

Leaving Certificate Economics Worksheet

Supply & Demand (Chapter 4)

Name		Date	
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Instructions:

- Answer all questions in **Section A** and **Section C**.
- In **Section B**, answer **3** questions.
- In **Section D**, answer **1** question.
- Use precise graph language: **shift left/right** (not “moves up”), **price rises/falls, quantity rises/falls, equilibrium moves**.
- When explaining market adjustment: mention **cause** → **curve shift** → **shortage/surplus** → **price change** → **new equilibrium**.
- Key terms to know: **incentives, merit/demerit goods, rationality, opportunity cost, diminishing marginal utility, equi-marginal principle, demand function determinants, substitutes/complements, normal/inferior goods, exceptions (snob/speculative/addictive/Giffen), supply determinants, costs, technology, taxation, objectives, price mechanism (signalling/rationing/transmission of preferences)**.

Section A – Short questions

Answer briefly.

(20 × 2 marks)

A1. State **two** ways consumers influence what firms produce.

A2. State **one** way consumers influence prices in a market.

A3. Define a **positive incentive** and give one example.

A4. Define a **negative incentive** and give one example.

A5. Define a **merit good**.

A6. Define a **demerit good**.

A7. State **one reason** why incentives work better when substitutes exist.

A8. Define the assumption that consumers act **rationally**.

A9. Define **opportunity cost**.

A10. State the **law of diminishing marginal utility**.

A11. Write the **equi-marginal principle** condition using goods *X* and *Y*.

A12. Define **demand**.

A13. State the **law of demand**.

A14. Give two determinants of demand **other than the good's own price**.

A15. Define **complementary goods** and give one example.

A16. Define **substitute goods** and give one example.

A17. Define **supply**.

A18. State the **law of supply**.

A19. Define the **price mechanism**.

A20. Name the **three roles** of the price mechanism.

Section B – Calculations & applied questions (Answer 3 of 5)

Each question: 12 marks (Workings + final answer + short explanation where asked.)

B1. Equi-marginal principle (exam-style)

John allocates spending so that:

$$\frac{MU_X}{P_X} = \frac{MU_Y}{P_Y} = \frac{MU_Z}{P_Z}.$$

He currently has:

$$\frac{MU_X}{P_X} = \frac{2400}{200}, \quad \frac{MU_Y}{P_Y} = \frac{1200}{100}, \quad \frac{MU_Z}{P_Z} = \frac{72}{P_Z}.$$

(i) Calculate the common value of $\frac{MU}{P}$ using X or Y .

(ii) Hence calculate P_Z .

(iii) Explain in words why John would pay this price for Z (link to maximising satisfaction).

B2. Diminishing marginal utility and rational choice

A student buys coffees per week. Their marginal utility schedule is:

Coffees per week	1	2	3	4	5	6
Marginal utility (utils)	30	22	16	11	7	3

Coffee price is €4.

(i) Calculate $\frac{MU}{P}$ for each coffee and identify when marginal benefit becomes low.

(ii) Explain how this table illustrates the law of diminishing marginal utility.

(iii) Give one real-world reason why consumers might *not* behave perfectly rationally even with this information.

B3. Irish consumption data: growth rates

Using the table from the notes (current market prices, €m):

Food & non-alcoholic beverages: 9,826 (2019) → 14,289 (2024)

Education: 1,667 (2019) → 1,872 (2024)

(i) Calculate the **percentage increase** in Food & non-alcoholic beverages from 2019 to 2024.

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(ii) Calculate the **percentage increase** in Education from 2019 to 2024.

