

## 1.1 Scarcity, choice and potential conflicts

### 1.1.1 The economic problem

Can you explain the problem of scarcity, where wants are unlimited but resources are finite?



Can you explain how scarcity forces choices and creates potential trade-offs?



Can you explain the importance of opportunity cost to consumers, producers and government, using examples?



### 1.1.2 Business objectives

Can you explain the business objectives of profit maximisation, sales maximisation and satisficing, and why firms pursue them?



Can you explain other business objectives: survival, market share, cost efficiency, return on investment, employee welfare, customer satisfaction and social objectives?



### 1.1.3 Stakeholders (economic agents) and their objectives

Can you identify the main stakeholders (economic agents) of a business?



Can you describe the objectives of different stakeholder groups?



Can you explain why conflicts arise between stakeholders and how they might be resolved?



Can you explain corporate social responsibility (CSR) and evaluate its costs and benefits to a firm?



## 1.2 Enterprise, business and the economy

### 1.2.1 Role of an entrepreneur in the economy

Can you explain creative destruction and how entrepreneurs organise factors of production to set up an enterprise?



Can you explain the decisions entrepreneurs make to operate, expand and develop a business?



Can you explain how a business adds value by selling output for more than the cost of its inputs?



### 1.2.2 Entrepreneurial motives

Can you explain the role of profit as an incentive for entrepreneurs?



Can you explain non-financial motives for enterprise: ethical stance, social entrepreneurship, independence and home working?



### 1.2.3 Factors of production

Can you explain enterprise as a factor of production?



Can you explain capital, land and labour as factors of production, including premises, equipment, raw materials, managers and employees?



### 1.2.4 Specialisation

Can you explain the division of labour and its advantages and disadvantages to employers and employees?



Can you analyse the advantages and disadvantages of specialisation to the firm?



### 1.2.5 The wider economic environment

Can you analyse the implications for firms of changes in interest rates?



Can you analyse the implications for firms of changes in exchange rates?



Can you analyse the implications for firms of changes in taxation?



Can you analyse the implications for firms of changes in unemployment and inflation?



## 1.3 Introducing the market

### 1.3.1 Demand

Can you explain consumer objectives and how consumers make decisions?



Can you draw and explain a demand curve?



Can you distinguish between a movement along a demand curve and a shift of the demand curve?



Can you explain how changes in the prices of substitutes and complements shift the demand curve?



Can you explain how changes in real incomes, tastes and fashions shift the demand curve?



Can you explain how advertising and branding, and changes in the size and age distribution of the population, shift the demand curve?



**1.3.2 Supply**

|                                                                                                               |                       |                       |                       |
|---------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain producer objectives and how producers make decisions?                                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you draw and explain a supply curve?                                                                      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between a movement along a supply curve and a shift of the supply curve?                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how changes in costs of production and new technology shift the supply curve?                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how indirect taxes and subsidies shift the supply curve?                                      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how changes in the number of firms in an industry and external shocks shift the supply curve? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**1.3.3 Price determination**

|                                                                                                                                                 |                       |                       |                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain how equilibrium price and quantity are determined?                                                                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you use supply and demand diagrams to show excess supply and excess demand?                                                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how market forces eliminate excess demand and excess supply?                                                                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you use the supply and demand model to show how shifts in demand and supply change equilibrium price and quantity in real-world situations? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you evaluate the limitations of the supply and demand model and its predictions?                                                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**1.3.4 Price mechanism**

|                                                                                                                   |                       |                       |                       |
|-------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the rationing, incentive and signalling functions of the price mechanism in allocating resources? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how firms respond to a change in demand?                                                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how the price mechanism operates in mass markets and niche markets?                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you assess the potential for growth in a market?                                                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**1.3.5 Understanding the consumer**

|                                                                                                                  |                       |                       |                       |
|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between primary and secondary market research and between quantitative and qualitative data? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how market research is used to quantify likely demand and gain insight into consumer behaviour?  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you evaluate the limitations of market research, including sample size and bias?                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how consumers are categorised through market segmentation?                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**1.3.6 The competition**

