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SUBJECT: **Economics**  
DATE: 1<sup>st</sup> September 2022  
TIME: 4:00 p.m. to 7:05 p.m.

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The question in Section A, is **compulsory**. In addition, answer **TWO** questions from Section B and **TWO** questions from Section C.

Section A carries a total of 20 marks, while Section B and Section C each carry a total of 40 marks.

### SECTION A

**This question is compulsory and carries 20 marks.**

1. Global oil prices (Brent crude) hit \$128 a barrel on March 9, a level not seen in 10 years and surpassed only in the run-up to the 2008 financial crisis. Top oil traders warn prices could breach \$200 a barrel. Oil prices are driven by global demand and supply, and the rise in prices in 2022 is no exception.

*(Adapted from: Top oil traders warn prices could breach \$200 a barrel, Financial Times, 24<sup>th</sup> March 2022)*

- a. Define 'equilibrium price'. (4)
- b. Explain the term 'a change in quantity demanded'. (3)
- c. Explain the term 'a change in supply'. (3)
- d. Draw **TWO** supply and demand diagrams to show how the price and output of oil can increase. (4)
- e. Explain **TWO** policy options governments can adopt to deal with soaring energy prices. (6)

**(Total: 20 marks)**

**Section B**

**Answer any TWO questions in detail. Each question carries 20 marks.**

2. Table 1 below gives some of the combinations of armaments and capital goods with which an economy may be faced:

Table 1

Combination	Number of capital goods	Number of armaments
A	40	0
B	30	20
C	20	35
D	10	45
E	0	50

- Using the data provided in Table 1 above, plot the different combinations and derive the Production Possibility Curve for this economy. (5)
- What do the combinations A, B, C, D and E have in common? (3)
- Define opportunity cost. (2)
- What is the opportunity cost to the economy if it is producing combination B and chooses to produce 15 units more of armaments? (4)
- What happens to the opportunity cost of armaments in terms of capital goods as more armaments are produced? Show your workings. (6)

**(Total: 20 marks)**

3. Table 2 shows a shop's demand schedule for laptops:

Table 2

Price (€)	Quantity sold per week
1,500	10
1,400	20
1,300	30
1,200	40
1,100	50
1,000	60
900	70
800	80

- State the basic law of demand. (3)
- Define the price elasticity of demand and interpret an elasticity coefficient of -1. (5)
- What is the price elasticity of demand for the **TWO** price falls below? Show your workings.
  - from €1,400 to €1,300; and (1)
  - from €1,000 to €900. (1)
- Calculate the revenue the shop would make from the sale of laptops at **all** price levels. (4)
- From the workings that you have carried out in parts (c) and (d), would knowledge of the price elasticity of demand be of help to the shop owner? Explain why. (6)

**(Total: 20 marks)**

4. A farmer owns a given acreage of land. Table 3 below shows how the production of tomatoes, in kilograms, changes as more labourers are added to a fixed area of land.

Table 3

Number of Labourers	Total Product (kilograms)
1	50
2	90
3	135
4	200
5	215
6	225
7	230

- Is this farmer operating in the short run or in the long run? Explain your answer. (4)
- Define and calculate the marginal product of tomatoes for **each** level of output. (4)
- With reference to your workings that you have carried out in part (b), at what level of output do diminishing returns set in? (2)
- Given the data above, is the production of tomatoes consistent with the Law of Variable Proportions? (4)
- Give and explain in detail **TWO** advantages of large-scale production. (6)

**(Total: 20 marks)**

- Identify **THREE** main characteristics that underlie the model of perfect competition. (6)
  - Identify **THREE** main features of a monopoly market. (6)
  - Give **TWO** advantages of a monopoly. (4)
  - Give **TWO** disadvantages of a monopoly. (4)

**(Total: 20 marks)**

### SECTION C

**Answer any TWO questions in detail. Each question carries 20 marks.**

- Illustrate by means of a diagram and define the Circular Flow of Income, and outline its main components. (4)
  - Define Gross Domestic Products (GDP) and identify **FOUR** main difficulties in measuring GDP. (10)
  - What are the **THREE** methods used to estimate GDP? Briefly explain **each** method. (6)

**(Total: 20 marks)**

- Define Aggregate Demand and Aggregate Supply and explain the equilibrium output. (6)
  - What is the difference between the Short-Run Aggregate Supply (SRAS) and Long-Run Aggregate Supply (LRAS). (6)
  - Identify and explain the effect of **TWO** determinants causing a shift in the SRAS and **TWO** other determinants causing a shift in the LRAS. (8)

**(Total: 20 marks)**

***Please turn the page.***

8. a. Explain the relationship between consumption and income by referring to the consumption function shown below. (8)

$$C = a + bY$$

- b. Derive the savings function and explain. (6)
- c. How does Consumption differ from Investment? Define the term Marginal Efficiency of Capital (MEC)? (6)

**(Total: 20 marks)**

9. a. Explain **FOUR** characteristics of money. (6)
- b. Define monetary policy and explain by means of diagrams, how it is used to control inflation. (8)
- c. Mention and explain **THREE** functions of the European Central Bank. (6)

**(Total: 20 marks)**