

## Learner Guide

# Cambridge IGCSE™ / Cambridge IGCSE (9–1) Economics 0455 / 0987

## Cambridge O Level Economics 2281

For examination from 2020



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## About this guide

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This guide explains what you need to know about your Cambridge Economics course and examinations.

It will help you to:

- ✓ understand what skills you should develop by taking this Cambridge IGCSE course
- ✓ understand how you will be assessed
- ✓ understand what we are looking for in the answers you write
- ✓ plan your revision programme
- ✓ revise, by providing revision tips and an interactive revision checklist (Section 6).

### 1. Syllabus content

Find out what topics you will be learning about. Your teacher can give you more detail.

### 2. How you will be assessed

Find out

- how many examinations you will take
- how long each examination lasts
- what different question types the examination will contain
- how to tackle each examination.

### 3. What skills will be assessed

Find out what areas of knowledge, understanding and skills you will need to demonstrate throughout the course and in your examinations.

### 4. Command words

Take a look at the command words you can find in the examination questions, and what they mean.

### 5. Example candidate responses

Take a look at a learner's response taken from a real examination. Find out:

- how to interpret the question
- how to avoid common mistakes
- how to improve your exam technique.

### 6. Revision

Discover:

- some 'top revision tips'
- revision checklist for each topic.

### 7. Useful websites

A few websites that may be useful for you in your course.

# 1. Syllabus content - what you need to know

This section gives you an outline of the syllabus content for this course. The six sections differ in the extent of their coverage, Sections 2 and 4 include the most topics. Ask your teacher for more detail about each topic. You can also find more detail in the Revision checklists of this guide.

| Topic                                           | Overview                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1.The basic problem</b>                      | This section introduces you to some of the key ideas in economics and helps you to start to think as an economist. It covers the important questions all countries have to answer, the reasons why we have to make choices and the resources used to produce goods and services.                                                                                                                                                                                                                                                |
| <b>2. The allocation of resources</b>           | This section examines why some products are expensive while others are cheap and why the output of some products are increasing while others are declining. You will consider why a change in price has more impact on some products than others and why the government seeks to influence what products we buy.                                                                                                                                                                                                                |
| <b>3. Microeconomic decision makers</b>         | This section focuses on some of the key economic agents who decide what goods and services are produced and the amount people spend, save and borrow. The section examines the role of bank, households, workers, trade unions and firms.                                                                                                                                                                                                                                                                                       |
| <b>4. Government and the macroeconomy</b>       | In this section attention switches to the economy as a whole. It covers the key indicators of the performance of an economy which are economic growth, inflation, unemployment and the country's international trade position. It examines the government's aims in relation to these indicators and to the redistribution of income. It also explores the different types of policy measures a government can use to achieve these aims.                                                                                       |
| <b>5 Economic development</b>                   | This section explores some of the influences on how the quality of people's lives can be different in different countries and over tie. It includes the causes and consequences of changes in living standards, income distribution, poverty, population size and structure.                                                                                                                                                                                                                                                    |
| <b>6. International trade and globalisation</b> | In this last section, the focus is on the global economy. The benefits of countries trading between each other is examined as well as why, despite these benefits, governments impose restrictions on this trade. How foreign exchange rates are determined and the causes and consequences of exchange rate changes are explored. The last topic covered is the current account of the balance of payments. This is a record of what a country sells and buys to other countries and the income it earns form and pays abroad. |

Make sure you always check the latest syllabus, which is available at [www.cambridgeinternational.org](http://www.cambridgeinternational.org)

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## 2. How you will be assessed

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You will be assessed at the end of the course using two papers:

- Paper 1 Multiple Choice
- Paper 2 Structured Questions

### Components at a glance

This table summarises the key information about each examination paper.

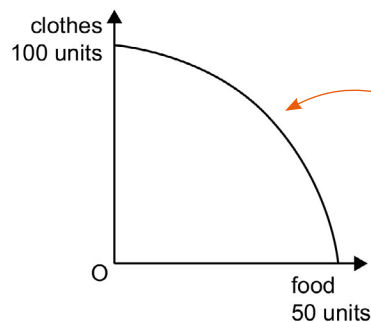
| Component                    | Time and marks                     | Skills assessed                                       | Details                                                                                                                     | Percentage of qualification |
|------------------------------|------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Paper 1 Multiple Choice      | 45 minutes<br>30 marks             | Knowledge and understanding<br>Analysis               | 30 questions<br>One answer has to be selected from four options: A, B, C and D.                                             | 30%                         |
| Paper 2 Structured Questions | 2 hours and 15 minutes<br>90 marks | Knowledge and understanding<br>Analysis<br>Evaluation | One compulsory question based on stimulus material and three four-part questions from a choice of four have to be answered. | 70%                         |

## About each paper

### Paper 1

Paper 1 covers the whole syllabus. Each of the 30 multiple-choice questions is worth one mark. Some of the questions include diagrams, for example, questions 1, 5, 13, 24 and 29 on the specimen paper, and other questions include tables of data, for example, questions 14, 18 and 22. You may also be required to carry out calculations such as in question 29. There is an average of one and a half minutes available for each question. You will be able to answer the more straightforward questions in less time, for example, questions 15 and 26, while the more challenging ones, such as questions 22 and 30, will take slightly longer. Check all the options carefully. If you are finding a question difficult, leave it and come back to it. It is important that you answer all the questions. There are no marks deducted for incorrect answers, so if you do not know the answer, guess.

- 1 Using all available resources an economy produces different combinations of two types of good, clothes and food, shown on the production possibility curve (PPC) diagram.



Some questions include diagrams.

What does the PPC indicate?

- A It is more efficient to produce more of clothes than food.
- B It is only possible to increase the output of clothes by reducing the output of food.
- C The best situation
- D The cost of producing food.

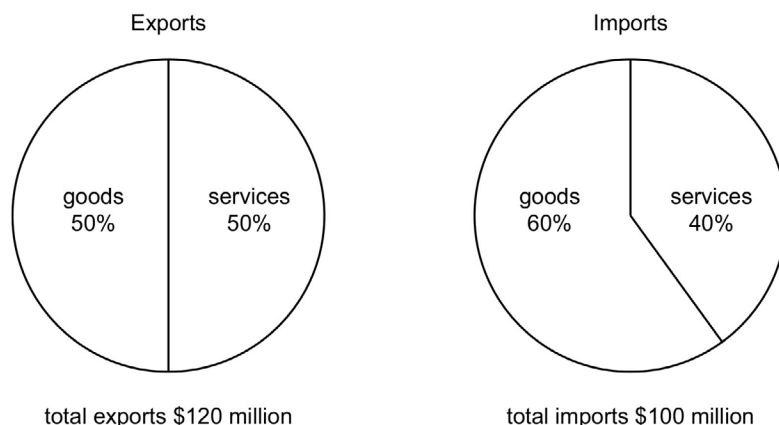
- 14 The table shows a firm's total revenue and total cost at different levels of output.

Which level of output gives maximum profit?

|   | output (units) | total revenue (\$) | total cost (\$) |
|---|----------------|--------------------|-----------------|
| A | 10             | 15                 | 15              |
| B | 20             | 20                 | 18              |
| C | 30             | 25                 | 20              |
| D | 40             | 30                 | 21              |

Some questions include data.

29 The diagrams show the composition of exports and imports of a country.



What is true for this country?

- A There is a deficit in the balance of trade in goods.
- B There is a deficit in the balance of trade in services.
- C There is a surplus in the balance of trade in goods.
- D There is a surplus in the balance of trade in services.

Some questions require you to carry out calculations.

## Paper 2

Paper 2 covers the whole syllabus. You have to answer the first question. This is worth 30 marks and is based on source material. It is useful to read the approximately six to eight question parts first and then read the source material so that you know what you are looking for from the source material. It is best to answer the question parts in order, as they tend to increase in terms of learning objectives.

You may be asked to carry out a calculation. If this is the case, it is advisable to show your workings. This is because if more than one mark is awarded for the correct answer, you may be able to gain a mark for the right working even if you make a miscalculation.