|                                                                              |                       |                       |                       |
|------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain market positioning and construct and interpret a market map? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how a product or service gains a competitive advantage?      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain product differentiation?                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how firms add value to products and services?                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how firms decide on their price and level of output?         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between stable and dynamic markets?                      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**1.4 The role of credit in the economy****1.4.1 Role of banks in the economy**

|                                                                            |                       |                       |                       |
|----------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain how banks channel savings towards investment?              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the role of banks in providing credit?                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the role of interest rates and collateral in bank lending? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**1.4.2 Risk and liability**

|                                                                      |                       |                       |                       |
|----------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the meaning of risk in business?                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the implications of limited and unlimited liability? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**1.4.3 Types and sources of credit and the impact of credit within the economy**

|                                                                                                                                                                          |                       |                       |                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the types of credit: loans, overdrafts and trade credit?                                                                                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the sources of credit: banks and other firms?                                                                                                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain other types of finance: venture capital, share capital and leasing?                                                                                      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain other sources of finance: owner's capital from personal savings, retained profit, sale of assets, individual investors and online collaborative funding? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the challenges firms face in obtaining credit?                                                                                                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the role and impact of credit on the economy?                                                                                                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

## 1.5 Market failure and government intervention

### 1.5.1 Market failure and externalities

- |                                                                                                                  |                                                                   |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you distinguish between private costs, external costs and social costs?                                      | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you distinguish between private benefits, external benefits and social benefits?                             | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the costs and benefits that arise from the production and consumption of goods and services?     | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain why markets work well when private and social benefits exceed or equal private and social costs? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how external costs cause markets to fail, leading to under- or over-production or consumption?   | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

### 1.5.2 Government intervention and failure

- |                                                                                                                                                              |                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain the purpose of government intervention to correct market failure in different contexts?                                                      | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain and evaluate regulation and legislation as methods of intervention?                                                                          | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain and evaluate indirect taxation, grants and subsidies, and voluntary agreements as methods of intervention?                                   | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the causes of government failure: distortion of price signals, unintended consequences, excessive administrative costs and information gaps? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you analyse examples of government failure in various markets?                                                                                           | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

## 1.6 Revenue, costs, profits and cash

### 1.6.1 Revenue and costs

- |                                                             |                                                                   |
|-------------------------------------------------------------|-------------------------------------------------------------------|
| Can you calculate sales volume and sales revenue?           | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you calculate average, fixed, variable and total costs? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you calculate percentage change?                        | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

### 1.6.2 The relationship between revenue and costs

- |                                                                                                                    |                                                                   |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you calculate contribution per unit as selling price minus variable cost per unit?                             | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the break-even point, where total fixed costs plus total variable costs equal total sales revenue? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

Can you use contribution to calculate the break-even point (fixed costs / contribution per unit)?



Can you calculate and interpret the margin of safety?



Can you evaluate the limitations of break-even analysis?



### 1.6.3 Profit and loss

Can you explain how profit acts as an incentive in a competitive market, causing market entry and exit?



Can you calculate gross profit, operating profit and profit for the year (net profit)?



Can you interpret a statement of comprehensive income (profit and loss account)?



Can you calculate and interpret gross profit margin, operating profit margin and profit for the year (net profit) margin?



Can you explain and evaluate ways in which firms increase profit?



### 1.6.4 Business survival and cash flow

Can you distinguish between profit and cash flow?



Can you explain the importance of cash flow for business survival?



Can you construct and interpret a cash-flow forecast?



Can you use a cash-flow forecast to identify credit requirements and minimise risk?



## 2.1 Business growth and competitive advantage

### 2.1.1 Growth

Can you explain the objectives of growth, including achieving internal and external economies of scale?



Can you explain how growth increases market power over consumers and suppliers, market share, brand recognition and profitability?



Can you explain the problems arising from growth: diseconomies of scale, internal communication and potential skills shortages?



Can you explain the role of corporate culture in a growing business?



### 2.1.2 Methods of growth

Can you distinguish between organic and inorganic growth and evaluate each?



Can you explain horizontal, vertical (forward and backward) and conglomerate integration?



### 2.1.3 Research and development (R&D) and innovation

Can you explain how innovation provides competitive advantage?



Can you explain how R&D creates an incentive to increase market power?



Can you distinguish between product and process innovation?



