CAMBRIDGE

Learner Guide

Cambridge IGCSE™/ IGCSE (9–1)

Economics 0455 / 0987

Cambridge O Level **2281**

For examination from 2027

About this guide

This guide explains what you need to know about your course and examinations. You should use this guide alongside the support of your teacher.

Download and save the document to a desktop computer to be able to explore the interactive tools including the ability to make notes and use the checklists.

The Learner Guide will help you to:

- ✓ understand how you will be assessed and what you need to learn
- ✓ understand the skills you need to have
- ✓ prepare for your Cambridge examinations
- ✓ plan your study and revision programme
- ✓ revise, using a revision checklist.

The Learner Guide gives you:

- ✓ tools and approaches to learning
- ✓ examples of exam questions and a guide on how to answer them well
- ✓ revision checklists to self-assess your own understanding and knowledge of the subject.

The Cambridge IGCSE Economics course focuses on how scarce resources are organised in a world that faces many challenging economic and environmental issues. Studying this subject provides learners with the opportunity to explore key basic economic concepts and in so doing learn how to explain, analyse and evaluate economic issues and organise, present and communicate ideas clearly.

Throughout this course Cambridge learners build subject knowledge and conceptual understanding. Learners develop a broad range of skills, study habits and attributes to help make them ready for the world.

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1 What you need to know

This section gives you an outline of the syllabus content for this course.

Topic	Time and marks
1. The basic economic problem	This topic introduces the fundamental ideas and concepts that underpin the study of economics. In doing so this section covers the important questions all economies must answer, as well as the reasons why decision makers must make choices. Included here is the basic economic problem, resources, factors of production, opportunity cost and production possibility curves.
2. The allocation of resources	This topic examines issues such as why the price and the output of some products is increasing while others are declining. Also, it considers why a change in price has more impact on some products than others and why the government seeks to influence what products we buy. In these ways this topic explores the fundamental principles of resource allocation through the price mechanism in a market economy as well as the market forces of demand and supply, market equilibrium and disequilibrium, and the concept of elasticity.
3. Microeconomic decision-makers	This topic has a focus on the microeconomic or 'individual' key members of an economy, those who make decisions affecting what goods and services are produced and the amount that is spent, saved and borrowed. In doing so this section examines the economic role of banks, households, workers, firms and to some extent trade unions.
4. Government and the macroeconomy	This topic has as its focus the macroeconomy or issues relating to the economy as a whole. It covers the key performance indicators of an economy such as economic growth, inflation, unemployment and the country's international trade position. It explores the aims of government in relation to these indicators and with respect to the redistribution of income. It also explores the different policy measures a government can use to achieve these aims. In this way this topic introduces fiscal, monetary and supply-side policy, and examines the measurement, as well as the causes and consequences of changes in the key performance indicators.
5. Economic development	This topic explores some of the influences on how the quality of people's lives can change over time and also differ between countries. This topic explores the causes and consequences of changes in living standards, income distribution, poverty, and population size and structure. In this way there is a consideration of differences in economic development between countries.

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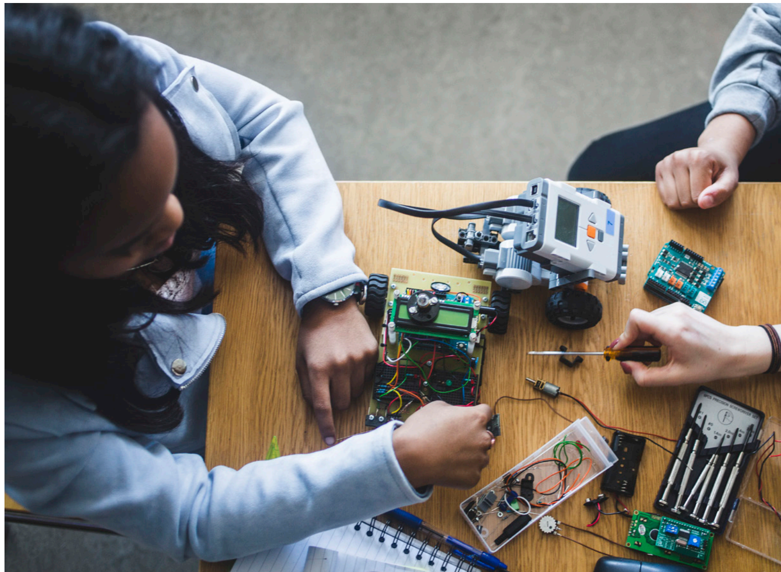

Topic	Time and marks
6. International trade and globalisation	In this topic the focus broadens to embrace globalisation, covering a range of international trade principles such as specialisation, free trade, and the role of multinational companies There is consideration of the benefits of countries freely trading goods and services with each other as well as why, despite such benefits, governments impose restrictions on international 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 includes the causes and consequences of a deficit or surplus in this financial record of what a country sells to and buys from other countries.

The course is made up of two compulsory components, Paper 1 and Paper 2.

You can see the content of each paper below.

Paper 1 Multiple Choice

Syllabus content for Paper 1 is Topics 1 – 6.

1. The basic economic problem
2. The allocation of resources
3. Microeconomic decision-makers
4. Government and the macroeconomy
5. Economic development
6. International trade and globalisation

Paper 2 Structured Topics

Syllabus content for Paper 2 is Topics 1 – 6.

1. The basic economic problem
2. The allocation of resources
3. Microeconomic decision-makers
4. Government and the macroeconomy
5. Economic development
6. International trade and globalisation

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Always check the syllabus for the year you are taking the examination which is available at www.cambridgeinternational.org

How you will be assessed

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

- Paper 1 Multiple choice
- Paper 2 Structured written paper.

Component	Time and marks	Skills assessed	Details	Percentage of qualification
Paper 1 Multiple Choice	1 hour 40 marks	Knowledge and understanding Analysis	You answer 40 multiple-choice questions which have been taken from any part of the syllabus.	30%
Paper 2 Structured Written Paper	2 hours 80 marks	Knowledge and understanding Analysis Evaluation	You answer four structured questions which have been taken from any part of the syllabus.	70%

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2 What will be assessed

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

The examiners take account of the following skills areas (assessment objectives) in the examination papers:

- AO1 Knowledge and understanding
- AO2 Analysis
- AO3 Evaluation.

It is important that you know the different weightings (%) of the assessment objectives, as this affects how the examiner will assess your work. For example, assessment objective 2 (AO2: Analysis) is worth 50% of the total marks in Paper 1, and 45% of the total marks in Paper 2.

Assessment objectives (AOs)	What do you need to be able to do?	Weighting in Paper 1	Weighting in Paper 2
AO1 Knowledge and understanding	Demonstrate knowledge and understanding of economic definitions, formulas, concepts and theories. Use economic terminology. Make points clearly.	50%	40%
AO2 Analysis	Select, organise and interpret economics data and information. Recognise relationships in economic data. Apply economic analysis to written, numerical, diagrammatic and graphical data. Analyse economic issues, identifying and developing links and relationships.	50%	45%
AO3 Evaluation	Assess economic information, data and arguments in depth taking account of both sides of the issues and situations. Recognise that economic decisions have uncertain outcomes. Support assessment with relevant economic analysis.	0%	15%

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3 Example exam questions

Command and key words

This section will help you to understand how to identify command words and key words within exam 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, or argue a point of view. It is important that you understand the command words which indicate the approach you should take to answer the questions. Command words may be listed in the syllabus.

The context of the whole question will affect the explicit meaning of the command words.

The information and advice given below, is specific to the example questions. In your exam, you need to pay careful attention to what each question is asking you to do.

Now let's look more closely at some example questions.

The command and key words in the questions have been highlighted and their meanings explained. This should help you to understand clearly what is required.