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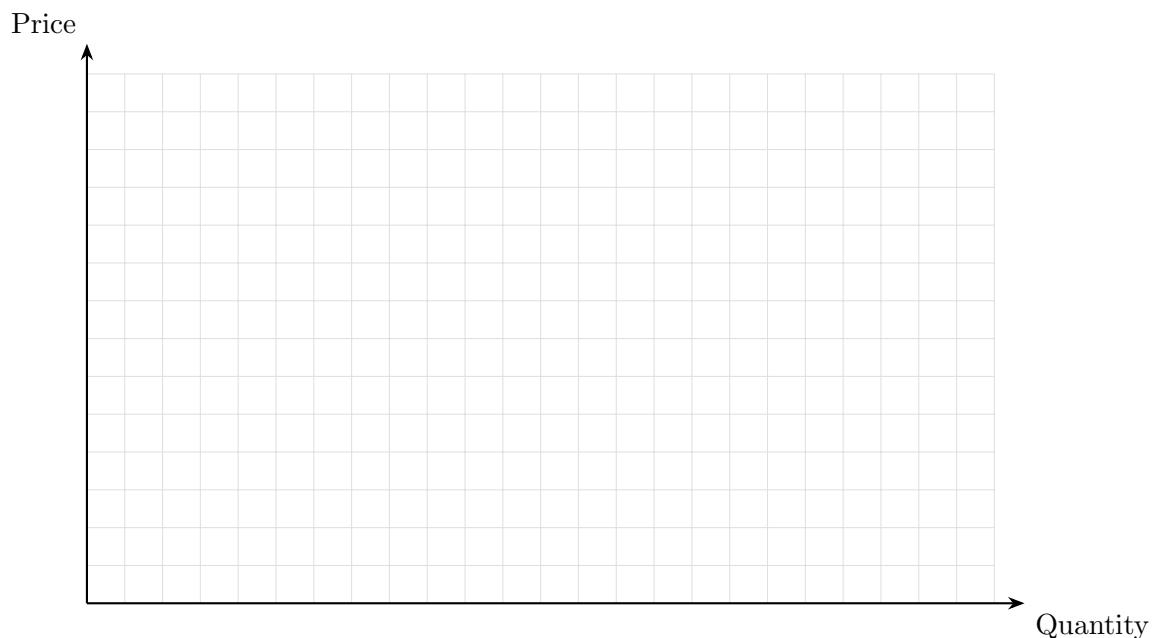
(iii) Suggest one reason why these two categories might grow at different rates (use: tastes, prices, income, demographics, policy).

B4. Taxes, costs and supply: applying the supply function

A takeaway faces rising costs due to higher electricity bills and a new local licence fee.

(i) Identify which determinants of supply are changing (use the supply function language).

(ii) Draw a supply and demand diagram showing the likely impact on equilibrium price and quantity.



(iii) Explain your diagram using precise language: curve shift direction, price change, quantity change, and new equilibrium.

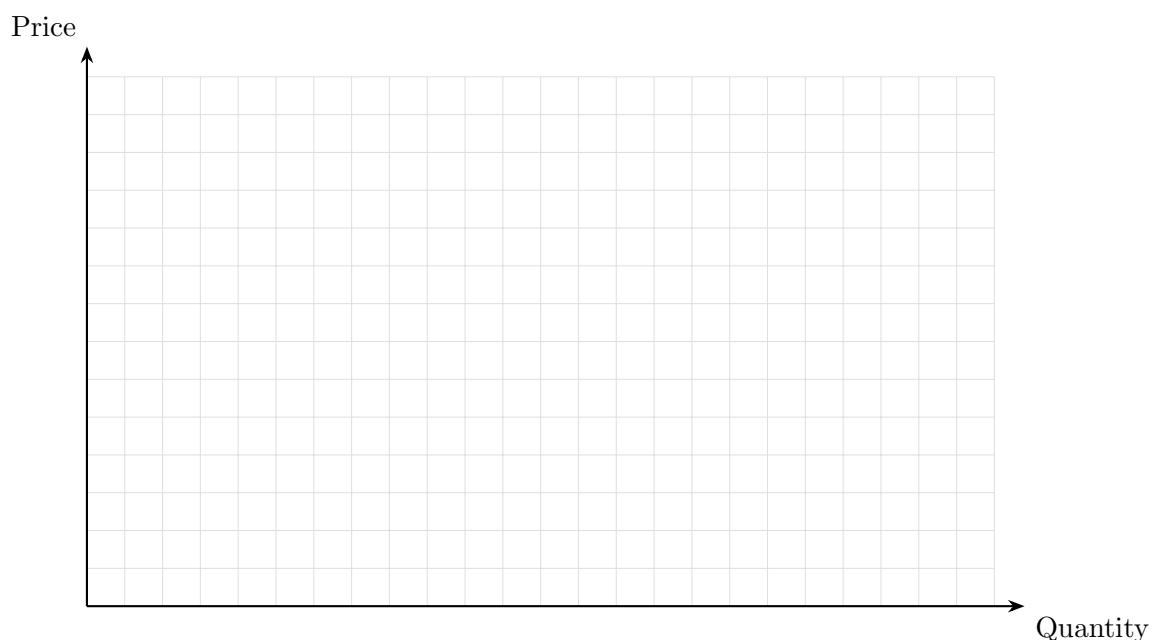
B5. Normal vs inferior goods (income changes)