Can you evaluate the role of state funding of R&D?



Can you explain the product life cycle and evaluate extension strategies?



### 2.1.4 How the digital economy affects markets and firms

Can you explain how price comparison sites, viral marketing and social media affect market information?



Can you explain supply-side effects of the digital economy: micromarketing, online retailing and distribution, and recruiting and training staff with digital skills?



Can you explain demand-side effects of the digital economy: satisfying consumers with the long tail and reaching wider geographical markets?



Can you analyse the impact of the digital economy on costs, prices, profit and loss?



Can you explain firm creation and destruction in the new digital business environment?



**2.1.5 How small firms compete**

Can you explain how small firms survive through product differentiation and unique selling points (USPs)?



Can you explain how small firms compete through flexibility in responding to customer needs and through customer service?



Can you explain how small firms compete by targeting niche markets?



Can you explain how small firms achieve competitive advantage through relationships with stakeholders?

**2.2 Firms, consumers and elasticities of demand****2.2.1 Price elasticity of demand (PED)**

Can you explain the significance of PED to firms in niche and mass markets for pricing decisions?



Can you calculate PED as % change in quantity demanded / % change in price?



Can you interpret numerical values of PED (elastic, inelastic, unitary, perfectly elastic and perfectly inelastic)?



Can you explain the factors influencing PED?



Can you explain the relationship between PED and total revenue?

**2.2.2 Competing on price**

Can you calculate a cost plus price using a mark-up on unit cost?



Can you explain price skimming, penetration, predatory, competitive and psychological pricing strategies?



Can you explain how USPs, PED, the amount of competition and strength of brand determine the most appropriate pricing strategy?



Can you explain how the stage in the product life cycle and the need to cover costs and make a profit affect pricing strategy?



Can you explain how pricing has changed to reflect social trends such as online sales and price comparison sites?

**2.2.3 Types of non-price competition**

Can you explain how product differentiation affects the demand curve?



Can you explain how advertising, other promotional methods and distribution methods affect the demand curve?



Can you devise and justify an appropriate marketing approach for a given situation?



### 2.2.4 Income elasticity of demand (YED)

Can you explain the significance of YED to firms?



Can you calculate YED as % change in quantity demanded / % change in income?



Can you interpret numerical values of YED for normal, luxury and inferior goods?



Can you explain the factors influencing YED?



## 2.3 Productive efficiency

### 2.3.1 Productivity

Can you define productivity as output per unit of input in a given time period and explain the factors influencing it?



Can you explain the link between productivity and competitiveness?



Can you explain the links between productivity and wages and between productivity and economic growth?



Can you distinguish between labour intensive and capital intensive production?



### 2.3.2 Capacity utilisation

Can you distinguish between full capacity and spare capacity?



Can you calculate capacity utilisation as current output / maximum possible output x 100?



Can you analyse the implications of under- and over-utilisation of capacity?



Can you explain ways of improving capacity utilisation?



### 2.3.3 Efficiency and competitiveness using lean production

Can you distinguish between quality control, quality assurance and Total Quality Management (TQM)?



Can you explain continuous improvement (Kaizen)?



Can you explain just in time (JIT) management of stock and evaluate its use?



Can you explain how lean production gives competitive advantage?



**2.3.4 Impact on costs and sales revenue**

Can you explain the impact of efficiency improvements on average costs?



Can you explain how firms minimise the waste of resources?



Can you explain the competitive advantage of short product development lead times?

**2.4 Life in a global economy****2.4.1 Globalisation**

Can you describe the characteristics of globalisation: increased investment flows, world trade rising as a proportion of world GDP and increased migration?



Can you explain how trade liberalisation and capital market liberalisation contributed to globalisation in the last 50 years?



Can you explain how political change opening up China and the former Soviet Union contributed to globalisation?



Can you explain how reduced transport and communication costs and the increased significance of global (transnational) companies contributed to globalisation?

**2.4.2 Developed, emerging and developing economies**

Can you compare the growth rates of the UK and the BRIC economies (Brazil, Russia, India and China) since 2000?



Can you use indicators of growth and development: GDP per capita, literacy, health and the Human Development Index (HDI)?



Can you describe the characteristics of developed (mature), emerging and developing economies?