2027 Specimen Paper 2 Question 1(b)

Identify two capital goods employed in Algeria's primary sector. **[2 marks]**

Identify... This means the examiner expects you to use the information provided in the extract and your understanding of the factors of production to give examples of items defined as capital from the extract. There are three in the extract to choose from.

This means you must give the examiner two different examples of any man-made good that is used to produce other goods and services.

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2027 Specimen Paper 2 Q1(c)

Explain one reason why productivity increased in Algeria's tertiary sector. **[2 marks]**

Explain... This means the examiner expects you to use the information provided and your understanding of the causes of an increase in productivity to find a relevant reason from the extract. There are three in the extract to choose from.

This means you must find and explain one reason. A reason would be something that would cause an increase in the output per unit of an input. In the context of the extract this will either be the productivity of labour or capital. You must make the relationships between the reason and the increase in productivity clear.

2027 Specimen Paper 2 Q4(d)

Discuss whether or not consumers would benefit from more firms competing in the electric car market. **[8 marks]**

Discuss... This means the examiner expects you to present an in-depth reasoned and structured piece of writing that accurately considers two sides of an economic argument. You must make use of economic information and provide clear and logical analysis. In this case, one side will relate to why consumers would benefit from more firms competing in the electric car market and on the other side why consumers would not benefit.

This means the examiner will be expecting you to develop your arguments on both sides of the discussion. You will be expected to achieve this through your knowledge of the impact on consumers of increased competition in a market, specifically relating to electric cars. This will need to cover both the positive and negative effects that could relate to market price, consumer choice, quality or pollution levels for example.

Answering examination questions

In pairs, groups or individually:

- think about what points to include in each written answer
- think about how long your written answers should be – look at the marks and the space available on the question paper. Do not write too much or too little
- now, write an example answer to the following questions.

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Specimen Paper 2 – Question 1(b)

1 Changes in the Algerian economy

Table 1.1 Algeria fact file 2023

Gross Domestic Product (GDP)	$208bn
population	46m
primary sector's share of GDP	15%
current account balance of the balance of payments	–$4.6bn

In July 2023, many countries, including Algeria, experienced very high temperatures. Evidence suggests this was caused by global warming. This is where the Earth's climate is getting warmer, largely due to carbon dioxide (CO_2) emissions, for example from the use of fossil fuels such as oil and gas. Scientists say global warming is causing extreme weather which has damaged buildings, destroyed agricultural crops and affected tourism.

Algeria uses drilling machinery to extract large quantities of oil and natural gas. The Algerian Government aims to reduce the use of oil and natural gas and to increase agricultural output and tertiary sector output. It provides loans to farmers to purchase land and to install watering equipment. Algeria's agricultural output has also been affected by climate change. This has caused soil erosion, water shortages and, on some days, severe heat which prevents farm workers from working outside. However, an increase in global vegetarianism (not eating meat) led to a rise in the output of tomatoes from 2010 to 2023. Algeria's tertiary sector output also increased over this period. Improvements in education, advances in technology and a rise in wages increased output per hour.

Life expectancy in Algeria rose from 74 years in 2010 to 78 years in 2023. Over this period, Algeria had negative net migration.

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Table 1.2 Life expectancy and net migration rate in selected countries in 2023

country	life expectancy (years)	net migration rate (migrants per 1000 of the population)
Algeria	78	–0.8
Australia	84	7.1
Fiji	68	–6.0
Monaco	87	11.0
Tonga	72	–10.9
UK	82	3.2

Climate change may influence life expectancy and output. Scientists have shown that CO_2 emissions influence climate change. Some governments impose a 'carbon tax' on these emissions, providing an incentive for firms to reduce pollution. However, such a tax is likely to affect energy costs, be regressive and be complicated to operate. A carbon tax may also not be successful in reducing global CO_2 emissions unless other countries impose such a tax.

(b) Identify **two** capital goods employed in Algeria's primary sector. [2]

Specimen Paper 2 – Question 1(c)

(c) Explain **one** reason why productivity increased in Algeria's tertiary sector. [2]

Specimen Paper 2 – Question 4(d)

4 In Norway, more than 60% of new cars sold are electric cars. The production of electric cars makes extensive use of the division of labour. Some people save to buy a car. However, saving in Norway fell from 13% of disposable income in 2021 to 5% in 2023. The country also experienced changes in the types of jobs in which people were employed. For example, there was a decline in the number of people deciding to become teachers.

(d) Discuss whether or not consumers would benefit from more firms competing in the electric car market. [8]

Ask your teacher for the mark scheme for the specimen papers and mark your answers to see how well you have done.

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Advice and tips for 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. This will not gain you more marks.
- Plan your time according to the marks for each question. For example, a question worth 3 marks requires less time and a shorter answer than a question worth 10 marks.
- Do not leave out questions or parts of questions. No answer means no mark.
- Read each question very carefully.
- Identify the command words in the question – underline or highlight them.
- Identify and underline the other key words in the question.
- 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 / insert / diagrams, you are given.
- **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.
- Make sure your writing is clear and easy to read. It is no good writing a brilliant answer if the examiner cannot read it!

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4 Study skills

A reflective journal

Keeping a reflective journal is a useful way to record, analyse and reflect on how you learn. Here are some questions to get you thinking.

Which subjects are you studying? Think about what you want to achieve by studying each subject.

I am studying the subject: because:

What did you like about the subjects when you have studied them in the past?
Or what about a new subject that interested you?

I like: because:

What skills will each subject help you develop? Are there any uses in the real world?

is a good subject to learn because:

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Being organised

Being organised has many benefits – check the statements which are important for you:

- ☐ helps you to PRIORITISE
- ☐ helps you to FOCUS
- ☐ improves TIME MANAGEMENT
- ☐ reduces STRESS
- ☐ increases PRODUCTIVITY
- ☐ increases CONFIDENCE
- ☐ increases EFFICIENCY
- ☐ gives a better BALANCE between work and play

How organised are you?

✓ Tick the statements that apply to you.

- ❑ **B** I get overwhelmed by how much work I have and avoid starting large tasks.
- ❑ **A** I get my homework done on time.
- ❑ **A** I write down homework and the deadlines in one place, such as a planner.
- ❑ **A** I do my homework the day I get it.
- ❑ **B** I leave my homework until the last minute.
- ❑ **A** I always rush my work.
- ❑ **B** I often forget what homework I have.
- ❑ **B** I break down large tasks into smaller tasks and tick these off when I complete them.

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- [ ] **B** I never know where everything I need is, such as my notes, books, pens, highlighter pens, paper and a ruler.
- [ ] **A** I never need to rush my work.
- [ ] **B** I hand my homework in late.
- [ ] **A** I always know where everything I need is, such as my notes, books, pens, highlighter pens, paper and a ruler.

Count the number of A statements you ticked and the number of B statements you ticked. Read the appropriate advice below. If you ticked an equal number of each, read both sets of advice.

Mostly A: You are a well-organised person who has developed strategies that work for you.

Be careful if you agreed with '*I do my homework the day I get it*' as this might not be the most efficent strategy; you need to prioritise homework according to deadline and how long it will take, and also make sure you allow time for fun and relaxation. See the table on the next page for more ideas of how to be organised.

Mostly B: You could use some support in being more organised in order to make life easier for yourself. Try some of the suggested methods for being organised in the table on the next page, then return to the activity above at a later date to see if you score differently.

If you do some work each day, rather than leaving it all to the last minute, you will feel more in control.

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How to be organised

Tick the boxes in the table below to reflect on how you work and what you will try in order to improve. Aim to try at least some of these methods.

