



**Economics
Leaving Certificate
Higher Level**

**Past Exam Questions on
National Income**

Q5 Section B 2013

5. (a) Explain the following terms which are commonly used in estimating the National Income statistics of a country:
- Subsidies;
 - Incomes-in-kind;
 - Net Factor Income from the Rest of the World. (15)
- (b) (i) Illustrate by means of a diagram the **Circular Flow of Income** for an open economy.
(ii) Are transfer payments an injection into, or a leakage from the Circular Flow of Income? Explain your answer.
(iii) Outline **three** current determinants of the level of consumption in the Irish economy. (35)
- (c) (i) Using the Keynesian multiplier process outline how a fiscal stimulus (i.e. a government injection) would affect an economy's Aggregate Demand.
(ii) Explain why the Irish government might find it difficult to implement such a **Keynesian stimulus plan** at the current time. (25)

[75 marks]

Q4 Section B 2013

4. (a) 'The Exchequer deficit in December 2012 was €14.89bn'.
(Department of Finance, January 2013)
- (i) Discuss **four** possible economic consequences of the Government Current Budget Deficit for the Irish economy.
(ii) Explain how a government budget could be used to reduce income inequalities in an economy. (30)
- (b) (i) State and explain **two** reasons why the government increased taxes on cigarettes and alcohol in its most recent budget.
(ii) Outline **three** economic impacts for the Irish economy of an increase in Motor Tax. (30)
- (c) 'The Public Capital Programme must make a further contribution to budgetary consolidation'.
(Infrastructure and Capital Investment, 2012 – 2016)

As an Advisor to the Minister for Public Expenditure and Reform, discuss **two** economic arguments in favour of a reduction in capital expenditure in the Budget.

(15)

[75 marks]

Q7 Section B 2011

7. (a) (i) Define the following terms:
- Gross Domestic Product at Current Market Prices;
 - Gross National Product at Factor Cost.
- (ii) Explain two reasons why **GDP** in Ireland at present is larger than **GNP**. (30)
- (b) (i) Explain what is meant by the term 'Multiplier'.
- (ii) It has been estimated that in the Irish economy:
MPT = 0.22, MPM = 0.30, MPS 0.28.
Calculate the value of the Multiplier in the Irish economy.
- (iii) Outline briefly how taxes affect the value of the Multiplier. (25)
- (c) 'The Irish Government predicts that the rate of economic growth in 2011 will be 1.75%'.
(The National Recovery Plan 2011-2014)

Discuss the economic effects of an increase in the rate of economic growth on the Irish economy.

(20)

[75 marks]

Q5 Part (c) Section B 2010

- (c) (i) Outline the main uses of National Income Statistics.
- (ii) State and explain **four** reasons why care should be taken when using National Income Statistics as a measure of economic performance of a country. (35 marks)

Q5 Section B 2009

5. (a) The following table shows the level of National Income its Consumption, Investment and Export components at the end of periods 1 and 2, and the level of Imports at the end of period 1. (For the purpose of this question you may ignore the Government sector).

	National Income	Consumption	Investment	Exports	Imports
Period 1	€40,000	€30,000	€15,000	€15,000	€20,000
Period 2	€50,000	€39,000	€18,000	€21,000	?

Calculate the following, showing all your workings:

- (i) Level of imports at the end of period 2;
- (ii) Level of savings at the end of period 2;
- (iii) Marginal Propensity to Consume (MPC);
- (iv) Size of the Multiplier.

(20 marks)

- (b) 'Ireland is described as a small open economy and this affects the government's ability to influence the level of aggregate demand in the country'.

Explain this statement, using the Circular Flow of Income diagram to support your answer.

(30 marks)

- (c) Outline the limitations of using Gross National Product at Current Market Prices when comparing the average standard of living between two different years.

(25 marks)

[75 marks]

Q4 Section B 2008

4. (a) (i) Define the terms **Gross Domestic Product at Current Market Prices** and **National Income**.
- (ii) Explain the relationship between these two terms.

(30 marks)

- (b) The **Circular Flow of Income** for an open economy describes the flows that influence the level of National Income.

- (i) State and explain **three** leakages from and **three** injections into the Circular Flow of Income in an open economy.
- (ii) Outline the effect on the level of employment in the economy if leakages exceed injections. Explain your answer.

(20 marks)

Q6 Section B 2007

6. (a) The main components of National Income are: Consumption, Investment, Government Expenditure, Exports, Imports.
- (i) Show the equation which links all of these components with the level of National Income in the economy.
 - (ii) Explain what determines/influences the size of each of these components of National Income.

(25 marks)

- (b) The table below shows the level of National Income, Consumption, Investment, Exports and Imports at the end of Year 1 and Year 2.
(For the purpose of this question you may ignore the government sector.)

Year	National Income	Consumption	Investment	Exports	Imports
1	€10,000	€8,600	€1,000	€1,200	€800
2	€11,200	€9,500	€1,300		€1,100

Calculate the following, showing all your workings:

- (i) The level of Exports in Year 2;
- (ii) The Marginal Propensity to Import;
- (iii) The Marginal Propensity to Save;
- (iv) The size of the Multiplier. Explain the economic meaning of this multiplier figure.

(25 marks)

- (c) Less developed countries (LDCs) are primarily concerned with achieving economic development while developed countries are concerned with achieving economic growth.

- (i) Distinguish between the two underlined terms.
- (ii) Outline **THREE** characteristics which indicate that a country is a LDC.

(25 marks)

[75 marks]

Q4 Part (a) Section B 2006

4. (a) (i) Explain what is meant by the term 'National Income'.
(ii) In Ireland at present, would you expect GNP to be greater than, equal to, or less than, GDP? Explain your answer.

(20 marks)