



QQI

Economic Perspectives

May 2024 EXAMINATIONS

Module Code: **B6AF112**

Module Description: **Economic Perspectives**

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INSTRUCTIONS TO CANDIDATES

Time allowed is 2 hours
Answer Question 1 and two other questions.
Show all relevant workings

Question 1

The following economic data is relevant to Irish economic activity:

- i. Consumption stands at €950 billion;
- ii. Investment is recorded at €238 billion,
- iii. Government spending amounts to €356 billion,
- iv. Net exports, representing the balance of exports minus imports, is negative €59 billion.
- v. Disposable income stands at €1120 billion.

Using the Aggregate Demand (AD) equation ($AD = C + I + G + (X - M)$), calculate the following:

- a) Total Aggregate Demand and savings in the economy.

(10 marks)

- b) If the marginal propensity to consume (MPC) is 0.8, compute the change in consumption and savings resulting from an increase in disposable income by €119 billion

(10 marks)

- c) Determine the multiplier effect in this economy, given the MPC.

(8 marks)

- d) Assess the impact of an increase in government spending by €59 billion on the overall aggregate demand.

(8 marks)

(Total 36 marks)

Question 2

- a) Using the information and formula below calculate the price elasticity of demand. (PED)

Price of a product: €2.00 per unit

Annual demand: 1,100,000 units

Market research indicates that an increase in price of 10 cent per unit will result in a fall in annual demand of 100,000 units.

$$\frac{\text{The change in quantity demanded, as \% of demand}}{\text{The change in price, as \% of price}}$$

(11 marks)

- b) Explain the significance of your answer calculated in part above.

(6 marks)

- c) Identify and briefly explain with examples three (3) factors influencing elasticity.

(9 marks)

- d) Explain the term “Price elasticity of demand” and identify the two extremes in the relationship between price and demand.

(6 marks)

(Total 32 marks)

Question 3

- a) Explain with relevant examples the term “free market” in economic terms.

(5 marks)

- b) Discuss five (5) characteristics of a free market.

(15 marks)

- c) Discuss four (4) characteristics/benefits of a free market.

(12 marks)

(Total 32 marks)

Question 4

- a) Explain with examples the term monopolistic competition and outline its main characteristics.

(10 marks)

- b) What is an Oligopolistic Market? Give examples.

(10 marks)

- c) Explain what is meant by and identify the two different types of collusion in an oligopolistic market.

(12 marks)

(Total 32 marks)

Question 5

- (a) With the aid of appropriate diagrams describe the following:
- Keynesian unemployment

(12 marks)

- Classical unemployment

(12 marks)

- (b) Explain the concept of “**Sticky Wage Theory**” in regards to macroeconomics.

(8 marks)

(Total 32 marks)

END OF EXAMINATION