How to be organised	I already do this	I will try this
Keep all my pens, paper and other equipment together in one place so I always know where everything is	◯	◯
Keep my notes together and ordered by date as I go along; I will file them as soon as they are completed	◯	◯
Use one place such as a planner to record each homework or assignment deadline as soon as I get it	◯	◯
Include all activities in my planner so that I know what time I have available to work	◯	◯
Estimate how long a given task will take me, then work backwards from the deadline and include some extra time to give me the date that I should start the work	◯	◯
Be realistic about what I have time for	◯	◯
Keep my planner up to date and check it every day	◯	◯
Have a set time each day or week for completing homework or study so that it becomes part of my routine	◯	◯
Prioritise homework or study according to which needs to be done first and not just which I like doing best	◯	◯
Rank my homework as 1 (do it now), 2 (do it tomorrow), 3 (do it later in the week) and update the rank each day	◯	◯
Break down any large assignments into smaller, more manageable tasks; each task will have its own deadline	◯	◯
Tick off each homework or task once I have completed it	◯	◯

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Tips for good notetaking

Writing and reviewing your lesson notes helps you to remember information.

Making notes as you go along, little and often, makes it easier when you revise. It is important to ask your teacher or classmates questions if you are unsure about anything or if you have missed something.

Be prepared

Read your notes from the previous lesson (this helps you understand what you are being told in the current lesson and helps you to make better notes.

Read the content before you write anything down

Then go back to the start and note down any key words, dates, facts, concepts or quotes. Now write your notes. Do not copy full sentences, write the content in your own words.

Review

- As soon as you can, spend 15–20 minutes reading through your notes.
- Make sure your notes are clear.
- If there are gaps, ask your teacher for help to fill them.
- Summarise the information (onto cards).
- Compare your notes with a friend or classmate. This might lead you to a discussion on what each of you think are the important points to know.

Focus

- Do not write down everything, focus on the important points, such as:
  - key words and concepts – for example, definitions, examples, formulae, symbols, methods, dates, events, characters, etc.
  - new information – do not write down things you already know.
- Highlight and annotate handouts.

In your own way

Your notes need to be meaningful to you, so develop your own approach.

- Develop your own shorthand, e.g. ‘wi’ for with.
- Keep your notes simple and short.
- Use abbreviations, symbols and diagrams.
- Start on a new page for each new lesson.
- Put a date at the start of your notes.

Listen actively

Concentrate on listening carefully – if you listen actively, you can pick out the important information instead of writing down everything.

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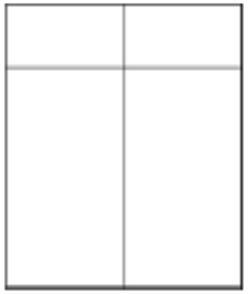
Here are some useful ways to format your notes:

Charting method

Use when learning about different or contrasting factors or approaches.

- Make a chart with a different column for each factor or approach.
- Write details in each column, explaining the details so that you can easily compare items between columns.



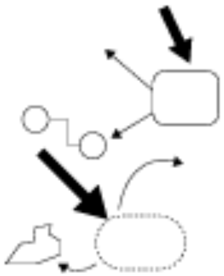
Freestyle method

Just write down what you hear as the teacher says it.

Flow method

Learn while you listen. Create your own representation of the new information by:

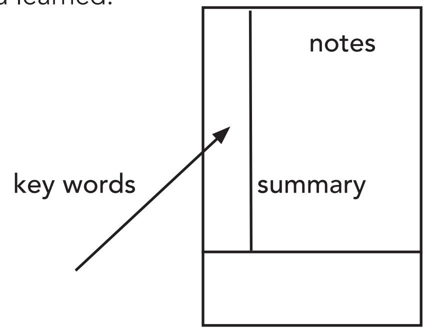
- putting what the teacher says into your own words
- using quick drawings to break down the content into simple ideas
- using arrows to link ideas together and to add supporting points
- circling or boxing different lines, shapes or coloured pens.



Cornell method

Divide your page into three sections.

- Use the 'notes' section to make notes during the lesson.
- After the lesson, review your notes. Reduce sections of the notes into key words and write them in the 'key words' column.
- Write a summary to consolidate what you learned.



Write on handouts

Write notes at key points directly on handouts that contain notes or important information.

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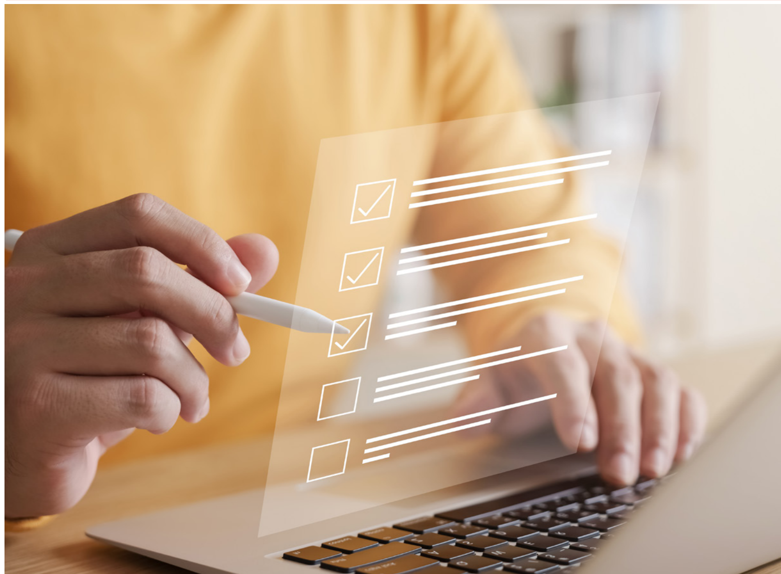
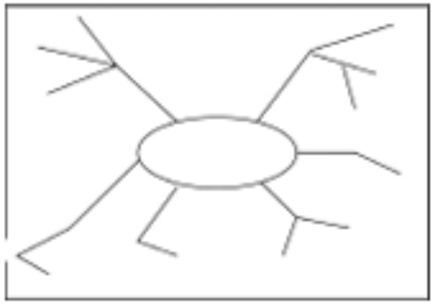


Mind map method

Write the lesson topic in the centre of your page.

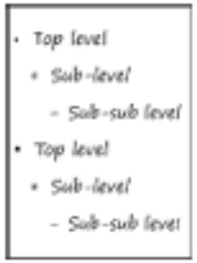
- Add a new branch for each new sub-topic.
- Add extra smaller and smaller branches for more detail; these show the connections between facts or ideas.
- Add notes using words and diagrams; use arrows to show links.
- Keep your notes short and put key words along branches.
- Use coloured pens and highlighter pens to emphasise key points.



Outline method

Use bullet points.

- Top level bullets are the key issues in the lesson.
- Sub-level bullets are details about the top-level points.
- Sub-sub level bullets provide more separation if needed.



This method is helpful if you already know the structure of the lesson and the structure of the learning point.

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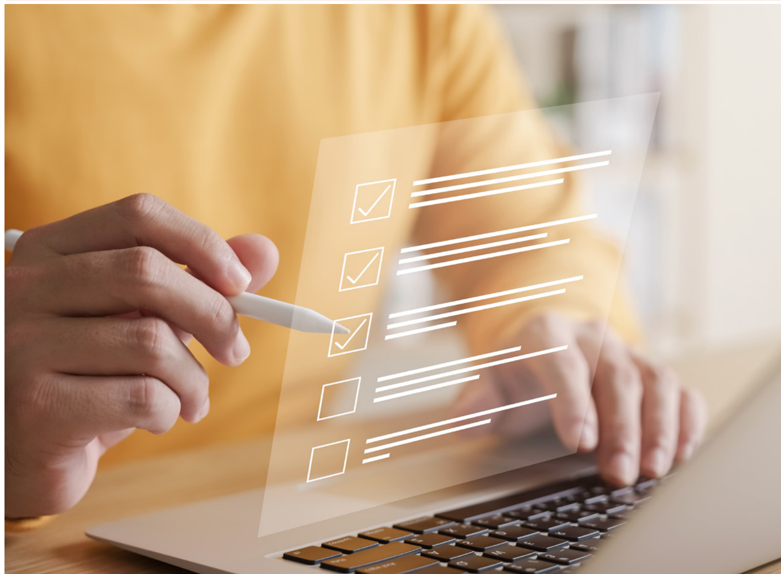

5 Revision and preparation

Planning your revision

Start planning your revision in plenty of time for the exams so you can develop a revision technique that works for you. A well-structured revision plan can give you the best chance of success in your examinations.