Can you distinguish between mean and median incomes and explain why they differ?

**2.4.3 International trade**

Can you explain the link between specialisation and international trade?



Can you explain what trading blocs are?



Can you explain the link between trade and economic growth?



Can you distinguish between imports and exports of visibles and invisibles?



Can you analyse the impact of cheap imports on standards of living?



**2.4.4 Exchange rates**

|                                                                                             |                       |                       |                       |
|---------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain what causes changes in exchange rates (appreciation and depreciation)?      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the impact of changing exchange rates on firms, as importers and exporters? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you interpret exchange rate data and calculate currency conversions?                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you interpret effective exchange rates?                                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**2.5 The economic cycle****2.5.1 The economic cycle**

|                                                                                  |                       |                       |                       |
|----------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the economic cycle and its phases?                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you describe the characteristics of a boom?                                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you describe the characteristics of a recession?                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the implications for firms of fluctuations in economic activity? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**2.5.2 Circular flow of income, expenditure and output**

|                                                                                                                         |                       |                       |                       |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the circular flow of income?                                                                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the impact of injections into and withdrawals from the circular flow of income?                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the factors influencing aggregate demand through its components $C + I + G + (X - M)$ ?                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how changes in the cost of inputs and resources and changes in productivity influence aggregate supply? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**2.5.3 Inflation**

|                                                                                                                            |                       |                       |                       |
|----------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between inflation, deflation and disinflation?                                                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you interpret the RPI and CPI price indices and calculate the rate of inflation?                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between real and nominal values and between constant and current prices?                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain demand pull and cost push causes of inflation?                                                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the impact of inflation on firms, including uncertainty and loss of international competitiveness?         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the impact of inflation on individuals, including loss of real income and effects on savers and borrowers? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

### 2.5.4 Employment and unemployment

|                                                                                                             |                                                                   |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you distinguish between employment, underemployment and unemployment?                                   | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you compare the claimant count and the International Labour Organisation (ILO) measure of unemployment? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain structural unemployment, including occupational and geographical immobility?                | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain technological unemployment and demand deficient (cyclical) unemployment?                    | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you analyse the impact of unemployment on firms and individuals?                                        | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

## 2.6

## Introduction to macroeconomic policy

### 2.6.1 Possible macroeconomic objectives

|                                                                                                  |                                                                   |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain economic growth as a macroeconomic objective?                                    | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain low unemployment as a macroeconomic objective?                                   | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain a low and stable rate of inflation as a macroeconomic objective?                 | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain balance of payments equilibrium on current account as a macroeconomic objective? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

### 2.6.2 Policy instruments

|                                                                                                                                                                  |                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain how fiscal policy adjusts government spending and taxation to affect aggregate demand, and its impact on the economy, firms and economic agents? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how monetary policy adjusts interest rates to affect aggregate demand, and its impact on the economy, firms and economic agents?                 | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain supply-side policies such as taxes, benefits, education and training, grants and subsidies, and infrastructure, and their impact?                | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain exchange rate policy under a floating exchange rate and its impact?                                                                              | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

### 2.6.3 Potential policy conflicts and trade-offs

|                                                                                            |                                                                   |
|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain the potential conflict between inflation and unemployment?                 | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the potential conflict between economic growth and negative externalities? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the issues governments face in managing the macroeconomy?                  | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how different macroeconomic perspectives influence policy decisions?       | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

Can you evaluate the likely effects of individual policy instruments on specific problems, including possible unintended consequences?



## 3.1 Globalisation

### 3.1.1 Growing economies

Can you explain the growing economic power of Asia (China and India), Africa and other emerging markets?



Can you analyse the implications of growing economies for individuals and firms, including trade and rationalisation opportunities?



Can you analyse how growing economies cause shifting employment patterns?



Can you explain the effects of rising incomes in emerging economies?



Can you convert nominal values into real values?



Can you calculate and interpret index numbers?



### 3.1.2 Trade and growth

Can you explain increasing trade liberalisation?



Can you explain the role of specialisation, including increasing specialisation by country?



Can you analyse the link between trade liberalisation and economic growth?



Can you explain foreign direct investment (FDI) and its link to economic growth?



