

National Income Long Questions

2000 Q7

- (a) Explain clearly what is meant by the term 'National Income'. (10 marks)
- (b) In Ireland, at present, would you expect GNP to be greater than, equal to, or less than GDP? Explain your answer. (15 marks)
- (c) (i) Explain what is meant by the term 'the multiplier' and write the formula for calculating it in an open economy.
- (ii) It has been estimated that in the Irish economy:  
 $MPM = 0.4$ ,  $MPT = 0.24$  and  $MPS = 0.26$ .  
 Calculate, using the appropriate formula, the value of the multiplier.  
 (Show clearly all your workings).
- (iii) If there was an increase of £10m in exports, by how much would national income increase?  
 (Show clearly all your workings). (35 marks)

2001 Q8

- (a) Explain by means of a diagram of **Circular Flow of Income** for an open economy the forces which influence the level of aggregate demand. (25 marks)
- (b) The following table shows the levels of National Income, Consumption, Investment, Exports and Imports at the end of Period 1 and Period 2. For the purpose of this question you may ignore the government sector.

Period	National Income	Consumption	Investment	Exports	Imports
1	£5,800	£4,800	£1,200	£1,000	£1,200
2		£5,250	£1,300	£1,200	£1,350

Calculate the following, showing all your workings:

- (i) The level of National Income in period 2.
- (ii) The Marginal Propensity to Save.
- (iii) The Marginal Propensity to Import.
- (iv) The size of the Multiplier. (20 marks)

2003 Q6

- (c) Discuss the positive **and** negative economic consequences which a fall in the level of economic growth (GNP) may have on the Irish economy.

(35 marks)

[75 marks]

2004 Q6

- (a) Explain the following terms which are commonly used in estimating the National Income statistics of a country:

- (i) Incomes-in-kind;
- (ii) Transfer Payments;
- (iii) Net Factor Income from the Rest of the World.

(20 marks)

- (b) The table below shows the levels 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	€5,000	€4,300	€500	€600	€400
2	€5,600	€4,750	€650	€750	

Calculate the following, showing all your workings:

- (i) The level of Imports 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 figure.
- (25 marks)
- (c) National Income statistics provide important information, but are subject to certain limitations.
- (i) Explain **THREE** reasons why it is useful to have these statistics.
  - (ii) Explain **THREE** limitations as to the use of these statistics.

(30 marks)

[75 marks]

**2005 Q6**

- (a) (i) Explain, with the aid of a diagram of **Circular Flow of Income** for an open economy, the main elements of aggregate demand.
- (ii) Outline the expected effects which an injection of government spending into the economy, could have in each of the following cases:
- a closed economy at less than full employment;
  - an open economy at full employment.
- (30 marks)
- (b) It has been estimated that  $MPM = 0.2$ ,  $MPT = 0.1$  and  $MPC = 0.9$ . Calculate the following, showing all your workings:
- (i) The size of the Multiplier;
- (ii) The increase in the level of national income if there was an injection of government spending of €500 million.
- (20 marks)
- (c) "GNP growth of 5% is forecast for 2005". (Report of the Central Bank and Financial Services Authority of Ireland-Autumn 2004). Discuss the economic consequences (positive **and** negative) of economic growth on the Irish economy.

(25 marks)  
[75marks]

**2006 Q4**

- (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)
- (b) (i) Explain what is meant by the term '**the multiplier**'.
- (ii) State the formula by which the multiplier is measured in an open economy.
- (iii) Explain the variable elements in the formula.
- (iv) It has been estimated that in the Irish economy:  
 $MPM = 0.4$ ,  $MPT = 0.24$ ,  $MPS = 0.26$ .  
Calculate the value of the multiplier in the Irish Economy. Show your workings.
- (30 marks)
- (c) Gross National Product at Current Market Prices for the year 2005 in Ireland was approximately 45% higher than the figure for the year 2000.

State and explain the relevance of **FOUR** other pieces of economic information which you would use to assess whether or not the average standard of living had also risen by approximately 45% between 2000 and 2005.

(25 marks)  
[75 marks]

**2007 Q6**

(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]

**2008 Q4**

(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)

(c) The Central Bank of Ireland has predicted a slower rate of economic growth for the Irish economy in 2008.

Discuss the economic consequences of a slower rate of economic growth for Ireland.

(25 marks)

[75 marks]

## 2009 Q5

- (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]**

## 2010 Q5

- (b) Explain the economic effect which **each** of the following could have on the level of GNP at Market Prices:
- (i) a **reduction** in the general level of VAT;
  - (ii) a **reduction** in the subsidies paid to farmers.
- (20 marks)*
- (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)*  
**[75 marks]**

**2011 Q7**

- (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)

**2013 Q5**

- (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)

**2014 Q5**

- (a) The following table shows the level of National Income (Y), Consumption (C), Investment (I), Government Spending (G), Exports (X) and Imports (M) for 2013 and 2014.

	Y	C	I	G	X	M
<b>2013</b>	€80,000	€?	€10,000	€40,000	€100,000	€120,000
<b>2014</b>	€90,000	€56,000	€15,000	€34,000	€110,000	€?