Identify the time you will spend revising and schedule time for revision.

Create a revision plan: a weekly plan will include the detail of what you will revise in the weeks up to the examination. This can then be broken down into a daily planner which will include more detail.

Write the dates and times of the examinations you are taking, in a calendar, diary or planner.

Work out how much time you have before each examination, so you can leave yourself plenty of time to revise.

Plan to go back to your class notes and what you have already revised to recall information and keep everything fresh in your mind. Do not only recall words and definitions, make sure you recall main ideas, how things are related or different from one another, and new examples.

It is important to have breaks to stay alert and productive

- Include one rest day per week, or break this up into shorter rest breaks across a week.
- Include at least two hours of rest before bedtime; working too late is unlikely to be productive.
- Take regular breaks during revision; revising for hours without a break will overload you.
- Have short revision sessions and short breaks between each session.
- Know ways to relax during your breaks; for example, physical exercise can be good during breaks.

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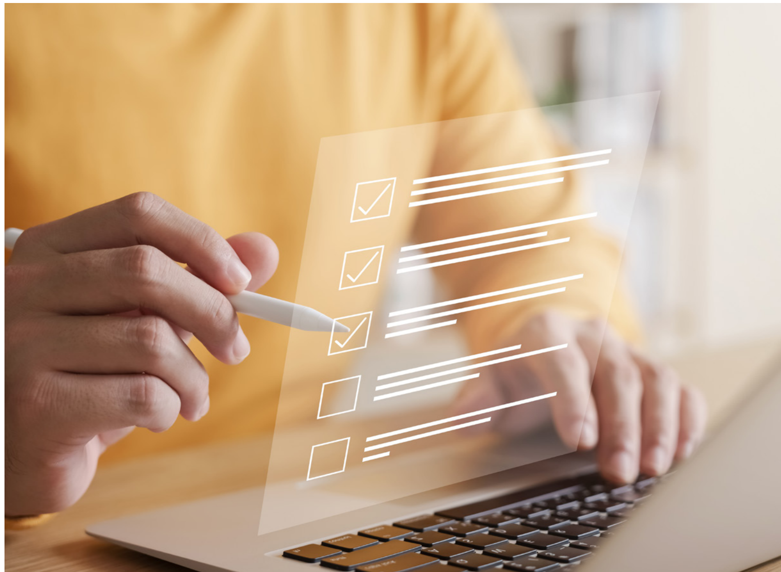

It is important to be flexible and realistic

- Include most days leading up to the exams and include any days or times when you are not able to revise (for example due to attending school, eating meals, participating in sports and hobbies).
- Be honest with yourself about how much time you can really spend revising.

Revision plans

There are many different planners, calendars and timetables you can use to plan your revision. The plans provided here are just examples. The **Weekly plan** includes an overview of a week of revision leading up to the first examination. The **Daily plan** includes the detail of what you will be revising each day.

Weekly plan

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Morning							
Afternoon							
Evening							

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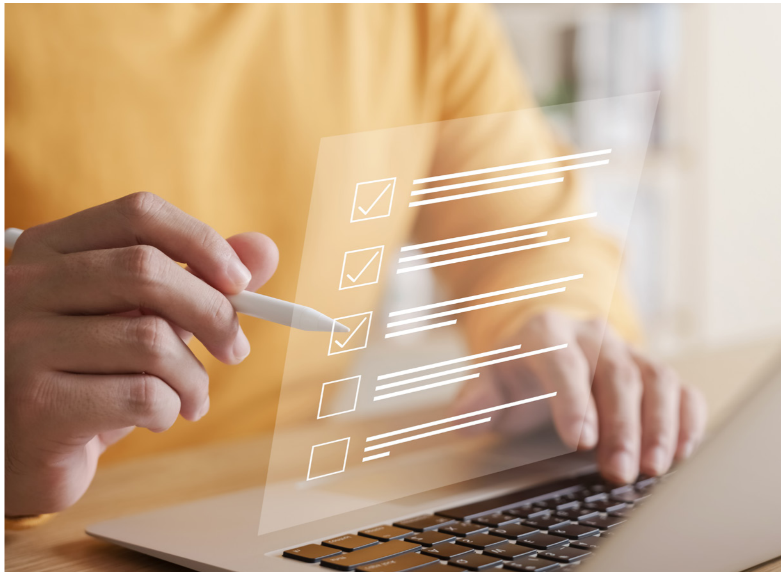

Daily plan

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
08:00 – 09:00							
09:00 – 10:00							
10:00 – 11:00							
11:00 – 12:00							
12:00 – 13:00							
13:00 – 14:00							
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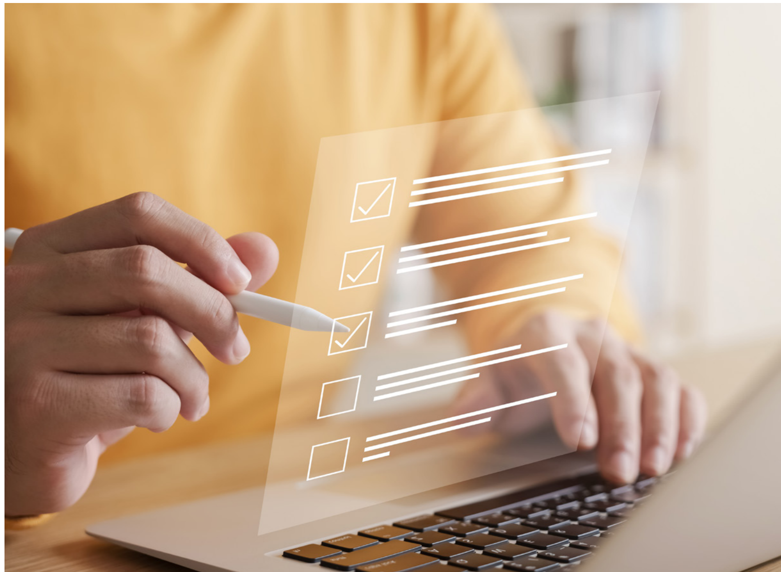


Some revision techniques

Mind maps

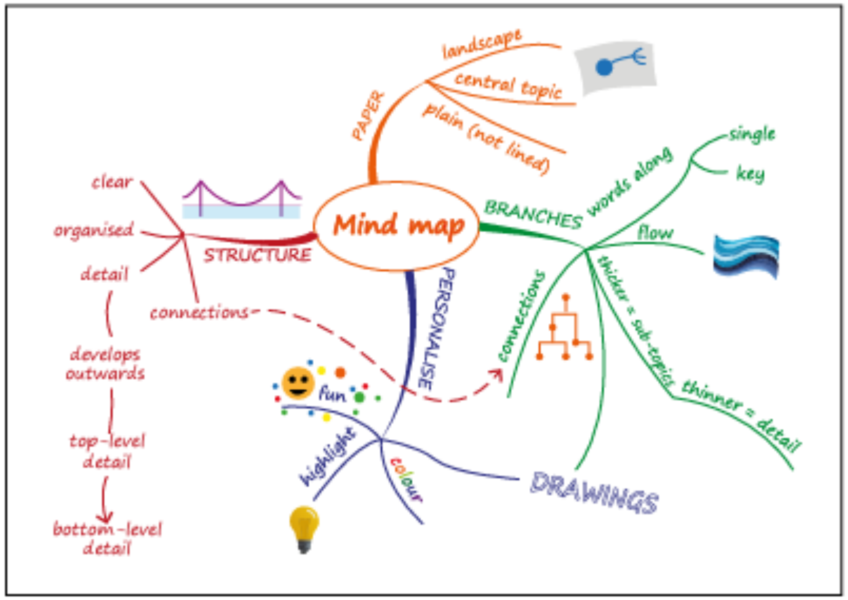
Mind maps are a great way to revise the links between different factors or to explore a larger topic.