Pay careful attention to the **command words** and the **marks awarded**. For example, if a question part asks you to identify two economic good from the stimulus material, and awards two marks, just state them. Do not waste time explaining them, you will not gain any more marks.

The last two question parts, worth 6 marks each, will require you to 'discuss'. You will need to answer these two questions in some depth, considering both sides of the issues involved.

It is advisable to spend 45 minutes answering the first question and half an hour each on the three optional questions, you select. Choose your optional questions carefully. You might think that you can write strong answers to question 2(a) and question 2(b) but are unsure how to answer question 2(c) and question 2(d). In contrast, you may not know the answer to question 3(a) and might only be able to explain one rather than two reasons in question 3(b). Nevertheless, if you think you could provide strong answers to 3(c) and 3(d), it would be better to select question 3 than question 2.

## Part (a) questions

Part (a) of each optional question is worth 2 marks. This part should be answered briefly. What is important is accuracy and precision. For example, in answering question 2(a) an answer such as 'a budget deficit is too much spending' is too vague and would not gain any marks.



### Part (b) questions

Part (b) is worth 4 marks and requires you to explain. If you are asked to explain, for example, two reasons, do not waste time explaining three reasons. Make sure that the explanation that you give makes clear how or why, for instance the supply of bananas may decrease (question 3(b)).

### Part (c) questions

Part (c) is worth 6 marks and you have to analyse. This involves providing links between points. When answering this question part, you should again bear in mind the words 'how' and 'why'. For instance, in answering question 2(c) on the specimen paper, you need to analyse, in some depth, how a fall in unemployment may increase a country's inflation rate. In question 3(c) you need to make clear why an MNC may produce in particular countries.

You need to devote the greatest amount of time to the last question part, part (d). This part requires you to consider two sides of a question. For instance, in answering question 2(d) you should explore the advantages and disadvantages a country may gain from the emigration of some of its people. It is important that you explain the points you make. For instance. It is not enough to state that emigration may result in a fall in output. You would need to explain that the people who emigrate might have been workers, producing goods and services.

### Revising for the examination

Revision is a continuous process, something you should be doing throughout your course. Multiple-choice questions are a good way to review your understanding and reinforce your learning. There is a wide range of multiple choice questions available including those on past papers, in textbooks and online.

Practising answering structured questions is also a useful revision method. You can answer question parts on a particular topic after you have completed it.

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### 3. What skills will be assessed

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The areas of knowledge, understanding and skills that you will be assessed on are called **assessment objectives** (AOs).

|                                                  |                               |                                 |
|--------------------------------------------------|-------------------------------|---------------------------------|
| <b>AO1</b><br><b>Knowledge and understanding</b> | <b>AO2</b><br><b>Analysis</b> | <b>AO3</b><br><b>Evaluation</b> |
|--------------------------------------------------|-------------------------------|---------------------------------|

The table below explains what each assessment objective means and what percentage of the whole qualification is assessed using that objective. Your teacher will be able to give you more information about how each of the assessment objectives are tested in each component.

| Assessment objectives (AO)         | What does the AO mean?                                                                                                               | What do you need to be able to do?                                                                                                                                                                                                                                                                     |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AO1<br>Knowledge and understanding | Being able to recall economic terms and concepts, showing an awareness of their meaning and being able to use them in relevant ways. | <ul style="list-style-type: none"><li>• Define economic terms accurately.</li><li>• Provide accurate formulas.</li><li>• Use economic terminology.</li><li>• Make points clear.</li></ul>                                                                                                              |
| AO2<br>Analysis                    | Interpreting and processing economic data and exploring economic issues and situations by developing links.                          | <ul style="list-style-type: none"><li>• Select, organise and interpret data.</li><li>• Use economic data to recognise patterns and relationships.</li><li>• Develop links between causes and consequences.</li></ul>                                                                                   |
| AO3<br>Evaluation                  | Assessing economic issues and situations, taking account of both sides of the issues and situations.                                 | <ul style="list-style-type: none"><li>• Evaluate economic data, issues and situations.</li><li>• Support assessment with relevant economic analysis.</li><li>• Recognise that outcomes of economic decisions and events may be uncertain.</li><li>• Express the evaluation in a logical way.</li></ul> |

## Weighting for assessment objectives

It is important that you know the different weightings (%) of the assessment objectives, as this affects how the examiner will assess your work.

Knowledge and understanding has a weighting of 50% on Paper 1 and 35% on Paper 2. Analysis has a weighting of 50% on Paper 1 and 35% on Paper 2. Evaluation has a weighting of 30% on Paper 2 but is not assessed on Paper 1.

The approximate weightings of the assessment objectives (AOs) are summarised below.

### Assessment objectives as a percentage of each component

| Assessment objective            | Weighting in components % |             |
|---------------------------------|---------------------------|-------------|
|                                 | Paper 1 30%               | Paper 2 70% |
| AO1 Knowledge and understanding | 50                        | 35          |
| AO2 Analysis                    | 50                        | 35          |
| AO3 Evaluation                  | 0                         | 30          |

### Assessment objectives as a percentage of the qualification

| Assessment objective            | Weighting in the full qualification % |
|---------------------------------|---------------------------------------|
| AO1 Knowledge and understanding | 40                                    |
| AO2 Analysis                    | 40                                    |
| AO3 Evaluation                  | 20                                    |

## 4. Command words

The table below includes command words used in the assessment for this syllabus. The use of the command word will relate to the subject context.

| Command word     | What it means                                                                                                                          |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| <b>Analyse</b>   | Examine in detail to show meaning, identify elements and the relationship between them                                                 |
| <b>Calculate</b> | Work out from given facts, figures or information                                                                                      |
| <b>Define</b>    | Give precise meaning                                                                                                                   |
| <b>Describe</b>  | State the points of a topic/ give characteristics and main features                                                                    |
| <b>Discuss</b>   | Write about issue(s) or topic(s) in depth in a structured way                                                                          |
| <b>Explain</b>   | Set out purposes or reasons/ make the relationships between things evident/ provide why and/ or how and support with relevant evidence |
| <b>Give</b>      | Produce an answer from a given source or recall/ memory                                                                                |
| <b>Identify</b>  | Name / select / recognise                                                                                                              |
| <b>State</b>     | Express in clear terms                                                                                                                 |

- 4 Tanzania is a low-income country with relatively high import tariffs. Between 2012 and 2015, Tanzania experienced a high economic growth rate. This allowed the government to provide more public goods. The government also increased its investment in the merit goods of education and healthcare. Tanzania's central bank influenced household borrowing and spending with the aim of achieving price stability. As a result the country's inflation rate fell, with money losing less of its value.

(a) Identify **two** characteristics of money.

[2]

**Identify** Here you just have to name two characteristics of money. You could bullet point these, e.g.

- Generally acceptable
- Divisible

It would be useful to underline the word 'characteristics' so that you do not identify two functions of money by mistake.

(b) Explain why governments provide public goods.

[4]



**Explain** In this case, you need to make clear why governments provide public goods. If you can remember the characteristic of non-excludability that public goods possess, this will help you frame your answer. Make clear why not being able to stop non-payers (free-riders) from consuming the product means that the government provides public goods.

(c) Analyse how a central bank might reduce household borrowing.

[6]



**Analyse** Here you need to bring out the links between the measures a central bank can take and a reduction in household borrowing. Do not jump stages. For instance, it is not sufficient just to write that a rise in the rate of interest may reduce household borrowing. You have to analyse why this may be the case.

(d) Discuss whether or not a government should impose tariffs on its country's imports.

[8]



**Discuss** In this case, you should explore both why a government should impose tariffs on the country's imports and why it should not. You need to establish all the points you make. For example, you may write that tariffs should not be imposed as it will raise price. This is, indeed, likely to happen but you need to analyse how this may occur and why it would be a disadvantage.

