



**Economics
Leaving Certificate
Higher Level**

**Past Exam Questions on
Production and Consumption**

Q8 Section A 2013

8. Define the term 'Average Propensity to Consume' (APC) **and** calculate the APC for 2012 from the information below. (Show your workings.)

WORKINGS

Year	Disposable Income	Savings
2012	€34,000	€5,200

Definition: _____

Answer: _____

(17 marks)

Q1 Section B 2013

1. (a) (i) Distinguish between the terms 'effective demand' and 'derived demand'.
(ii) Outline two possible exceptions to the Law of Demand. (25)
- (b) The market for a brand of blue jeans is in equilibrium. Explain, with the aid of a separate diagram in each case, the effects which each of the following is most likely to have on the equilibrium position:
(i) Due to the economic downturn there is a reduction in the real income of consumers.
(ii) A fall in the price of cotton, a key input in the production of the blue jeans.
(iii) The blue jeans have recently been endorsed by a popular sports star. (30)
- (c) A fall in the price of a consumer product has both a substitution effect and an income effect.
(i) Explain the underlined terms.
(ii) If the price of an **inferior** product falls (all other things being equal) will more or less of the product be purchased? Explain your answer with reference to the substitution effect and the income effect. (20)

[75 marks]

Q3 Section B 2010

3. (a) With reference to the factor of production **labour**, explain the following terms:

- Derived Demand;
- Marginal Revenue Productivity;
- Wage Drift;
- Cyclical Unemployment.

(20 marks)

(b) (i) State and explain **four** factors which influence the efficiency of labour as a factor of production.

Recently the Organisation for Economic Cooperation and Development (OECD) recommended that lower wages are necessary to restore stability to the Irish economy and that consideration should be given to reducing the National Minimum Wage over time.

(ii) Outline **one** possible economic advantage and **one** possible economic disadvantage, to the Irish economy, of reducing the National Minimum Wage.

(30 marks)

(c) *Ireland's 'Black Economy' (underground economy) activity results in a loss of up to €6.1bn to the Exchequer annually, according to the economist Friedrich Schneider.*

(i) State and explain **three** economic effects of this activity in Ireland.

(ii) Outline **two** economic measures the Irish Government could take to discourage this activity.

(25 marks)

[75 marks]

Q1 Section A 2008

1. State **three** factors that determine the efficiency of labour:

(i) _____

(ii) _____

(iii) _____

(16 marks)

Q3 Section A 2008

3. A firm manufacturing 100 school desks weekly has the following total costs of production: Labour €2,000 (hired weekly); Raw Materials €3,500; Normal Profit €1,500; Rent €3,000. What is the minimum price per school desk this firm could charge in the short run? Explain your answer. (Show all your workings).

Workings:

Minimum Price:

Explanation:

(16 marks)

Q5 Section A 2006

5. Define internal economies of scale. State TWO examples.

Definition: _____

Example (i): _____

Example (ii): _____

(16 marks)