They can also be used to brainstorm your ideas.

1. Use a blank sheet of paper and turn it on its side (landscape).
2. Put the topic title in the middle of the page and build the mind map outwards using lines called 'branches'.
   - The first branches are from the central topic to sub-topics; draw these as thick lines.
   - Add new branches from the sub-topics to include more detail; draw these as thinner lines.
   - Add even more detail to a point by adding more branches.

   This creates a hierarchy of information from 'overview' (the thick branches) to 'fine detail' (thinnest branches).
3. Write single key words or phrases along a branch and add drawings for visual impact.
4. Use different colours, highlighter pens, symbols and arrows to highlight key facts or issues.

It is a good idea to use a large piece of plain paper and lots of coloured pens.



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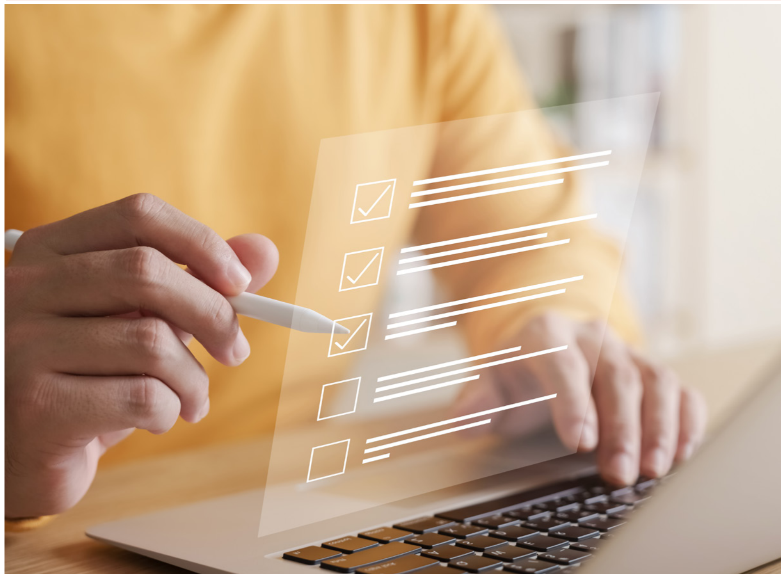
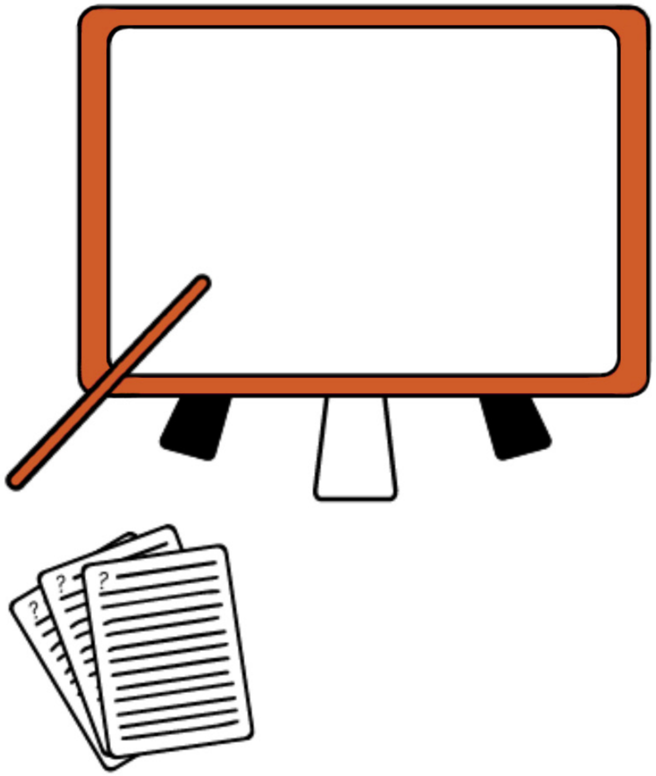


Teach the topic

This is a very simple but effective technique that focuses on knowledge recall. It tests the brain and rehearses the information you need to know for a certain topic and so will help your revision.

1. Create some topic cards with key points of information on. Leave space for ticks.
2. Give these to your parents, family, friends or whoever you want.
3. Give yourself 10 minutes maximum to teach your audience the main points of the topic. You could use a mini-whiteboard or flipchart to help.
4. Your audience ticks off all the points you mention in your presentation and give you a final score.

The brain loves competition, so if you do not score full marks you can repeat and try again the next day or compete against friends. This system of repeat and rehearsal is very effective, especially with more complex topics, and does not take much preparation.



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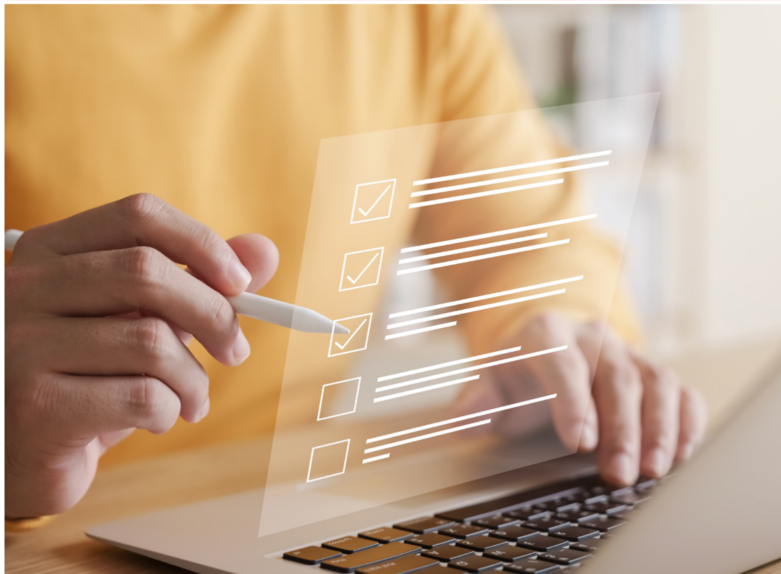
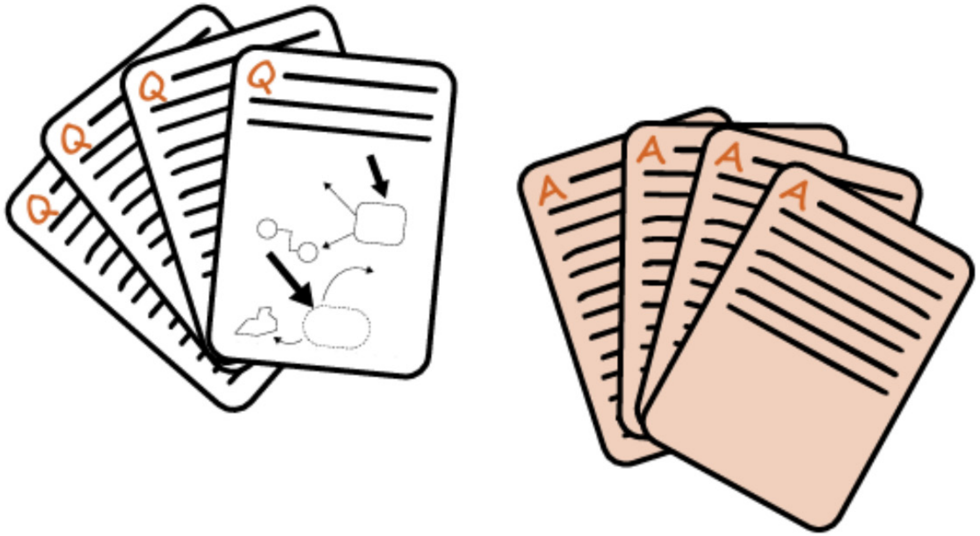


Question and answer (Q & A) cards

This is very similar to 'Teach the topic', but less formal and less public for those who dislike performing in front of others. It tests knowledge recall and rehearses the information you need to know for a certain topic.

