



**Economics  
Leaving Certificate  
Higher Level**

**Past Exam Questions on  
Money & Banking**

## Q6 Section B 2013

6. (a) (i) Explain, using a numerical example, how banks create credit in an economy.  
(ii) Outline two factors which limit the ability of banks to create credit during recessionary times. (30)
- (b) Some central banks have responded to the global financial crisis by introducing the monetary policy measure of 'Quantitative Easing' (i.e. buying financial assets from financial institutions using new money it has created).
- (i) Outline two possible economic effects of this measure for an economy.  
The European Central Bank (ECB) reduced interest rates in 2012.
- (ii) Discuss two possible economic benefits of falling interest rates for the Irish economy. (20)
- (c) The monetary policy of the ECB aims to maintain the annual euro area inflation rate at a very low level.
- (i) State the rate of inflation in Ireland during 2013, as measured by the Consumer Price Index (CPI).  
(ii) Outline two uses of the CPI, other than as a measure of the rate of inflation.  
(iii) Discuss the possible limitations of the CPI as an accurate measure of changes in the cost of living in Ireland. (25)

[75 marks]

## Q2 Section A 2012

2. State three areas of responsibility of the European Central Bank (ECB).

- (i) \_\_\_\_\_
- (ii) \_\_\_\_\_
- (iii) \_\_\_\_\_

(16 marks)

### Q9 Section A 2011

9. In September 2010 approximately 5.1% of mortgage accounts were **in arrears** (behind on mortgage payments) of 90 days or more. Outline **two economic reasons** for this development and **two actions** financial institutions could take to help mortgage customers.

Reasons:

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

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

Actions:

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

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

(17 marks)

### Q6 Section B 2011

6. (a) Money is usually defined by reference to the functions it performs.

(i) Outline **four** functions of money.

(ii) Explain the term 'Monetary Policy'.

(iii) Explain a central bank's function as 'lender of last resort'.

(35)

- (b) Many believe that a lack of supervision ('light-touch regulation') of financial institutions in Ireland contributed significantly to the banking crisis.

Discuss the economic reasons why commercial banks in Ireland should be regulated.

(20)

- (c) It is being suggested that the ECB will increase interest rates in the 2011/2012 period. Explain the economic effects of rising interest rates on the Irish economy.

(20)

[75 marks]

## Q6 Section B 2010

6. (a) It has been suggested that the main commercial (retail) banks in Ireland should be nationalised.
- (i) Explain the underlined terms.
  - (ii) Outline two possible economic arguments for and two possible economic arguments against the nationalisation of the banks. (30 marks)
- (b) (i) State and explain what you consider to be the three most important economic aims of the Irish Government.
- (ii) Outline two examples of possible conflicts between government economic aims/objectives. (25 marks)
- (c) The economist Milton Friedman was regarded as one of the major thinkers of the monetarist school of economic thought.
- Outline four features of 'Monetarism'. (20 marks)
- [75 marks]**

## Q7 Part (c) Section B 2010

- (c) Write a brief account on the role of the International Monetary Fund (IMF) or the World Bank in the world economy. (15 marks)

## Q8 Part (c) Section B 2010

- (c) *There has been a sharp increase in the rate of savings in Ireland in the past year.*
- (i) Discuss two factors currently influencing the rate of savings in the Irish economy.
  - (ii) Outline three economic effects which an increase in the rate of savings may have on the Irish economy. (25 marks)

## Q4 Part (a) Section B 2009

4. (a) 'Banks may fail by over-extending their loan book'.  
Explain this statement within the context of a bank's twin requirements of liquidity and profitability. (25 marks)

## Q8 Part (a) 2008

8. (a) (i) Explain, with the aid of an example, how it is possible for banks to create credit.
- (ii) Outline how a desire by banks to reduce their level of bad debts might affect their ability to create credit.
- (iii) Explain two other factors which could affect their ability to create credit. (30 marks)

### Q5 Section A 2007

5. Outline **THREE** functions/responsibilities of the European Central Bank (ECB).

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

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

(iii) \_\_\_\_\_

(16 marks)

### Q9 Section A 2006

9. Savers who have SSIA's (Special Savings Investment Accounts) are being subsidised by the Irish government through the receipt of additional bonus payments.

Outline **TWO** economic advantages and **TWO** economic disadvantages of this scheme for the Irish economy.

**Advantages:**

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

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

**Disadvantages:**

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

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

(17 marks)

### Q7 Part (c) Section B 2006

(c) Outline the economic role played by **TWO** of the following international banking organisations:

(i) The International Monetary Fund (IMF);

(ii) The World Bank;

(iii) The European Central Bank (ECB).

(25 marks)