### 3.1.3 Trading blocs

Can you distinguish between trade creation and trade diversion?



Can you explain the expansion of trading blocs such as the EU single market, ASEAN and NAFTA?



Can you analyse the impact of trading blocs on firms?



Can you explain the growing interdependence of economies?



### 3.1.4 Trade policy and trade negotiations

Can you explain and draw diagrams for tariffs and import quotas?



Can you explain other trade barriers, government legislation and domestic subsidies as forms of protectionism?



Can you explain the role of the G20 in international trade negotiations?



Can you explain the roles of the WTO, IMF and World Bank?



Can you explain bilateral trade agreements?



**3.1.5 Exchange rate changes**

Can you analyse the effects of exchange rate changes on the current account of the balance of payments?



Can you analyse the effects of exchange rate changes on economic growth, firms, employment, inflation and FDI flows?



Can you evaluate the costs and benefits of the Eurozone?

**3.2 Economic factors in business expansion****3.2.1 Conditions that prompt trade**

Can you explain push factors that prompt trade, such as saturated markets and competition?



Can you explain pull factors that prompt trade, such as economies of scale and risk spreading?



Can you explain offshoring and outsourcing as reasons for trade?



Can you explain how selling in multiple markets extends product life cycles?



Can you explain how trade can raise capacity utilisation?

**3.2.2 Assessing the potential of different economies**

Can you assess market expansion potential using levels and growth of disposable income, ease of doing business, infrastructure, political stability and the exchange rate?



Can you assess production location using costs, skills and availability of labour, infrastructure and location in a trade bloc?



Can you assess production location using government incentives, ease of doing business, political stability, natural resources and likely return on investment?

**3.3 Impact of globalisation on global companies****3.3.1 Responding to global demand**

Can you distinguish between globalisation and glocalisation strategies?



Can you explain domestic/ethnocentric, mixed/geocentric and international/polycentric approaches to global markets?



Can you explain price and non-price competition in global markets, including adapting marketing strategies?



Can you explain the role of branding and differentiation in global markets?



### 3.3.2 Demand-side factors in global markets

Can you explain how cultural differences and different tastes affect global marketing?



Can you explain how language, unintended meanings and inaccurate translations affect global marketing?



Can you explain how firms adapt marketing for niche and mass markets in response?



## 3.4

## Impact of globalisation on local and national economies

### 3.4.1 The impact of multinational corporations (MNCs)

Can you analyse the local impact of MNCs on labour, wages, working conditions and job creation?



Can you analyse the local impact of MNCs on local firms, the community and the environment?



Can you analyse the national impact of MNCs on economic growth, FDI flows and the balance of payments?



Can you analyse the national impact of MNCs on technology and skills transfer, consumers and business culture?



Can you explain the impact of MNCs on tax revenues, including transfer pricing?



### 3.4.2 Ethical issues

Can you explain stakeholder conflicts arising from MNC activity?



Can you discuss ethical issues around pay and working conditions?



Can you discuss environmental considerations such as emissions and waste disposal?



Can you discuss supply chain considerations such as labour exploitation and child labour?



Can you discuss marketing considerations such as misleading labelling and inappropriate promotion?



### 3.4.3 Controlling MNCs

Can you explain how political influence, legal control, pressure groups and social media control MNCs?



Can you evaluate self-regulation as a way of controlling MNCs?



## 3.5 Global labour markets

### 3.5.1 Employment patterns

- |                                                           |                                                                   |
|-----------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain the growth of the global labour force?    | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain structural change in employment patterns? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the interdependence of labour markets?    | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

### 3.5.2 Wage rates

- |                                                                                                           |                                                                   |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain the factors influencing the supply of and demand for labour and how wages are determined? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the importance of skills, training and education in determining wages?                    | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you analyse the impact of global competition, recession and redundancies on wages?                    | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you analyse the impact of trade unions and professional bodies on wages?                              | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

### 3.5.3 Minimum wage legislation

- |                                                                                                     |                                                                   |
|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you compare minimum wages in developing and developed countries?                                | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the links between minimum wages, skill shortages and international competitiveness? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain migration within and between economies?                                             | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you analyse the effects of minimum wages on inequality and incentives?                          | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

## 3.6 Inequality and re-distribution

### 3.6.1 Poverty and inequality

- |                                                                                                       |                                                                   |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you distinguish between absolute and relative poverty?                                            | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain national and international measures of poverty?                                       | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you draw and interpret a Lorenz curve and explain the Gini coefficient as measures of inequality? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

### 3.6.2 Reducing poverty

- |                                                                                                               |                                                                   |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you distinguish between economic development and economic growth and explain how each can reduce poverty? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|

Can you evaluate international aid, welfare improvements and the role of NGOs in reducing poverty?