1. Pick a topic and create two sets of cards: question cards and answer cards. You might find it helpful to make the question cards a different size or use different coloured card for answers.
2. Make sure you have the topic, or something appropriate depending on what you are focusing on, as a heading on each card. The questions should test your knowledge and understanding of key areas of the course.
3. A friend or family member uses the cards to test you in short 5- or 10-minute periods at any time during the day.
4. You could also do this alone by reading the questions to yourself, giving the answer and then checking the correct answer card.
5. This game can be adapted by using the cards to find matching pairs: turn all cards face down across the space in front of you. Turn over two cards, leaving them where they are. If they match (one is a question card and the other is the corresponding answer card) pick up the pair and put them to one side. If they do not match, try to remember where they are and what is on each card, then turn them back over. Turn over two other cards. Continue until you have matched all pairs.



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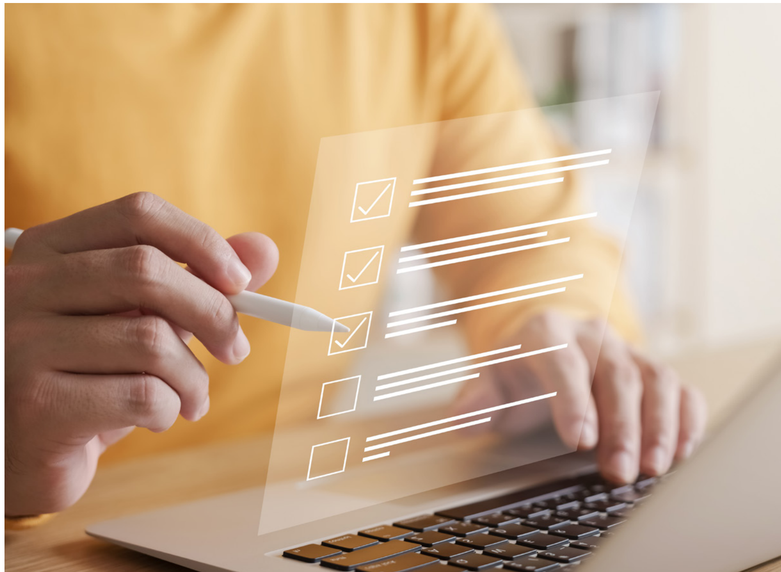

Question paper and mark schemes

Looking at past question papers and the mark scheme helps to familiarise yourself with what to expect and what the standard is.

1. Ask your teacher for past paper questions with mark schemes for the course; ask your teacher for help to make sure you are answering the correct questions and to simplify the mark scheme.
2. Identify which topic a given question relates to so that you have a bank of questions for each topic; you might need to ask your teacher to help you do this.
3. Once you have finished revising a topic or unit, time yourself answering some appropriate exam questions. Check the mark schemes to see how well you would have scored or give the answers to your teacher to check.
4. Add details or notes to the mark scheme where you missed out on marks in your original answers using a different coloured pen. Use these notes when you revise and try the question again later.

You can find plenty of past exam papers and mark schemes on the Cambridge website.

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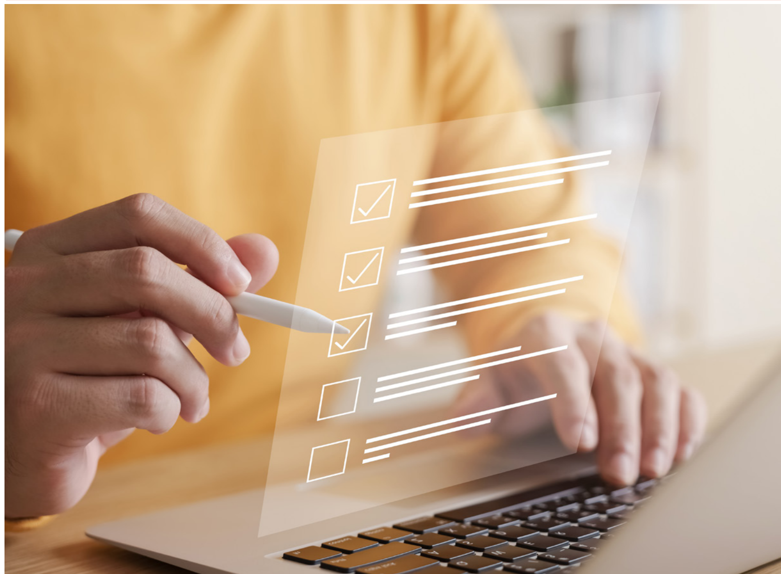

6 Revision checklist

The following checklists include information from the syllabus that you should revise. The lists do not contain all the detailed knowledge you need to know, just an overview. For more detail, see the syllabus and talk to your teacher.

When you have revised something from the checklist, use the R, A and G tick boxes to record how confident you feel about it:

R (RED) means you are unsure and lack confidence in that area; you may want to focus your revision here and possibly talk to your teacher for help.

A (AMBER) means you are reasonably confident in a topic but need some extra practice.

G (GREEN) means you are very confident in a topic.

As your revision progresses, you can concentrate on the RED and AMBER topics to turn them into GREEN topics. You might find it helpful to highlight each topic in red, orange or green to help you prioritise.

You can use the 'Comments' column to:

- add more information about the details for each point
- include a reference to a useful resource
- add learning aids such as rhymes, poems or word play
- highlight areas of difficulty or things you need to talk to your teacher about.

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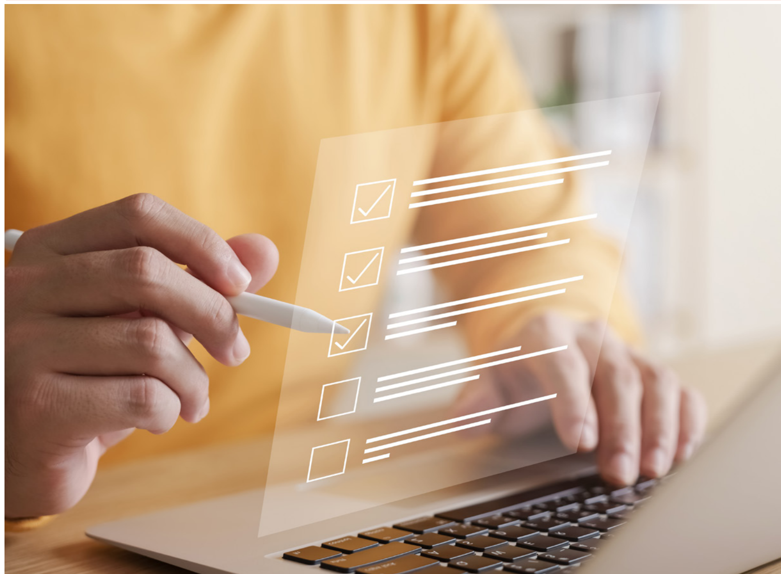

Paper 1 Multiple Choice

Paper 2 Structured Questions

Topic 1: The basic economic problem

This topic introduces the fundamental ideas and concepts that underpin the study of economics, including the basic economic problem, factors of production, opportunity cost and production possibility curves.