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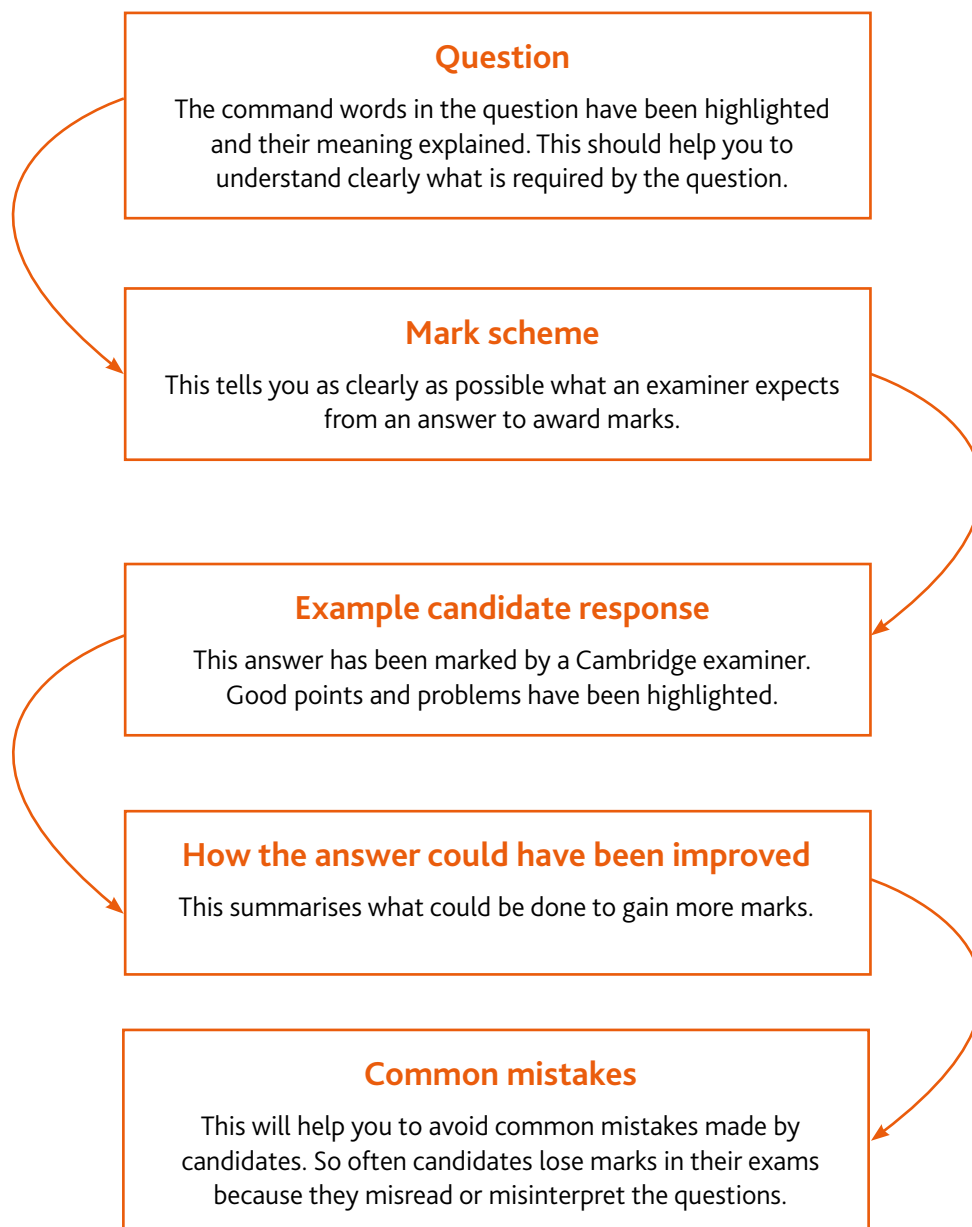
## 5. Example candidate response

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This section takes you through an example question and answer from a Cambridge Economics specimen paper. It will help you to see how to identify command words within questions and to understand what is required in your response. A command word is the part of the question that tells you what you need to do with your knowledge. For example, you might need to describe something, explain something, argue a point of view or list what you know.

All information and advice in this section is specific to the example question and answer being demonstrated. It should give you an idea of how your responses might be viewed by an examiner but it is not a list of what to do in all questions. In your own examination, you will need to pay careful attention to what each question is asking you to do.

This section of the guide includes:



## Question

The question used in this example is Question 3 from Paper 2. Now let's look at the question to see what the command words for this question mean for your answer.

**(a) Define** This question part requires you to give the precise meaning of a maximum price.

**(b) Explain** Here you need to identify two reasons why the supply of bananas may decrease and how these reasons would cause less bananas to be supplied at each and every price.

- 3 India and Ecuador are two major producers of bananas. India is the world's largest producer of bananas while Ecuador is the world's largest exporter. Multinational companies (MNCs) produce some of the bananas in both countries. The World Health Organization (WHO) recommends that each person should eat 400 grams of fruit and vegetables a day. To encourage people to eat more fruit and vegetables governments may use policy measures such as maximum prices and subsidies.

**(a)** Define *maximum price*. [2]

**(b)** Explain **two** reasons why the supply of bananas may decrease. [4]

**(c)** Analyse the factors which lead an MNC to produce in particular countries. [6]

**(d)** Discuss whether or not a government subsidy given to fruit producers will benefit consumers. [8]

**(c) Analyse** In this case, you need to identify and explore two or more factors that could cause a firm to produce in another country.

**(d) Discuss** This question part is asking you to explore both the reasons why a government should give a subsidy to fruit pickers and why it should not.

## Mark scheme

| Mark scheme criteria                                                                                                                                                                                                                                                                                                                                                                                                                                                          | What it means                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Q3(a) Define maximum price (2)<br>A price that producers cannot charge above a price ceiling (1)<br>set by the government (1)                                                                                                                                                                                                                                                                                                                                                 | A mark for recognising it is the highest price producers are allowed to charge.<br>A mark for mentioning that it is likely to be set by the government.                                                                                                                                                                                                                                                                                                   |
| Q3(b) Explain two reasons why the supply of bananas may decrease (4)<br>Logical explanations which might include:<br><ul style="list-style-type: none"> <li>a period of bad weather/natural disaster (1) this would decrease the crop (1)</li> <li>a rise in costs of production (1) e.g. higher wages paid to farm workers would make it more expensive to produce the product (1)</li> <li>a government tax (1) this acts as a disincentive/is an extra cost (1)</li> </ul> | One mark for the first reason identified and one mark for that reason being explained.<br>One mark for the second reason identified and one mark for that reason being explained.<br>Example of a reason identified and explained.<br>A tax being imposed on bananas (identification of a reason). Such a tax would increase the costs a farmer has to pay to grow and sell bananas. This may discourage some farmers from growing bananas (explanation). |

| Mark scheme criteria                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | What it means                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>the removal of a subsidy (1) would reduce the incentive to produce the product (1)</li> <li>a change in the price of other crops (1) may encourage a shift of resources (1)</li> <li>change in the availability of land (1) e.g. flooding may reduce the supply of land (1)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>3(c) Analyse the factors which lead to an MNC to produce in particular countries (6)</p> <p>Coherent analysis which might include:</p> <ul style="list-style-type: none"> <li>Size of market (1) if demand for the product/s produced is high in the country (1) higher revenue may be earned (1)</li> <li>Costs of production (1) e.g. low wages/low raw material costs may attract multinational companies (MNCs) (1)</li> <li>Availability of raw materials (1) certain raw materials e.g. copper may be found in a small number of countries (1)</li> <li>Trade protection (1) MNCs may set up in a country to get round tariffs (1)</li> <li>Government subsidies (1) financial help may be given to companies setting up in some countries (1)</li> <li>Fewer government regulations (1) MNCs may set up in countries with fewer rules and laws (1)</li> <li>Skills of workers (1) highly skilled workers will produce products of a good quality (1)</li> </ul> | <p>For 6 marks, at least two factors have to be analysed.</p> <p>Example:</p> <p>If the MNC produces in the countries it will not have to pay any tariffs imposed on imports (one mark). This would reduce its costs of production (one mark) enabling it to sell its products at a lower price which may increase its sales (one mark).</p> <p>The countries may possess raw materials not available in the home country (one mark) the raw materials will not have to be transported (one mark) this will lower costs of production (one mark).</p>                                                                                                                                                                                                         |
| <p>3(d) Discuss whether or not a government subsidy given to producers will benefit consumers (8)</p> <p>See mark scheme for level descriptions:</p> <p>Level 3</p> <p>Level 2</p> <p>Level 1</p> <p>Level 0</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>Level 3 6 – 8 marks</p> <p>A two-sided approach with clear and in-depth analysis on both sides.</p> <p>Level 2 3 – 5 marks</p> <p>A two-sided approach with analysis which lacks some depth or a one-sided approach with developed analysis.</p> <p>Level 1 1 – 2 marks</p> <p>Some undeveloped statements.</p> <p>Level 0 0 marks</p> <p>Not including any credit-worthy content.</p> <p>Reasons why it should may include: a higher output, better quality and correcting market failure as fruit is under-consumed if left to market forces.</p> <p>Reasons why it should not may include: the subsidy may not lower price especially if demand is inelastic, it may make farmers less concerned with quality and will involve an opportunity cost.</p> |



## Example candidate response

- 3 India and Ecuador are two major producers of bananas. India is the world's largest producer of bananas while Ecuador is the world's largest exporter. Multinational companies (MNCs) produce some of the bananas in both countries. The World Health Organization (WHO) recommends that each person should eat 400 grams of fruit and vegetables a day. To encourage people to eat more fruit and vegetables governments may use policy measures such as maximum prices and subsidies.