Can you evaluate poverty reduction policies?



### 3.6.3 The impact of inequality on economic agents

Can you analyse the impact of inequality on individuals?



Can you analyse the impact of inequality on firms, including links between low income and low productivity?



Can you analyse the impact of inequality on the economy as a whole?



### 3.6.4 Re-distribution of income and wealth

Can you distinguish between income and wealth?



Can you explain the effect of re-distribution on incentives, including the poverty trap?



Can you explain how taxation and the provision of services re-distribute income and wealth?



**4.1.1 Spectrum of competition**

Can you describe the characteristics of monopoly, oligopoly, imperfect (monopolistic) competition and perfect competition?



Can you explain how the perfect competition model helps explain how markets function?



Can you analyse the impact of market structure on pricing and on consumers?



Can you explain the use of non-price competition in different market structures?



Can you evaluate the limitations of the perfect competition model?

**4.1.2 Barriers to entry**

Can you explain contestability and how easily firms can enter a market?



Can you explain barriers to entry: product differentiation and branding, start-up costs and intellectual property rights?



Can you explain R&D and technological change as barriers to entry?



Can you analyse the impact of barriers to entry on market structure?



Can you explain economies of scale and their effect on costs and prices?

**4.1.3 Oligopoly**

Can you calculate and interpret concentration ratios?



Can you explain interdependence and price stability in oligopoly?



Can you explain tacit agreement between oligopolists?



Can you explain price discrimination and the conditions required for it?

**4.1.4 Business objectives and pricing decisions**

Can you calculate average cost, average revenue and profit?



Can you calculate marginal cost and marginal revenue?



Can you explain the link between marginal cost, marginal revenue and contribution?



Can you analyse how business objectives affect pricing strategies?



**4.1.5 Productive and allocative efficiency**

|                                                                                                                         |                                                                   |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you distinguish between allocative and productive efficiency?                                                       | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the significance of the margin, opportunity cost and trade-offs in decision making?                     | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how raising productivity through technology, human capital and management quality reduces average cost? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how matching production to consumer preferences (market orientation) improves efficiency?               | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how markets interact with one another?                                                                  | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

**4.2 Market power and market failure****4.2.1 Market failure**

|                                                                                                                         |                                                                   |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain the significance of market power through cartels, collusion, restrictive practices and tacit agreement? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the significance of monopsony, natural monopolies and labour market power?                              | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you analyse the implications of market failure for economic agents and governments?                                 | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

**4.2.2 Business regulation**

|                                                                                                                                                     |                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain how governments promote competition by preventing anti-competitive practices, controlling mergers and takeovers, and privatisation? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how natural monopolies are regulated?                                                                                               | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how regulation protects consumers?                                                                                                  | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the work of the Competition and Markets Authority (CMA)?                                                                            | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the impact of EU competition policy?                                                                                                | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain how regulation provides employee protection?                                                                                        | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

**4.2.3 Arguments for and against regulation**

|                                                                                       |                                                                   |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain the benefits of regulation?                                           | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the costs of regulation and evaluate whether regulation is justified? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

**4.3****Market failure across the economy****4.3.1 Market failure in society**

Can you explain the consequences of under-provision and under-consumption of merit goods and other goods?



Can you explain positive and negative externalities?



Can you explain the over-consumption of demerit goods?



Can you explain occupational and geographical factor immobility as market failures?



Can you explain imperfect and asymmetric information as causes of market failure?



Can you explain the consequences of environmental change?

**4.3.2 Externalities**

Can you explain private, external and social costs and benefits using diagrams?



Can you analyse the impact on society when prices do not reflect total costs?



Can you analyse environmental externalities?