Households experience a fall in disposable income.

(i) Define **normal** and **inferior** goods.

(ii) Give one realistic example of each in an Irish context and explain how demand changes when income falls.

(iii) On one set of axes, sketch and label two separate demand curve shifts: one for a normal good and one for an inferior good when income falls.

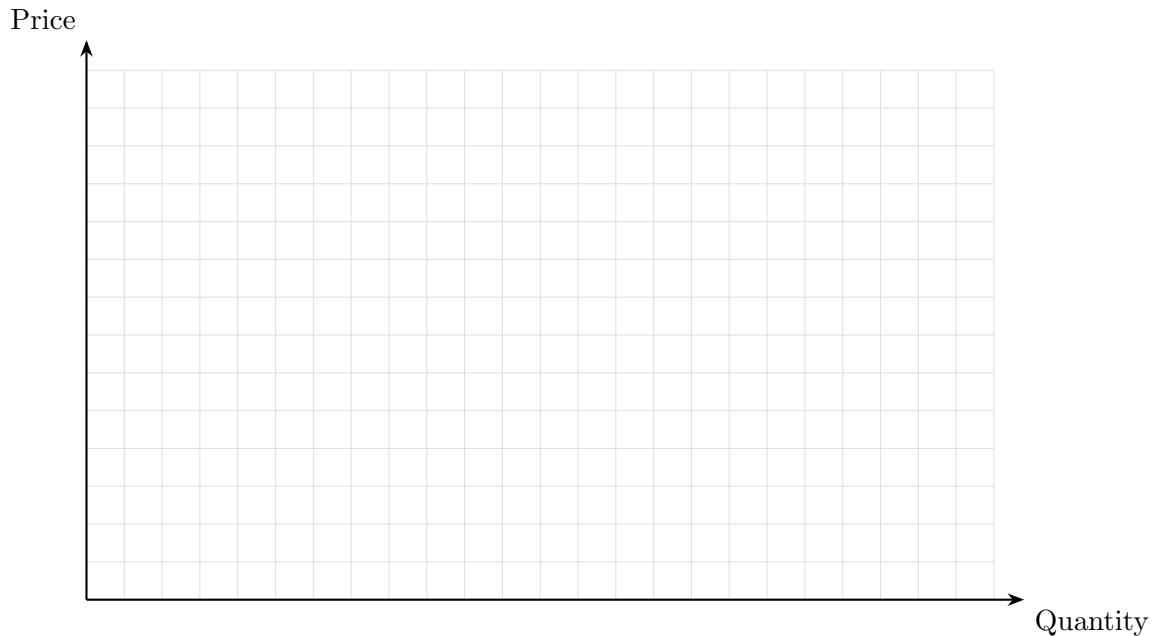


Section C – Data, diagrams & market adjustment (Answer all)

C1. Price mechanism with a demand increase (shortage)

Exam technique: when demand rises, you must mention (1) the **cause**, (2) **demand shifts right**, (3) **shortage at old price**, (4) **upward pressure on price**, (5) **new equilibrium**.