(a) Define *maximum price*.

[2]

*The upper limit on the price that producers can charge.*

This answer would be strengthened by mentioning who would set the upper limit. This would increase the mark awarded from 1 to 2.

(b) Explain **two** reasons why the supply of bananas may decrease.

[4]

*Supply may decrease if costs of production rise. This would cause the supply curve to shift to the left and price to rise.*

*The supply of bananas may also decrease if it becomes more profitable to grow another crop. Farmers may use fewer resources to growing bananas and more of their resource growing other fruit. This will reduce the quantity of bananas offered for sale.*

The second part of the answer does explain a possible reason why the supply of bananas may decrease. The first part of the answer identifies a cause of a decrease in supply. It would, however, have been stronger if why a rise in the costs of production would decrease supply and if the reason had been related specifically to the supply of bananas. A stronger first part would raise the mark awarded from 3 to 4.

(c) Analyse the factors which lead an MNC to produce in particular countries.

[6]

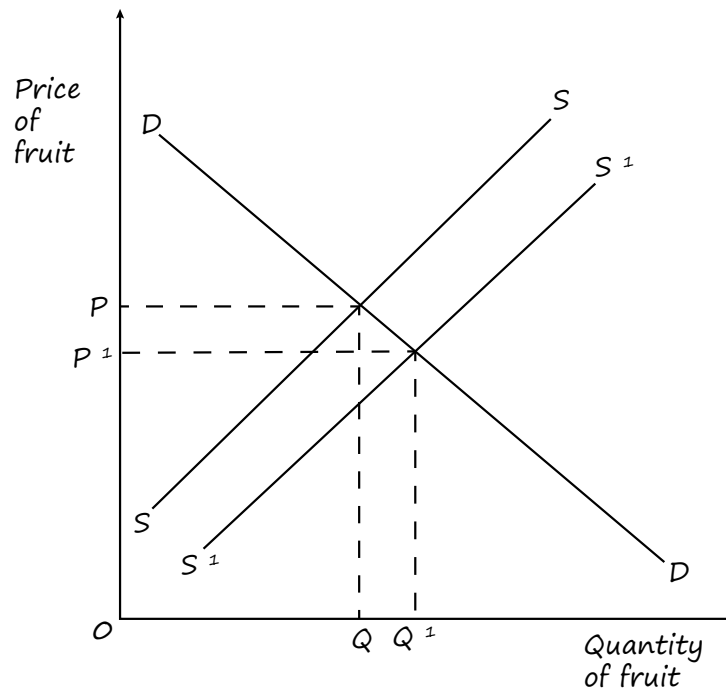
*An MNC may decide to produce in a country because the country may have skilled workers. The country may have a good education system which develops strong skills in its workers. Skilled workers should mean that productivity is high. This may mean that the average cost of producing a product may be relatively low. An MNC would be attracted by a low cost of production as it may mean that profit is high.*

*Skilled workers can also reduce costs of production by lowering the costs of training. Skilled workers should pick up quickly on the MNC's methods of production and any new technology the MNC introduces. In addition, it is possible that skilled workers may come up with ideas on how to improve production methods.*

This answer provides a clear analysis of the influence of the presence of skilled workers. Links are provided between skilled workers, productivity, training cost, costs of production and profit. The candidate, however, did not read the question carefully enough. The question asks for analysis of factors. Factors is plural and so at least two factors have to be analysed. The presence of skilled workers is only one factor. If the candidate had included analysis of another factor such as availability of raw materials, the mark awarded could have been increased from 4 to 6 marks.

(d) Discuss whether or not a government subsidy given to fruit producers will benefit consumers. [8]

A government subsidy given to fruit producers will provide them with an extra payment for growing fruit. This will encourage farmers to grow more fruit.



A lower price will mean that consumers will be able to buy more fruit for the same amount of money. They may also have more money available to buy other goods and services.

If the subsidy encourages people to switch from buying a substitute to fruit such as sweets, they may be more healthy.

Consumers who do not like fruit will not benefit from the lower price of fruit. They may also suffer if they like vegetables and the subsidy encourages farmers to grow more fruit but less vegetables. Some of the farmland and workers that had been used to grow vegetables may now be devoted to growing fruit. Spending government money on a subsidy to fruit producers will involve an opportunity cost. It is possible that consumers would benefit from the money being used in other ways, including giving a subsidy to farmers growing vegetables.

Farmers may also not reduce the price of fruit by much. They may decide not to pass on much of the subsidy to consumers. This may be the case if demand for fruit is inelastic. as a fall in price will cause a smaller percentage rise in demand.

The answer is clear and two-sided. There is use of the economic concepts of substitutes, inelastic demand and opportunity cost. The answer is on the borderline of the top level. There are a number of ways it could have been strengthened. One is that while the diagram is an accurate and relevant one, it is not explained in the answer. It could have been used to bring out the links between a subsidy, higher supply and lower price.

## How the answer could have been improved

The candidate could also have considered the possible effects that a subsidy could have on the quality of fruit grown. In addition, the candidate could have developed the point about making people healthier by considering the merit good nature of fruit.

## Common mistakes

Q3(a) Candidates often confuse maximum and minimum prices. A number of candidates devote too much time to the first question part. In this case, some candidates might have mentioned that a maximum price would only have an impact on the market if it is set below the equilibrium price. This is correct but is not needed in a definition.

Q3(b) When asked to explain why supply may decrease, candidates often refer to a fall in price. Such a change in price would cause a contraction in supply rather than a decrease in supply.

Q3(c) Some candidates when asked questions about MNCs, concentrate on the effects of the presence of MNCs on their host countries even if that is not the specific focus of the question.

Q3(d) The question is about a subsidy to producers but some candidates may confuse this with a subsidy to consumers and write about an increase in demand causing price to rise.

Some common mistakes include:

- Not preparing for the examination. To do well you have to work throughout your course and to undertake good quality revision.
- Giving imprecise definitions. Some candidates rush definitions and others do use economic terminology in their answers.
- Confusing economic terms and concepts. There are a number of terms including investment and saving that some candidates confuse.
- Stating rather than explaining points in questions that require explanation, analysis and evaluation.
- Jumping links. Some candidates do seek to explain but miss out some of the links..
- Not answering the specific question. Some candidates lose focus in their answers. In some cases, candidates, try turn the question into one they would like to answer. Others start by answering the question and then wander off the central focus of the question.

## General advice

To do well in answering a question, make sure that you:

- Read questions carefully, noting the command words.
- Allocate your time appropriately. For example, do not spend too much time on the low mark questions.
- Use economic terminology.
- Answer the actual questions set.
- Be flexible in your thinking so that you can apply your knowledge and understanding to questions you have not seen before.
- Support the statements you make in the explanation, analysis and evaluation questions.
- Indicate which question parts you are answering.
- Write clearly so that the examiner can read your answers.

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## 6. Revision

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This advice will help you revise and prepare for the examinations. It is divided into general advice for all papers and more specific advice for Paper 1 and Paper 2.