**4.3.3 Policies to deal with market failure**

Can you explain provision of public goods and merit goods as a policy to correct market failure?



Can you explain indirect taxes on demerit goods and tradable pollution permits?



Can you explain information provision, legislation and regulation as policies to correct market failure?



Can you evaluate the short- and long-term impact of these policies on the economy and society?

**4.4****Macroeconomic policies and impact on firms and individuals****4.4.1 The AD/AS model**

Can you explain and draw the causes and effects of changes in aggregate demand (AD)?



Can you explain and draw the causes and effects of changes in aggregate supply (AS)?



Can you explain full capacity output?



Can you analyse the impact of changes in AD and AS on inflation and unemployment?

☐ ☐ ☐

Can you explain the multiplier effect?

☐ ☐ ☐

Can you use the AD/AS model to explain how the economy works as a whole?

☐ ☐ ☐

#### 4.4.2 Demand-side policies

Can you distinguish between fiscal policy (government spending and taxation) and monetary policy?

☐ ☐ ☐

Can you explain monetary policy, including the roles of the Bank of England, the Monetary Policy Committee, interest rates and quantitative easing?

☐ ☐ ☐

Can you analyse the impact of changing AD on the whole economy?

☐ ☐ ☐

Can you use AD/AS diagrams to show the effects of demand-side policies?

☐ ☐ ☐

Can you explain how demand-side policies encourage investment, job creation and growth?

☐ ☐ ☐

Can you explain how demand-side policies are used to control inflation and unemployment?

☐ ☐ ☐

Can you explain the time lags associated with demand-side policies?

☐ ☐ ☐

Can you evaluate the strengths and weaknesses of demand-side policies?

☐ ☐ ☐

Can you explain the policy conflicts and trade-offs of demand-side policies?

☐ ☐ ☐

#### 4.4.3 Supply-side policies

Can you distinguish between market-based and interventionist supply-side methods?

☐ ☐ ☐

Can you explain supply-side policies to increase incentives and promote competition?

☐ ☐ ☐

Can you explain supply-side policies to reform the labour market, improve skills and improve infrastructure?

☐ ☐ ☐

Can you use AD/AS diagrams to show the effects of supply-side policies?

☐ ☐ ☐

Can you evaluate the strengths and weaknesses of supply-side policies?

☐ ☐ ☐

Can you explain the policy conflicts and trade-offs of supply-side policies?

☐ ☐ ☐

#### 4.4.4 The impact of macroeconomic policies

Can you analyse the possible impacts of macroeconomic policies on firms and individuals?

☐ ☐ ☐

Can you compare alternative approaches to macroeconomic policy?

☐ ☐ ☐

Can you set criteria for success and evaluate the effectiveness of macroeconomic policies?

☐ ☐ ☐

**4.5.1 Risks and uncertainty**

|                                                                       |                       |                       |                       |
|-----------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between risk and uncertainty?                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the impact of shocks on firms and the economy?        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain exchange rate risk and how forward markets reduce it? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the role of insurance in business?                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**4.5.2 The role of the financial sector**

|                                                                                                  |                       |                       |                       |
|--------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain how the financial sector mobilises savings for lending to firms and individuals? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain lending to business for working capital?                                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain lending to individuals?                                                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how the financial sector facilitates the exchange of goods and services?         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how lenders assess creditor risk?                                                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how the financial sector provides forward markets in currencies and commodities? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how the financial sector provides a market for equities?                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**4.5.3 The role of the central bank**

|                                                                                                         |                       |                       |                       |
|---------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the role of the Monetary Policy Committee in setting the official interest (base) rate? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how the central bank implements monetary policy to control inflation?                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain banking regulation by the Financial Policy Committee?                                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the central bank's role as banker to the banks and lender of last resort?               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**4.5.4 The Global Financial Crisis**

|                                                                                                                                            |                       |                       |                       |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the role of sub-prime mortgages in the Global Financial Crisis?                                                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain moral hazard and the 'too big to fail' problem?                                                                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how the collapse of business lending, speculation and asset bubbles, and organisational culture contributed to the crisis? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Can you evaluate the role of banking regulation in preventing financial crises?



Can you analyse the impact of the financial sector on economic agents and governments?