Syllabus content	What do you know?	R	A	G	Comments
1.1 The nature of the basic economic problem	1.1.1 Finite resources and infinite wants • definition of the basic economic problem • the concept of scarcity • examples of the basic economic problem in the context of: – consumers – workers – producers/firms – governments	☐	☐	☐	
	1.1.2 Resource allocation decisions The three basic economic questions which determine resource allocation: • what to produce • how to produce • who to produce for	☐	☐	☐	
	1.1.3 Economic goods and free goods • the difference between economic goods and free goods	☐	☐	☐	

Syllabus content	What do you know?	R	A	G	Comments
1.2 Factors of production	1.2.1 Factors of production and their rewards • definitions of factors of production: land, labour, capital and enterprise • rewards to factors of production: rent, wages, interest and profit	☐	☐	☐	
	1.2.2 Quantity and quality of factors of production • causes of changes in the quantity and quality of factors of production	☐	☐	☐	
1.3 Opportunity cost	1.3.1 Opportunity cost • definition of opportunity cost • examples of opportunity cost in different contexts	☐	☐	☐	
	1.3.2 The influence of opportunity cost on decision-making • decisions made by consumers, workers, producers/firms and governments when allocating their resources	☐	☐	☐	
1.4 Production possibility curve (PPC) diagrams	1.4.1 Production possibility curves (PPC) • Definition • drawing and interpretation of the PPC diagram	☐	☐	☐	
	1.4.2 Points under, on and beyond a PPC • the significance of the location of different production points	☐	☐	☐	
	1.4.3 Movements along a PPC • the significance of movements along a PPC and opportunity cost	☐	☐	☐	
	1.4.4 Shifts of a PPC • causes and consequences of shifts of a PPC in terms of an economy's growth	☐	☐	☐	

Topic 2: The allocation of resources

This topic considers the fundamental principles of resource allocation through the price mechanism in a market economy. The market forces of demand and supply, market equilibrium and disequilibrium, and elasticity, form the core of this topic.

Syllabus content	What do you know?	R	A	G	Comments
2.1 The role of markets in allocating resources	2.1.1 How markets work • definition of a market • examples of markets • roles of buyers and sellers	☐	☐	☐	
2.2 Demand	2.2.1 Individual and market demand • definition of demand • link between individual demand and market demand • drawing and interpretation of the demand diagram	☐	☐	☐	
	2.2.2 Movements along a demand curve • causes of extensions and contractions in demand • diagrams that illustrate movements along a demand curve	☐	☐	☐	
	2.2.3 Shifts of a demand curve • causes of decreases and increases in demand • diagrams that illustrate shifts of a demand curve	☐	☐	☐	

Syllabus content	What do you know?	R	A	G	Comments
2.3 Supply	2.3.1 Individual and market supply • definition of supply • link between individual supply and market supply • drawing and interpretation of the supply diagram				
	2.3.2 Movements along a supply curve • causes of extensions and contractions in supply • diagrams that illustrate movements along a supply curve				
	2.3.3 Shifts of a supply curve • causes of decreases and increases in supply • diagrams that illustrate shifts of a supply curve				
2.4 Price determination	2.4.1 Price mechanism • how the price mechanism provides answers to the basic resource allocation decisions of what, how and for whom produce				
	2.4.2 Market equilibrium • equilibrium price and equilibrium quantity in a market: – definition of market equilibrium – interpretation of equilibrium using demand and supply schedules – drawing and interpretation of equilibrium using demand and supply curves				
	2.4.3 Market disequilibrium • disequilibrium prices and quantities: – definition of market disequilibrium – interpretation of disequilibrium using demand and supply schedules – drawing and interpretation of disequilibrium using demand and supply curves • shortages (demand exceeding supply) and surpluses (supply exceeding demand)				

Syllabus content	What do you know?	R	A	G	Comments
2.5 Price changes	2.5.1 Causes of price changes • how price changes are caused by changes in demand and supply 2.5.2 Consequences of price changes • effect of price changes on sales • use of demand and supply diagrams to illustrate the impact of changes in market conditions				
2.6 Price elasticity of demand (PED)	2.6.1 Definition of PED 2.6.2 Calculation of PED • calculation of PED using the formula • interpretation of the significance of the PED value: perfectly inelastic, inelastic, unitary, elastic, perfectly elastic • drawing and interpretation of demand curve diagrams to show different PED 2.6.3 Determinants of PED • main influences on whether demand is elastic or inelastic 2.6.4 PED, consumer expenditure and firms' revenue • effect of price changes on the amount spent by consumers and revenue raised by firms, shown both in a diagram and as a calculation • relationship between PED and the amount spent by consumers and revenue raised by firms 2.6.5 Significance of PED • implications of PED for decision-making by consumers, workers, producers/firms and government				

Syllabus content	What do you know?	R	A	G	Comments
2.7 Price elasticity of supply (PES)	2.7.1 Definition of PES	☐	☐	☐	
	2.7.2 Calculation of PES • calculation of PES using the formula • interpretation of the significance of the PES value: perfectly inelastic, inelastic, unitary, elastic, perfectly elastic • drawing and interpretation of supply curve diagrams to show different PES	☐	☐	☐	
	2.7.3 Determinants of PES • main influences on whether supply is elastic or inelastic	☐	☐	☐	
2.8 Market economic system	2.8.1 Definition of the market economic system	☐	☐	☐	
	2.8.2 Arguments for and against the market economic system • advantages of the market economic system • disadvantages of the market economic system	☐	☐	☐	

Syllabus content	What do you know?	R	A	G	Comments
2.9 Market failure	2.9.1 Definition of market failure				
	2.9.2 Definitions of terms associated with market failure: • public goods, merit goods, demerit goods, private benefits, external benefits, social benefits, private costs, external costs, social costs, monopoly				
	2.9.3 Causes of market failure • causes relating to public goods, merit goods, demerit goods, external costs and external benefits, abuse of monopoly power				
	2.9.4 Consequences of market failure • implications of misallocation of resources in relation to: – the over-consumption of demerit goods and goods with external costs – the under-consumption of merit goods and goods with external benefits – the non-provision of public goods – restricted supply causing higher prices under a monopoly **Note:** demand and supply diagrams relating to market failure are not required.				

Syllabus content	What do you know?	R	A	G	Comments
2.10 Mixed economic system	2.10.1 Definition of the mixed economic system				
	2.10.2 Arguments for and against the mixed economic system • advantages of the mixed economic system • disadvantages of the mixed economic system				
	2.10.3 Government intervention to address market failure • definitions, drawing and interpretation of diagrams, advantages and disadvantages of: – maximum and minimum prices in product markets – indirect taxation – subsidies • definitions, advantages and disadvantages of: – regulation – privatisation – nationalisation – direct provision of goods and services – quotas, e.g. for the extraction of natural resources				

Paper 1 Multiple Choice
Paper 2 Structured Questions

Topic 3: Microeconomic decision-makers

The approach to learning about the microeconomy taken in this topic is through the role of the major decision-makers: banks, households, workers and producers/firms.