**Use the tick boxes to keep a record of what you have done, what you plan to do or what you understand.**

### General advice

#### Before the examination

Find out when the examinations are and plan your revision so you have time to revise. Create a revision timetable and divide it into sections to cover each topic.

Find out how long each paper is, how many questions you have to answer, how many marks there are for each question, and work out how long you have for each question.

Find out the choices you have on each paper, make sure you know how many sections there are and which sections you should answer from.

When there is a choice of questions in a section, make sure you revise enough to have a choice.

Know the meaning of the command words used in questions and how to apply them to the information given. Look at past examination papers and highlight the command words and check what they mean.

Make revision notes. Try different styles of notes.

Work for short periods then have a break. Revise small sections of the syllabus at a time.

Test yourself by writing out key points, redrawing diagrams, etc.

Make sure you define economic terms accurately. For example, demand is not simply 'wanting something', it is 'the willingness and ability to buy a product'.

Definitions must not reuse the words to be defined. For example, no marks would be gained for writing that a state-owned enterprise is 'an enterprise that is owned by the state.' Two marks, however, would be awarded for 'a firm owned by the government.'

Make your own dictionary or draw up a glossary of key terms for each section of the syllabus.

Look at diagrams, tables, etc. to find out what they show; e.g., recognising the relationships between real GDP and investment, understanding why the price of a product has risen.

Practise drawing clear, accurate, fully-labelled diagrams and maps.

Learn to spell economic terms correctly.

Have a look at past questions so that you are clear of what to expect in an examination.

Look at mark schemes to help you to understand how the marks are awarded for each question.

## In the examination

Read the instructions carefully and answer the right number of questions from the right sections.

Do not answer more questions than are needed, as this will not gain you more marks in the examination.

Plan your time according to the marks for each question. For example, a question worth three marks requires less time and a shorter answer than one worth 10 marks. If a question has several parts, then the parts with more marks will need more time and more developed answers.

Do not leave out questions or parts of questions. Remember, no answer means no mark.

Read each question very carefully.

- Identify the command words – you could underline or highlight them.
- Identify the other key words and perhaps underline them too.
- Try to put the question into your own words to understand what it is really asking.

Read all parts of a question before starting your answer. Think carefully about what is needed for each part. You will not need to repeat material.

Look very carefully at the resource material you are given.

- Read the title, key, axes of graphs, etc. to find out exactly what it is showing you.
- Look for dates, scale, and location.
- Try using coloured pencils or pens to pick out anything that the question asks you about.

**Answer the question.** This is very important!

Use your knowledge and understanding.

Do not just write all you know, only write what is needed to answer the question.

Plan your answers to the higher mark questions. Clear, concise, well-ordered, well-argued, well-supported answers get more marks than long, rambling, muddled, repetitious answers. Quality is better than quantity.

Use economic terms in your answers.

Use the resource material given in the question to support your answer.

Explain any diagrams you draw to support your answer..

Make sure your writing is clear and easy to read. It is no good writing a brilliant answer if the examiner cannot read it!

## Paper 1 advice

Practise multiple-choice questions on each topic when you have completed it.

Ensure you have a pencil, rubber and calculator with you during the examination.

Read each question carefully. A question, for instance, may ask you which policy measure is not a monetary policy measure. In this case, a rise in the interest rate would be an incorrect option whereas a rise in a sales tax would be right.

In some cases, a correct option may stand out clearly. In other cases, you may need to eliminate the three incorrect options to arrive at the correct one.

Sometimes it may be useful to draw a diagram to help you to determine the correct answer.

If you are finding a question difficult, leave it and come back to it.

If you change your mind over an answer, firmly rub out the lozenge you have selected and enter a new lozenge.

Do not leave any question unanswered, If necessary guess as you have a 25% chance of getting it right.

## Paper 2 advice

Practise answering structured questions before the examination, including under test conditions.

Ensure you have two black pens, aa pencil, a rubber, a ruler and a calculator with you during the examination.

Read the questions carefully, including the command words.

Consider what economics can be applied in answering the questions.

Make sure you make use of the source material in your answers to the first question.

Select the three optional questions carefully. Consider each of the question parts of each optional question.

Do not answer all the optional questions. The marks for only three optional questions will be taken into account.

Answering four optional questions would reduce the amount of time you could devote to three questions.

Read the stimulus material that appears at the start of the optional questions. The stimulus material puts the questions in context and is likely to reduce your chances of misinterpreting a particular term.

It is useful to answer the question parts in order as the skill levels rise.

Use a ruler and a pencil to draw diagrams. A ruler will make your diagrams neater and using a pencil will enable you to correct mistakes.

Label diagrams and make them a reasonable size – one quarter to one third of a page in size.

It is useful to devote a paragraph to each major point.

If a question asks you about a specific product, policy or situation, relate your answer to the example given.

Answer the specific question set. Advice that are not relevant will not only earn no marks, they also waste valuable times.

It is often useful to include real world examples in answers. These can be drawn from your own country.

## Revision checklists

In the next part of this guide we have provided some revision checklists. These include information from the syllabus that you should revise. They don't contain all the detailed knowledge you need to know, just an overview. For more detail see the syllabus and talk to your teacher.

The table headings are explained below:

| Topic                                | You should be able to                                                                                                                       | R                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | A | G | Advice                                                    |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|-----------------------------------------------------------|
| These are the topics in the syllabus | <p>This is what you should be able to do or know for each part of the syllabus</p> <p>Detailed points about the content of the syllabus</p> | <p>You can use the tick boxes to show when you have revised an item and how confident you feel about it.</p> <p>R = RED means you are really unsure and lack confidence; you might want to focus your revision here and possibly talk to your teacher for help</p> <p>A = AMBER means you are reasonably confident but need some extra practice</p> <p>G = GREEN means you are very confident.</p> <p>As your revision progresses, you can concentrate on the RED and AMBER items in order to turn them into GREEN items. You might find it helpful to highlight each topic in red, orange or green to help you prioritise.</p> |   |   | Here is some extra advice to help you with your revision. |

Note: the tables below cannot contain absolutely everything you need to know, but it does use examples wherever it can.

## Topic 1: The basic economic problem

| Topic                                           | You should be able to                                                                                                                                                                                                                                                                                                                      | R | A | G | Advice                                                                                                                                                                                                                        |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.1 The nature of the economic problem          | <ul style="list-style-type: none"> <li>define the economic problem</li> <li>analyse examples of the economic problem</li> <li>explain the difference between economic and free goods</li> </ul>                                                                                                                                            |   |   |   | <p>Find examples of the economic problem in the context of consumers, workers, producers and the government.</p> <p>It is useful to apply the concept of opportunity cost to distinguish between economic and free goods.</p> |
| 1.2 The factors of production                   | <ul style="list-style-type: none"> <li>define land, labour, capital and enterprise</li> <li>explain the characteristics of the factors of production</li> <li>evaluate the influences on the mobility of the factors of production</li> <li>evaluate the causes of changes in the quantity and quality of factors of production</li> </ul> |   |   |   | <p>Land is the factor of production candidates often get confused about. Remember it includes all natural resources.</p> <p>Consider both occupational and geographical mobility.</p>                                         |
| 1.3 Opportunity cost                            | <ul style="list-style-type: none"> <li>define opportunity cost</li> <li>give examples of opportunity cost in different contexts</li> <li>evaluate the role of opportunity cost in decisions made by consumers, workers, producers and governments when allocating their resources</li> </ul>                                               |   |   |   | <p>When defining opportunity cost, it is useful to give an example.</p> <p>Opportunity cost is an important economic concepts and can be applied to a wide range of decisions.</p>                                            |
| 1.4 Production possibility curve diagrams (PPC) | <ul style="list-style-type: none"> <li>define a PPC</li> <li>draw and interpret a PPC</li> <li>explain the significance of different points on a PPC</li> <li>analyse the causes and consequences of movements along and shifts in PPCs</li> </ul>                                                                                         |   |   |   | <p>Make sure you draw a PPC to the axes.</p> <p>PPC diagrams can be used to illustrate opportunity cost, scarcity, choice, efficiency and economic growth.</p>                                                                |



