for the Irish economy.
- (20 marks)**
- (b) *“More than 8 million tourists are expected to visit Ireland in 2016.”*
(Source: *Tourism Ireland*, Dec. 2015)
- State and explain **two** economic advantages of this development for the Irish economy.
 - Outline **two** measures which firms in the Irish Tourism Industry could take to ensure that the number of tourists visiting Ireland continues to increase.
 - Outline **one** reason why Ireland is considered a popular tourist location.
- (25 marks)**
- (c) Apple, an example of an MNC operating in Ireland, has decided to build a new data centre in Athenry, Co. Galway.
- What do the initials MNC mean?
 - Name **one** other MNC located in Ireland.
 - State **one** reason why Apple may have located in Ireland.
 - Discuss **two** possible economic advantages to a local community, other than direct employment, of an MNC locating its operations there.
- (30 marks)**
[75 marks]

7. (a) One method for calculating National Income, is the expenditure method.
- Explain the underlined term.
 - Name the **two** other methods used to calculate national income.
 - State and explain **two** possible uses of national income statistics for a country.
- (25 marks)**
- (b) Given National Income (Y) as: $Y = C + I + G + X - M$ where
 $C = €2,000m$ $I = €700m$ $G = €500m$ $X = €200m$ $M = €150m$
- State what each of the letters / symbols in the formula above represents.
 - Calculate, using the figures provided, the level of National Income.
Show your workings.
- (20 marks)**
- (c) “The EU has predicted that Ireland’s GDP will grow by 4.5% in 2016.”
 (Source: *The Irish Times*, November 2015)
- What do the letters **EU** and **GDP** stand for?
 - State and explain **two** possible economic advantages of the above development for the Irish economy.
 - Outline **two** possible costs of economic growth.
- (30 marks)**
[75 marks]
8. (a) Reducing Ireland’s national debt is one of the Irish government’s economic aims.
- Explain the underlined term.
 - State and explain **two** economic advantages of reducing Ireland’s national debt.
 - State and explain **two** other economic aims of the Irish government.
- (25 marks)**
- (b) ‘Metro North, a high-speed rail from Dublin City centre to Dublin Airport and Swords is to go ahead as part of the Government’s plans to improve the country’s infrastructure at a cost of €2.4bn.’
 (Source: *Irish Independent*, September 2015)
- Explain the underlined term.
 - State and explain **one** possible economic advantage and **one** possible economic disadvantage of the construction of Metro North for the Irish economy.
 - State **one** other example of infrastructure which should be invested in currently and state **one** reason for your choice.
- (26 marks)**
- (c) Suggest **one** measure which **any three** of the following could take to protect the environment:
- Consumers
 - Businesses
 - Local communities
 - Irish government.
- (24 marks)**
[75 marks]

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