Use this data to calculate the following: **(Show all your workings.)**

- (i) The level of Consumption in 2013
- (ii) The Marginal Propensity to Consume (MPC)
- (iii) The level of Imports in 2014
- (iv) The Marginal Propensity to Import (MPM).

(20)

- (b) “Ireland heads Forbes’ list of the best countries for business.”

*(Forbes Magazine Dec 4 2013)*

Discuss the economic benefits Multinational Companies (MNCs) can bring to a small economy such as Ireland.

(20)

- (c) Economists use Gross Domestic Product (GDP) and Gross National Product (GNP) as measures of economic activity.

- (i) Define **each** of the underlined terms.
- (ii) Which of these terms do you consider to be a more useful measure of economic activity for Ireland? Explain your answer.
- (iii) Discuss **three** limitations of national income statistics.

(35)

**2015 Q7**

- (a) (i) Explain, with the aid of a diagram, the **Circular Flow of Income** for an open economy.  
 (ii) Outline how **each** of the following should affect the level of National Income in Ireland:

- an increase in Irish exports
- an increase in the level of savings.

(35)

- (b) Discuss **four** factors which should be considered when comparing national income statistics from different countries.

(20)

- (c) *The Central Bank of Ireland (CBI) raised its forecast for 2015 economic growth to 3.7% from 3.4% citing strong consumer and investment spending.*

*(Central Bank Quarterly Bulletin: Q1 2015)*

- (i) Define the term *economic growth*.
- (ii) Discuss possible costs **and** benefits of economic growth.

(20)

**2016**

- (b) Use the information in the table to answer the questions below.

Marginal propensity to consume (MPC)	0.8
Marginal propensity to import (MPM)	0.2
Current equilibrium level of national income	€500m
Level of national income that would give full employment	€620m

- (i) Define the term **marginal propensity to save** (MPS).  
 (ii) Calculate the MPS for this economy illustrated in the table above.  
 (iii) Calculate the value of the multiplier in this open economy.  
 (iv) How much will the government have to inject into this economy if it wants the economy to operate at its full employment level? **Show your workings.**
- [30]

- (c) Explain how Ireland's Gross Domestic Product (GDP) could be affected by **any two** of the following.
- (i) An increase in Child Benefit payments.  
 (ii) A foreign-owned company, operating in Ireland, sends back to their home country all the profits they have earned in Ireland.  
 (iii) An oil spill off the Irish coast costs the Irish Government significant clean-up costs.
- [20]

**2017**

- (a) (i) *One method for calculating National Income is the output method.*  
 Outline **two other methods** used to calculate National Income.  
 (ii) Describe the problem of 'double counting' when compiling National Income statistics.
- [20]

- (b) (i) Explain, with the aid of a diagram, the **Circular Flow of Income** in an open economy.  
 (ii) Outline how **each** of the following Budget 2017 policies should affect the circular flow of income.
- Capital spending on road and rail projects to increase by €4.5 billion.
  - A reduction in the amount of the universal social charge (USC) that workers must pay.
- [35]

- (c) *The CSO recorded an increase in GDP of 26.3% for Ireland in 2015. Experts agreed that this figure, though calculated using approved methods, overestimated the true GDP increase.*
- (i) Describe **three** uses of a country's National Income statistics.  
 (ii) Outline an economic implication for the Irish Government of using an overestimated GDP figure.
- [20]



**2018**

- (a) The table shows National Income (Y), Consumption (C), Investment (I), Exports (X) and Imports (M) for 2016 and 2017.

	Y	C	I	X	M
2016	?	80,000	20,000	90,000	90,000
2017	150,000	100,000	30,000	120,000	?

Calculate the following, **showing all your workings**:

- (i) the value of National Income in 2016
- (ii) the value of Net Exports in 2017
- (iii) the level of Savings in the economy in 2017
- (iv) the size of the Multiplier.

[20]

**2019**

- (a) (i) State and explain the **uses** of national income statistics.  
 (ii) Outline the **limitations** of using GDP as a measure of economic activity.

[30]

- (b) Use the information in the table to answer the questions below.

Marginal propensity to consume (MPC)	0.6
Marginal propensity to import (MPM)	0.2
Marginal propensity to pay tax (MPT)	0.2
Current equilibrium level of National Income	€100 bn
Level of National Income that would give full employment	€150 bn

**Show your workings for all calculations.**

- (i) Define marginal propensity to consume (MPC).
- (ii) Calculate the marginal propensity to save (MPS).
- (iii) Calculate the value of the multiplier in this open economy **and** explain the economic meaning of the figure calculated.
- (iv) Calculate the size of the injection required to bring this economy to the full employment level.

[25]

- (c) *In 2017, the Office of the Revenue Commissioners seized 125,689 litres of illicit fuel destined for sale in the shadow (black) economy.*

(Source: The Office of the Revenue Commissioners Annual Report, 2017)

- (i) Explain what is meant by the economic term **shadow economy**.
- (ii) Outline the economic effects for Ireland of increased activity in the shadow economy.

[20]