## Topic 2: The allocation of resources

| Topic                                           | You should be able to                                                                                                                                                                                                                                                                                                     | R | A | G | Advice                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1 Microeconomics and macroeconomics.          | <ul style="list-style-type: none"> <li>explain the difference between microeconomics and macroeconomics and the decision makers involved in each case</li> </ul>                                                                                                                                                          |   |   |   | Section 1 is largely microeconomics, Sections 2 and 3 are microeconomics and Sections 4, 5 and 6 are macroeconomics.                                                                                                                                                                                             |
| 2.2 The role of markets in allocating resources | <ul style="list-style-type: none"> <li>analyse how resources are allocated in a market economy</li> <li>distinguish between market equilibrium and market disequilibrium</li> <li>explain the three economic questions</li> <li>analyse the role of the price mechanism in a market system</li> </ul>                     |   |   |   | Demand and supply diagrams can be useful to explain how a market can move from disequilibrium to equilibrium.                                                                                                                                                                                                    |
| 2.3 Demand                                      | <ul style="list-style-type: none"> <li>define demand</li> <li>draw a demand curve and explain movements along a demand curve.</li> <li>explain how individual demand is totalled to give market demand</li> <li>analyse the causes of shifts in demand curves and draw diagrams to illustrate the shifts</li> </ul>       |   |   |   | <p>Use the terms extensions and contractions to describe movements along a demand curve and increases and decreases in demand to describe shifts in demand.</p> <p>Remember that increases and decreases in demand can be caused by any influence on demand other than a change in the price of the product.</p> |
| 2.4 Supply                                      | <ul style="list-style-type: none"> <li>define supply</li> <li>draw a supply curve and explain movements along a supply curve</li> <li>explain how individual supply is totalled to give market supply</li> <li>analyse the causes of shifts in supply curves and draw diagrams to illustrate the shifts</li> </ul>        |   |   |   | Remember that while a demand curve slopes down from left to right, a supply curve slopes up from left to right.                                                                                                                                                                                                  |
| 2.5 Price determination                         | <ul style="list-style-type: none"> <li>analyse how the interaction of demand and supply determine equilibrium price</li> <li>draw demand and supply diagrams to illustrate equilibrium and disequilibrium prices</li> <li>interpret demand and supply schedules and curves to identify shortages and surpluses</li> </ul> |   |   |   | Remember that shortages arise when price is below equilibrium whereas surpluses arise when price is above equilibrium.                                                                                                                                                                                           |

| Topic                                | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | R | A | G | Advice                                                                                                                                                                                                         |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.6 Price changes                    | <ul style="list-style-type: none"> <li>analyse the causes of price changes</li> <li>evaluate the effects of changes in demand and supply on equilibrium price and the quantity bought and sold</li> <li>use demand and supply diagrams to illustrate the causes and effects of price changes</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                        |   |   |   | Be careful with the order of changes in market conditions. For instance, an increase in demand will cause a rise in price. The higher price will cause supply to extend.                                       |
| 2.7 Price elasticity of demand (PED) | <ul style="list-style-type: none"> <li>calculate PED using the formula % change in quantity demanded divided by the % change in price</li> <li>interpret PED figures, recognising the difference between perfectly elastic demand, elastic demand, unit demand elasticity, inelastic demand and perfectly inelastic demand</li> <li>draw and interpret demand curve diagrams to show different PED</li> <li>evaluate the key influences on whether demand is elastic or inelastic</li> <li>analyse the relationship between PED and total spending on a product/revenue both in a diagram and as a calculation</li> <li>evaluate the implications of PED for decision making by consumers, producers and government</li> </ul> |   |   |   | Remember the importance of % changes in calculating and interpreting PED. For instance, a price change may cause a small change in demand but if the change in price is smaller in % terms, demand is elastic. |
| 2.8 Price elasticity of supply (PES) | <ul style="list-style-type: none"> <li>define PES</li> <li>calculate PES using the formula % change in quantity supplied divided by percentage change in price</li> <li>interpret PES figures, recognising the difference between perfectly elastic supply, elastic supply, unit supply elasticity, inelastic supply and perfectly inelastic supply</li> <li>draw and interpret supply curve diagrams to show different PES</li> <li>analyse the key influences on whether supply is elastic or inelastic</li> </ul>                                                                                                                                                                                                           |   |   |   | Be careful not to confuse PED and PES.                                                                                                                                                                         |

| Topic                      | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                          | R | A | G | Advice                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                            | <ul style="list-style-type: none"> <li>evaluate the implications of PES for decision making by consumers, producers and government</li> </ul>                                                                                                                                                                                                                                                                                                                                  |   |   |   |                                                                                                                                                                                                                                                                                                                                                           |
| 2.9 Market economic system | <ul style="list-style-type: none"> <li>define market economic system</li> <li>evaluate the advantages and disadvantages of the market economic system</li> </ul>                                                                                                                                                                                                                                                                                                               |   |   |   | Remember the key role of the price mechanism in a market economy.                                                                                                                                                                                                                                                                                         |
| 2.10 Market failure        | <ul style="list-style-type: none"> <li>define market failure</li> <li>define a public good, a merit good, a demerit good, social benefits, external benefits, private benefits, social costs, external costs and private costs</li> <li>analyse the causes of market failure with respect to public goods, merit and demerit goods, external costs and benefits, abuse of monopoly power and factor immobility</li> <li>evaluate the consequences of market failure</li> </ul> |   |   |   | Market failure results in the overconsumption of demerit goods and goods with external costs and the underconsumption of merit goods and goods with external benefits. If left to market forces, public goods would not be produced. Monopoly power can result in high prices and restricted supply. Factor immobility can cause shortages and surpluses. |
| 2.11 Mixed economic system | <ul style="list-style-type: none"> <li>define a mixed economic system</li> <li>define regulation, privatisation, nationalisation and direct provision of goods</li> <li>evaluate maximum and minimum prices in product, labour and foreign exchange markets</li> <li>evaluate the effects of indirect taxes</li> <li>evaluate the effects of subsidies</li> </ul>                                                                                                              |   |   |   | <p>It is useful to compare market and mixed economic systems.</p> <p>Use demand and supply diagrams to analyse and evaluate maximum prices, minimum prices, indirect taxes and subsidies.</p>                                                                                                                                                             |

### Topic 3: Microeconomic decision makers

| Topic                 | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | R | A | G | Advice                                                                                                                                                                                                                                                                  |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 Money and banking | <ul style="list-style-type: none"> <li>analyse the forms, functions and characteristics of money</li> <li>evaluate the role and importance of central banks and commercial banks for government, producers and consumers</li> </ul>                                                                                                                                                                                                                                                                                                                 |   |   |   | <p>Be careful not to confuse the functions and characteristics of money.</p> <p>Compare the functions and performance of the central bank of your country and another well-known central bank</p>                                                                       |
| 3.2 Households        | <ul style="list-style-type: none"> <li>evaluate the influences of spending, saving and borrowing including income, the rate of interest and confidence between different households and over time</li> </ul>                                                                                                                                                                                                                                                                                                                                        |   |   |   | <p>Remember that while the poor spend less than the rich, they are likely to spend a higher proportion of their income.</p>                                                                                                                                             |
| 3.3 Workers           | <ul style="list-style-type: none"> <li>evaluate the factors affecting an individual's choice of occupation</li> <li>analyse how wages are determined including the influences of demand and supply, relative bargaining power and government policy</li> <li>evaluate the reasons for differences in earnings including differences in demand and supply, relative bargaining strength, discrimination and government policy</li> <li>evaluate the advantages and disadvantages of division of labour for workers, firms and the economy</li> </ul> |   |   |   | <p>Compare the differences in earnings of a range of workers e.g. skilled/unskilled, primary/secondary/tertiary, male/female, private sector/public sector.</p> <p>It is important to apply demand and supply analysis. This can include the PED and PES of labour.</p> |
| 3.4 Trade unions      | <ul style="list-style-type: none"> <li>define a trade union</li> <li>analyse the role of trade unions in the economy including engaging in collective bargaining on wages, working hours and working conditions, protecting employment and influencing government policy</li> <li>analyse the factors influencing the strength of trade unions</li> <li>evaluate the advantages and disadvantages of trade union activity from the viewpoint of workers, firms and the government</li> </ul>                                                        |   |   |   | <p>It would be useful to research the role of a trade union in your country or a nearby country.</p>                                                                                                                                                                    |