C1.1 Draw a market diagram with S and D_0 and label initial equilibrium as E_0 with P_0 and Q_0 .



C1.2 Suppose an unplanned factor (e.g. a hot spell) increases demand for ice-creams at all prices. Show the shift from D_0 to D_1 and label the new equilibrium E_1 , P_1 , Q_1 .



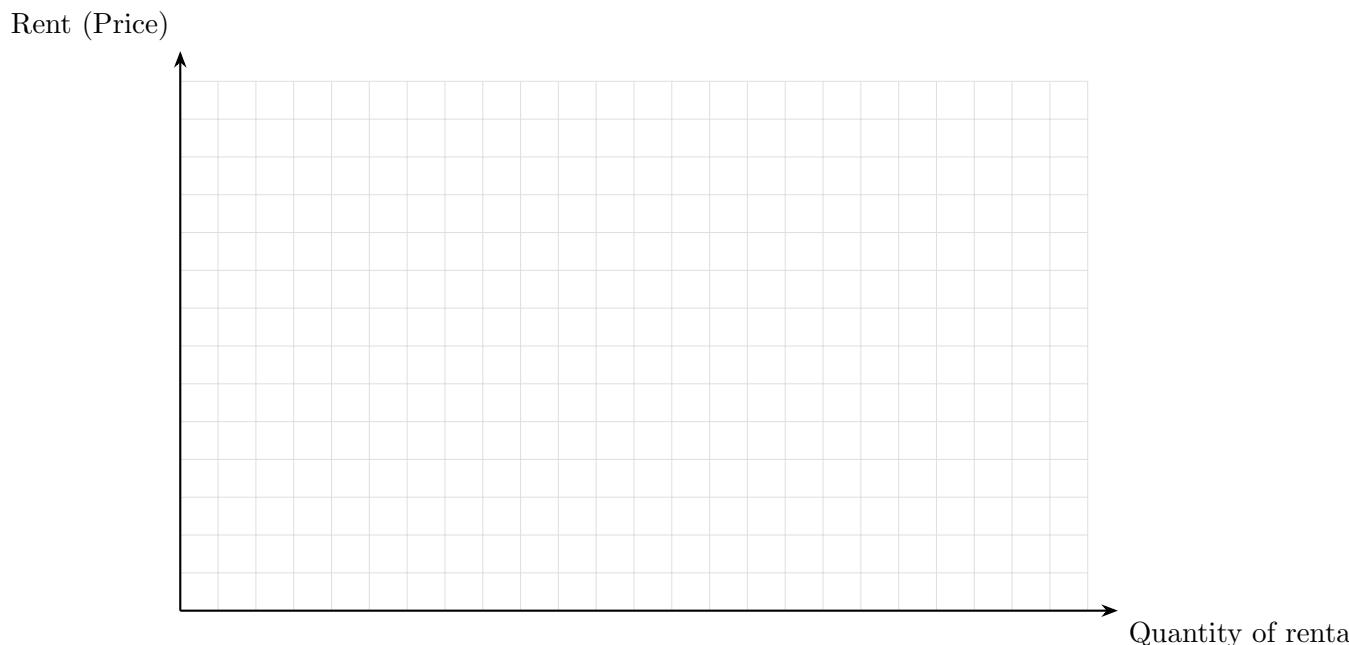
C1.3 At price P_0 , clearly label Q_S and Q_D and shade the shortage area. Then explain why price rises and how the shortage is removed.

C2. Supply decrease in the rental market (SEC-style)

A newspaper reports: "Landlords are leaving the Irish rental market in their thousands, blaming excessive taxation, rent control and constantly changing laws."