| Topic                                    | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | R | A | G | Advice                                                                                                                                                                                                                                                                    |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.5 Firms                                | <ul style="list-style-type: none"> <li>classify firms in terms of primary/secondary/tertiary sectors, private/public sector and the relative size</li> <li>evaluate the advantages and disadvantages of small firms and reasons for their existence</li> <li>analyse the causes and forms of the growth of firms</li> <li>evaluate the advantages and disadvantages of different types of mergers: horizontal, vertical and conglomerate</li> <li>evaluate how internal and external economies and diseconomies of scale can affect a firm/industry as the scale of production changes</li> </ul> |   |   |   | <p>Compare the advantages and disadvantages of small and large firms.</p> <p>Find examples of small firms, large firms and mergers from your own country.</p> <p>Relate internal and external economies and diseconomies of scale to particular firms and industries.</p> |
| 3.6 Firms and production                 | <ul style="list-style-type: none"> <li>evaluate the influences on demand for factors of production including demand for the product, the price of different factors of production, their availability and their productivity</li> <li>evaluate the reasons for adopting labour-intensive and capital-intensive production and their advantages and disadvantages</li> <li>explain the difference between and influences on production and productivity</li> </ul>                                                                                                                                 |   |   |   | <p>Candidates regularly confuse production and productivity. Be sure that you are clear on the difference and remember that production can rise while productivity falls.</p>                                                                                             |
| 3.7 Firms' costs, revenue and objectives | <ul style="list-style-type: none"> <li>define total cost, average total cost, fixed cost, variable cost, average fixed cost and average variable cost</li> <li>calculate total cost, average total cost, fixed cost, variable cost, average fixed cost and average variable cost</li> <li>draw and interpret diagrams that show how changes in output affect costs of production</li> <li>define total revenue and average revenue</li> <li>calculate total revenue and average revenue</li> </ul>                                                                                                |   |   |   | <p>Compare how different costs are affected by changes in output.</p> <p>Think about how changes in revenue and costs affect profit.</p> <p>Consider why firms may follow different objectives and whether these objectives will conflict.</p>                            |

| Topic                | You should be able to                                                                                                                                                                                                                                | R | A | G | Advice                                                                                                                         |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|--------------------------------------------------------------------------------------------------------------------------------|
|                      | <ul style="list-style-type: none"> <li>analyse the influence of sales on revenue</li> <li>evaluate the objectives of firms including survival, social welfare, profit maximisation and growth</li> </ul>                                             |   |   |   |                                                                                                                                |
| 3.8 Market structure | <ul style="list-style-type: none"> <li>evaluate the effect of a high number of firms on price, quality, choice and profit</li> <li>analyse the characteristics of monopoly</li> <li>evaluate the advantages and disadvantages of monopoly</li> </ul> |   |   |   | Compare the advantages and disadvantages of competitive markets and monopoly markets for consumers, producers and the economy. |

#### Topic 4: Government and the macroeconomy

| Topic                                    | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                         | R | A | G | Advice                                                                                                                                                                                                                                   |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.1 The role of government               | <ul style="list-style-type: none"> <li>analyse the role of government locally, nationally and internationally</li> </ul>                                                                                                                                                                                                                                                                                                      |   |   |   | Find out information about the role of government in your local area.                                                                                                                                                                    |
| 4.2 The macroeconomic aims of government | <ul style="list-style-type: none"> <li>explain the macroeconomic aims of government in terms of economic growth, full employment/low inflation, stable prices/low inflation, balance of payments stability and redistribution of income</li> <li>evaluate the reasons behind the choice of aims and the criteria that governments set for each aim</li> <li>evaluate possible conflicts between macroeconomic aims</li> </ul> |   |   |   | Find out what are the aims of your government and assess how successful it is in achieving these aims.                                                                                                                                   |
| 4.3 Fiscal policy                        | <ul style="list-style-type: none"> <li>define the budget</li> <li>analyse the main areas of government spending and the reasons for and effects of spending in these areas</li> <li>analyse the reasons for levying taxation</li> </ul>                                                                                                                                                                                       |   |   |   | <p>Remember it is the percentage of income paid and not the total amount paid that determines whether a tax is progressive, proportional or regressive.</p> <p>Find out if your government has a budget deficit or a budget surplus.</p> |

| Topic                  | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                             | R | A | G | Advice                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        | <ul style="list-style-type: none"> <li>explain the different classifications of tax: progressive, regressive, proportional and direct and indirect</li> <li>explain the qualities of a good tax</li> <li>evaluate the impact of taxation on consumers, producers, government and the economy as a whole</li> <li>define fiscal policy</li> <li>analyse fiscal policy measures</li> <li>evaluate the effects of fiscal policy measures on government macroeconomic aims</li> </ul> |   |   |   |                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 4.4 Monetary policy    | <ul style="list-style-type: none"> <li>define the money supply</li> <li>define monetary policy</li> <li>analyse the effects of changes in interest rates, the money supply and foreign exchange rates</li> <li>evaluate the effects of monetary policy measures on government macroeconomic aims</li> </ul>                                                                                                                                                                       |   |   |   | Remember that while a rise in the rate of interest is likely to increase saving, it is likely to reduce investment.                                                                                                                                                                                                                                                                                                 |
| 4.5 Supply-side policy | <ul style="list-style-type: none"> <li>define supply-side policy</li> <li>analyse supply-side policy measures including education and training, labour market reforms, lower direct taxes, deregulation, improving incentives to work and invest and privatisation</li> <li>evaluate the effects of supply-side policy measures on government macroeconomic aims</li> </ul>                                                                                                       |   |   |   | <p>While fiscal and monetary policy may be used to increase or reduce total demand, supply-side policy is only used to increase total supply.</p> <p>There are some policy measures which may be a fiscal policy or a supply-side measure e.g. education. In deciding which it is in the particular case, decide whether the government is using with the intention of increasing total demand or total supply.</p> |

| Topic                           | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | R | A | G | Advice                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.6 Economic growth             | <ul style="list-style-type: none"> <li>define economic growth</li> <li>explain how economic growth can be measured</li> <li>distinguish between GDP and GDP per head</li> <li>evaluate the causes and consequences of a recession</li> <li>evaluate the causes of economic growth including increases in total demand and changes in investment, technology and the quantity and quality of the factors of production</li> <li>evaluate the consequences of economic growth</li> <li>analyse the range of policies available to promote economic growth</li> <li>evaluate the effectiveness of different policy measures to promote economic growth</li> </ul>                                               |   |   |   | <p>PPC diagrams can be used to analyse economic growth caused by increases in total demand and caused by increases in an economy's ability to produce more goods and services.</p> <p>In considering the consequences of economic growth, policy conflicts, the type of products produced, how they are made and who receives them can be taken into account.</p> |
| 4.7 Employment and unemployment | <ul style="list-style-type: none"> <li>define employment, unemployment and full employment</li> <li>evaluate the nature and causes of changes in the pattern of employment</li> <li>evaluate the claimant count and labour force survey measures of unemployment</li> <li>use the formula for the unemployment rate</li> <li>evaluate the causes/types of unemployment – frictional, structural and cyclical unemployment</li> <li>evaluate the consequences of unemployment for the individual, firms and the economy as a whole</li> <li>analyse the range of policies available to reduce unemployment</li> <li>evaluate the effectiveness of different policy measures to reduce unemployment</li> </ul> |   |   |   | <p>Remember it is possible for both employment and unemployment to rise, if more people enter the labour force.</p> <p>In evaluating the consequences of unemployment, it is useful to apply the concept of opportunity concept.</p> <p>Consider how the pattern of employment has changed in your country in recent years.</p>                                   |



| Topic                       | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | R | A | G | Advice                                                                                                                        |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-------------------------------------------------------------------------------------------------------------------------------|
| 4.8 Inflation and deflation | <ul style="list-style-type: none"> <li>define inflation</li> <li>define deflation</li> <li>analyse the measurement of inflation and deflation using the Consumer Prices Index</li> <li>evaluate the causes of inflation and deflation for consumers, workers, savers, lenders, firms and the economy as a whole</li> <li>analyse the range of policies available to control inflation and deflation</li> <li>evaluate the effectiveness of different policy measures to control inflation and deflation</li> </ul> |   |   |   | Remember that a reduction in the inflation rate from e.g. 6% to 4% means that prices are still rising but rising more slowly. |