You must show: supply falls, supply shifts left, price rises, quantity falls, new equilibrium.

C2.1 On a supply and demand diagram for rented accommodation, show the impact of landlords leaving the market.



C2.2 Write a full exam-style explanation (5 clear steps) using the correct directional words and curve-shift language.

C3. Determinants of demand (classification + reasoning)

Use the demand function language from the notes: own price, substitutes, complements, income, expectations, tastes, unplanned factors, government regulation.

C3.1 For each scenario, identify the determinant(s) of demand and state whether demand shifts left or right. Justify briefly.

- (i) A popular influencer promotes a new energy drink brand.
- (ii) The price of butter rises sharply.
- (iii) People expect concert ticket prices to rise further next month.
- (iv) A ban on underage vaping is enforced more strongly.
- (v) A new competitor cuts the price of a close substitute product.

C4. Exceptions to the law of demand (with examples)

The notes list: **snob goods**, **speculative goods**, **addictive goods**, **Giffen goods**. You must: define + link to the price-demand relationship.

C4.1 For each type below, give (i) a short definition and (ii) one example.

(i) Snob good	(ii) Speculative good
(iii) Addictive good	(iv) Giffen good

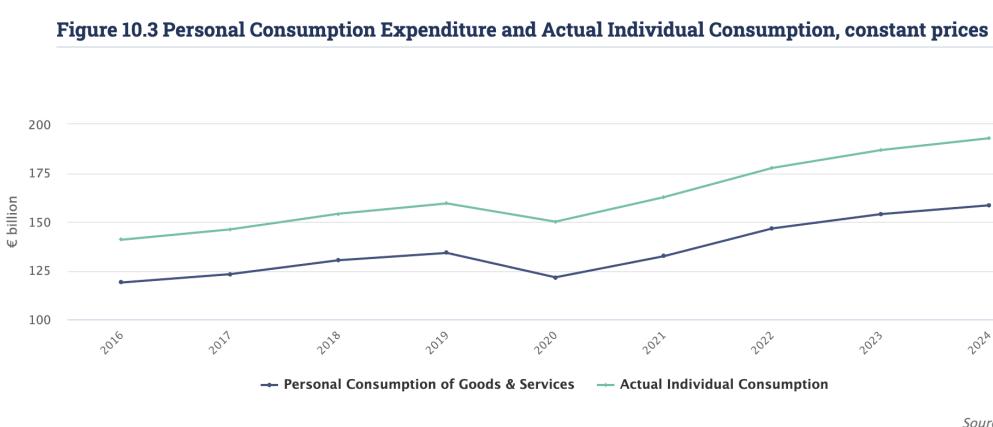
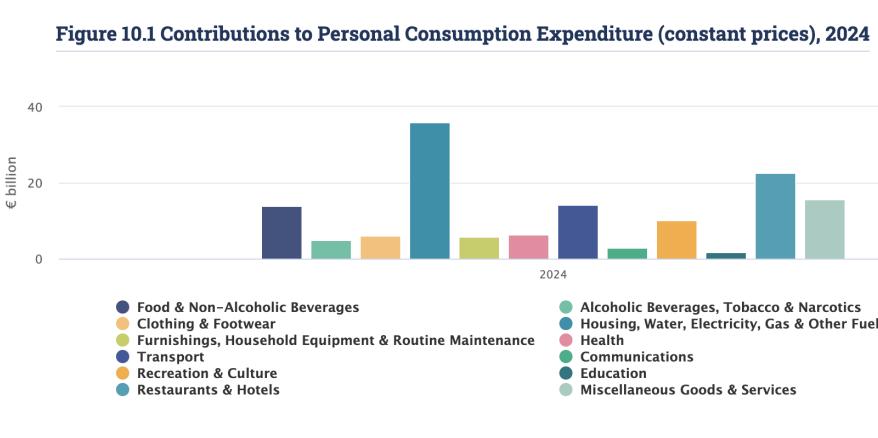
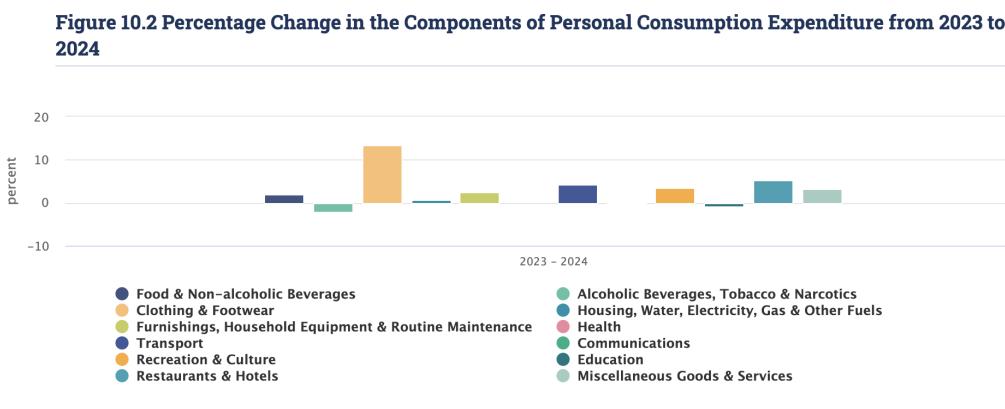
Section C – Irish consumption patterns (visual analysis)