## Topic 5: Economic development

| Topic                | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                 | R | A | G | Advice                                                                                                                           |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------------------------------------------------------------------------------------------------------------------------------|
| 5.1 Living standards | <ul style="list-style-type: none"> <li>explain real GDP and real GDP per head</li> <li>calculate real GDP per head</li> <li>analyse the components of the Human Development Index</li> <li>evaluate the advantages and disadvantages of real GDP per head and HDI as indicators of living standards</li> <li>evaluate the reasons for differences in living standards and income distribution within and between countries</li> </ul> |   |   |   | Compare your country's real GDP per head and HDI with three other countries and try to find out the reasons for the differences. |
| 5.2 Poverty          | <ul style="list-style-type: none"> <li>define absolute and relative poverty</li> <li>distinguish between absolute and relative poverty</li> <li>evaluate the causes of poverty including unemployment, low wages, illness and age</li> <li>evaluate policies to alleviate poverty and redistribute income</li> </ul>                                                                                                                  |   |   |   | Explore how the level of poverty has changed in your country in recent years.                                                    |

| Topic                                                     | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | R | A | G | Advice                                                                                                          |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----------------------------------------------------------------------------------------------------------------|
| 5.3 Population                                            | <ul style="list-style-type: none"> <li>define birth rate, death rate, net migration, immigration and emigration</li> <li>analyse the factors that affect population growth</li> <li>evaluate the reasons for different rates of population growth in different countries</li> <li>interpret population pyramids</li> <li>explain the concept of optimum population</li> <li>evaluate the effects of changes in the size and structure of population in different countries</li> </ul> |   |   |   | In considering the effects of a change in population size, it is important to consider the cause of the change. |
| 5.4 Differences in economic development between countries | <ul style="list-style-type: none"> <li>evaluate the causes and impacts of differences in economic development between countries</li> </ul>                                                                                                                                                                                                                                                                                                                                            |   |   |   | Remember that economic development is wider than economic growth.                                               |

## Topic 6: International trade and globalisation

| Topic                                        | You should be able to                                                                                                                                                                                                                                                                                                          | R | A | G | Advice                                                                                                                                                                                           |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6.1 International specialisation             | <ul style="list-style-type: none"> <li>analyse the basis of specialisation at national level in broad terms of superior resource allocation and/or cheaper production methods</li> <li>evaluate the advantages and disadvantages of specialisation at a national level for consumers, firms and the economy</li> </ul>         |   |   |   | Be careful to distinguish between specialisation at a national level and workers in an individual firm specialising.                                                                             |
| 6.2 Globalisation, free trade and protection | <ul style="list-style-type: none"> <li>define globalisation</li> <li>evaluate the costs and benefits of MNCs to their host and home countries</li> <li>evaluate the benefits of free trade for consumers, producers and the economy</li> <li>analyse the effects of tariffs, import quotas, subsidies and embargoes</li> </ul> |   |   |   | <p>Find examples of MNCs from your country producing in other countries and foreign MNCs producing in your country.</p> <p>The benefits of free trade are also arguments against protection.</p> |

| Topic                                   | You should be able to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | R | A | G | Advice                                                                                                                                                                        |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                         | <ul style="list-style-type: none"> <li>• evaluate the reasons for protection including infant industry, declining industry, strategic industry and avoidance of dumping</li> <li>• evaluate the effectiveness of protection and its impact on the home country and its trading partners</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                |   |   |   |                                                                                                                                                                               |
| 6.3 Foreign exchange rates              | <ul style="list-style-type: none"> <li>• define floating and fixed exchange rate systems</li> <li>• analyse how the foreign exchange rate is determined in the foreign exchange market</li> <li>• analyse the causes of changes in foreign exchange rates including changes in demand for exports and imports, changes in the rate of interest, speculation and the entry and departure of MNCs</li> <li>• evaluate the consequences of foreign exchange rate fluctuations on export and import prices and spending on exports and imports making use of PED</li> <li>• evaluate the advantages and disadvantages of a floating foreign exchange rate and a fixed exchange rate system</li> </ul> |   |   |   | <p>Use demand and supply diagrams to illustrate the determination of a floating exchange rate.</p> <p>Remember changes in the exchange rate is a monetary policy measure.</p> |
| 6.4 Current account balance of payments | <ul style="list-style-type: none"> <li>• describe the components of the current account of the balance of payments – trade in goods, trade in services, primary income and secondary income</li> <li>• calculate deficits and surpluses on the current account of balance of payments and its component sections</li> <li>• analyse the causes of current account deficits and surpluses</li> <li>• evaluate the consequences of current account deficits and surpluses including the impact they have on GDP, employment, inflation and the foreign exchange market</li> <li>• evaluate the effectiveness of policy measures available to achieve balance of payments stability</li> </ul>       |   |   |   | <p>Be careful to avoid confusing a budget and a current account deficit.</p> <p>Find out the current account position of your own country.</p>                                |

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## 7. Useful websites

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The websites listed below are useful resources to help you study for your Cambridge Economics course.

| URL                                                                                                                                                            | Description of the site and what it's useful for                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <a href="http://www.bankofengland.co.uk">www.bankofengland.co.uk</a>                                                                                           | This site is useful for information concerning monetary policy, such as decisions about interest rates. The Bank of England will focus on UK, but each central bank in the world is likely to have its own site. You will need to find out what is the website for the central bank of your country. The website of the Reserve bank of India is: <a href="https://www.rbi.org.in/">https://www.rbi.org.in/</a> |
| <a href="http://www.bbc.co.uk">www.bbc.co.uk</a>                                                                                                               | This is the website of the BBC. It has a wide range of economics news stories on countries throughout the world.                                                                                                                                                                                                                                                                                                |
| <a href="http://www.cia.gov/the-world-factbook/">www.cia.gov/the-world-factbook/</a>                                                                           | Entering the name of a country after the general address leads you to a considerable amount of information about the particular country. This includes, for instance, information on macroeconomic performance, birth rate, size of the labour force and population below the poverty line.                                                                                                                     |
| <a href="http://www.focus-economics.com/countries">www.focus-economics.com/countries</a>                                                                       | This website gives economic data on more than 80 countries.                                                                                                                                                                                                                                                                                                                                                     |
| <a href="http://www.imf.org">www.imf.org</a>                                                                                                                   | This is the website of the International Monetary Fund. It provides economic information on almost every country.                                                                                                                                                                                                                                                                                               |
| <a href="http://www.s-cool.co.uk/a-level/economics">www.s-cool.co.uk/a-level/economics</a>                                                                     | Designed for A Level students but it is accessible to IGCSE learners. It contains some useful revision information.                                                                                                                                                                                                                                                                                             |
| <a href="http://www.tutor2u.net">www.tutor2u.net</a>                                                                                                           | This website is designed for economics students and provides information on a range of economics topics and revision advice.                                                                                                                                                                                                                                                                                    |
| <a href="http://www.twinside.org.sg">www.twinside.org.sg</a>                                                                                                   | This is the Third World Network's website and includes links to articles and information on development.                                                                                                                                                                                                                                                                                                        |
| <a href="http://www.undp.org/content/undp/en/home/sustainable-development-goals.html">www.undp.org/content/undp/en/home/sustainable-development-goals.html</a> | This website provides information on the 17 development goals adopted by the United Nations.                                                                                                                                                                                                                                                                                                                    |
| <a href="http://www.worldbank.org">www.worldbank.org</a>                                                                                                       | This is a useful source of information about economic developments in various parts of the world.                                                                                                                                                                                                                                                                                                               |
| <a href="http://www.wto.org/">www.wto.org/</a>                                                                                                                 | This provides up to date information on trade negotiations and trade disputes.                                                                                                                                                                                                                                                                                                                                  |

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