C5. CSO-style charts: interpreting patterns

The notes include charts on:

- Contributions to Personal Consumption Expenditure (constant prices, 2024),
- Percentage change in consumption components (2023 to 2024),
- Personal Consumption vs Actual Individual Consumption over time.

Your job: describe patterns and provide economic explanations (use demand determinants and incentives).



C5.1 From the 2024 contribution chart, identify the **two largest** spending categories and suggest one reason each could be large for households.

C5.2 From the percentage-change chart (2023–2024), identify:

- one category that increased strongly, and
- one category that changed very little or fell.

Explain one plausible economic reason for each (prices, tastes, income, regulation, substitutes/complements).

C5.3 Using the line chart, describe the trend in consumption over time and suggest two reasons why household consumption could rise in some years and dip in others (use: income, expectations, unplanned factors, confidence).

Section D – Evaluation & discussion

HL style: definitions + developed arguments + real-world examples + counterargument + judgement.

D1. "The price mechanism leads to an efficient allocation of resources." Discuss.

In your answer:

- define the **price mechanism**,
- explain the **signalling, rationing and transmission of preferences** functions,
- use **two diagrams** (one shortage, one supply decrease) to support your explanation,
- include at least **one Irish example** (housing rents, energy bills, concert tickets, groceries),
- give two limitations (inequality, merit/demerit goods, imperfect info, addiction/speculation),
- finish with a clear judgement.

D2. “Consumers do not always behave rationally.” Discuss.

In your answer:

- state the assumptions of consumer behaviour (limited income, opportunity cost, diminishing marginal utility, equi-marginal),
- explain at least **four** reasons consumers may not behave rationally (information limits, bounded rationality, habit/brand loyalty, self-control, social pressure),
- connect to **incentives** (positive/negative) and whether incentives always work as intended,
- include examples (Buy-Now-Pay-Later, branded goods, nicotine, housing speculation),
- conclude with a balanced judgement: when does the rational model work well and when does it fail?

D3. Evaluate how technology affects the marketplace.

In your answer:

- explain three technologies from the notes (e-commerce, booking platforms, price comparison),
- link each to changes in **demand** (information, tastes) and/or **supply** (costs, efficiency),
- discuss how technology can strengthen competition (and any downsides),
- use one example from everyday Irish life (e.g. supermarkets, hotels, fast food apps),
- end with a judgement: overall impact on consumers and firms.