Syllabus content	What do you know?	R	A	G	Comments
3.1 Money and banking	3.1.1 Money • forms, functions and characteristics of money				
	3.1.2 Banking • role and importance of central banks • role and importance of commercial banks				
3.2 Households	3.2.1 Influences on households' spending, saving and borrowing • Income • rate of interest • confidence • age • culture				

Syllabus content	What do you know?	R	A	G	Comments
3.3 Workers	3.3.1 Factors affecting an individual's choice of occupation • wage and non-wage factors				
	3.3.2 Wage determination • influences of the demand for labour and the supply of labour • trade unions and their relative bargaining power • government policy, including national minimum wage (NMW) • drawing and interpretation of diagrams that illustrate the effects of: – changes in demand and supply in the labour market – national minimum wages				
	3.3.3 Reasons for differences in wages • reasons for differences: – demand for and supply of labour – relative bargaining strengths – discrimination, e.g. male/female – government policy • how these reasons influence the wages of workers, depending on: – level of skills of workers – economic sector workers operate in: primary/secondary/tertiary – discrimination between workers, e.g. male/female – whether the worker is working in the private sector or public sector				
	3.3.4 Mobility of labour • causes of changes in the occupational and geographical mobility of labour • consequences of changes in the occupational and geographical mobility of labour				
	3.3.5 Division of labour • definition of division of labour (worker specialisation) • advantages and disadvantages of division of labour				

Syllabus content	What do you know?	R	A	G	Comments
3.4 Firms	3.4.1 Different types of firms • primary/secondary/tertiary sector firms • private sector/public sector firms • advantages and disadvantages of small and large firms				
	3.4.2 Mergers • definitions, examples, advantages and disadvantages of different types of mergers: horizontal, vertical and conglomerate				
	3.4.2 Economies and diseconomies of scale • how internal and external economies and diseconomies of scale can affect a firm/industry as the scale of production changes • drawing and interpretation of average total cost (ATC) diagrams to illustrate economies and diseconomies of scale				
3.5 Firms and production	3.5.1 Demand for factors of production • influences to include demand for the product, the price of different factors of production, their availability and their productivity				
	3.5.2 Labour-intensive and capital-intensive production • reasons for adopting the different forms of production • advantages and disadvantages of the different forms of production				
	3.5.3 Production and productivity • the difference between production and productivity • influences on production and productivity • effects of changes in investment on productivity				

Syllabus content	What do you know?	R	A	G	Comments
3.6 Firms' costs, revenue and objectives	3.6.1 Definitions of costs of production • total cost (TC), average total cost (ATC), fixed cost (FC), average fixed cost (AFC), variable cost (VC), average variable cost (AVC)				
	3.6.2 Calculation of costs of production • calculation of TC, ATC, FC, AFC, VC and AVC • drawing and interpretation of diagrams that show how changes in output affect costs of production				
	3.6.3 Definition of revenue • definitions of total revenue (TR) and average revenue (AR)				
	3.6.4 Calculation of revenue • calculation of TR and AR • the influence of sales on revenue				
	3.6.5 Objectives of firms • survival, social welfare, profit maximisation and growth				
3.7 Types of markets	3.7.1 Competitive markets • characteristics, advantages and disadvantages of competitive markets • effect of having a high number of firms on price, quality, choice, profit **Note:** diagrams / perfect or imperfect competition theory are not required.				
	3.7.2 Monopoly markets • characteristics, advantages and disadvantages of monopoly markets • effect of having only one firm on price, quality, choice, profit **Note:** diagrams are not required.				

Paper 1 Multiple Choice
Paper 2 Structured Questions

Topic 4: Government and the macroeconomy

This topic considers fiscal, monetary and supply-side policy measures used by governments, and examines the measurement, as well as the causes and consequences, of economic growth, unemployment and inflation.

Syllabus content	What do you know?	R	A	G	Comments
4.1 Government macroeconomic intervention	4.1.1 Macroeconomic aims • the macroeconomic aims of government: – economic growth – full employment/low unemployment – stable prices/low inflation – balance of payments stability – redistribution of income – environmental sustainability • reasons behind the choice of aims and the criteria that governments may set for meeting each aim • possible conflicts between macroeconomic aims: – full employment and stable prices – economic growth and environmental sustainability – full employment and balance of payments stability				

Syllabus content	What do you know?	R	A	G	Comments
4.2 Fiscal policy	4.2.1 Government budget • definitions of: – government budget – government budget deficit – government budget surplus • calculations of the size of a government budget deficit/surplus				
	4.2.2 Reasons for government spending • main areas of government spending and the reasons for and effects of spending in these areas				
	4.2.3 Taxation • reasons for taxation: raising revenue, discouraging consumption of demerit goods, reducing imports, redistributing income, influencing total demand, encouraging environmental sustainability • examples of the different classifications of tax: progressive, regressive, proportional; direct, indirect • impact of taxation on consumers, workers, producers/firms, the government and the economy				
	4.2.4 Definition of fiscal policy				
	4.2.5 Fiscal policy measures • changes in: – taxes – government spending				
	4.2.6 Effects of fiscal policy on government macroeconomic aims • how fiscal policy measures may enable a government to achieve its macroeconomic aims				

Syllabus content	What do you know?	R	A	G	Comments
4.3 Monetary policy	4.3.1 Definitions of money supply and monetary policy	☐	☐	☐	
	4.3.2 Monetary policy measures • changes in: – interest rate – money supply – foreign exchange rate	☐	☐	☐	
	4.3.3 Effect of monetary policy on government macroeconomic aims • how monetary policy measures may enable a government to achieve its macroeconomic aims	☐	☐	☐	
4.4 Supply-side policy	4.4.1 Definition of supply-side policy	☐	☐	☐	
	4.4.2 Supply-side policy measures • education and training • infrastructure spending • labour market reforms • lower direct taxes • deregulation • improving incentives to work and invest • privatisation	☐	☐	☐	
	4.4.3 Effects of supply-side policy measures on government macroeconomic aims • how supply-side policy measures may enable a government to achieve its macroeconomic aims	☐	☐	☐	

Syllabus content	What do you know?	R	A	G	Comments
4.5 Economic growth	4.5.1 Definition of economic growth				
	4.5.2 Measurement of economic growth • real Gross Domestic Product (GDP)				
	4.5.3 Causes and consequences of economic growth • how economic growth may be caused by an increase in total demand, an increase in the quantity of resources or an increase in the quality of resources • advantages and disadvantages of economic growth				
	4.5.4 Causes and consequences of recession • definition of recession • how a recession may be caused by a decrease in total demand, a decrease in the quantity of resources or a decrease in the quality of resources • consequences of recession for consumers, workers, producers/firms and the government				
	4.5.5 Policies to promote economic growth • the range of policies available to promote economic growth and their effectiveness				

Syllabus content	What do you know?	R	A	G	Comments
4.6 Employment and unemployment	4.6.1 Definitions of employment, unemployment and full employment				
	4.6.2 Measurement of unemployment • how unemployment is measured (labour force survey) • formula for the unemployment rate				
	4.6.3 Causes/types of unemployment • frictional unemployment • structural unemployment • cyclical unemployment • seasonal unemployment				
	4.6.4 Consequences of unemployment • consequences of unemployment for the individual, producers/firms, the government and the economy				
	4.6.5 Policies to reduce unemployment • the range of policies available to reduce unemployment and their effectiveness				

Syllabus content	What do you know?	R	A	G	Comments
4.7 Inflation	4.7.1 Definitions of inflation and deflation	☐	☐	☐	
	4.7.2 Measurement of inflation • measurement of inflation using the Consumer Prices Index (CPI)	☐	☐	☐	
	4.7.3 Causes of inflation • demand-pull • cost-push	☐	☐	☐	
	4.7.4 Consequences of inflation • how inflation affects savers, lenders and borrowers • consequences of inflation for consumers, workers, producers/ firms and the economy	☐	☐	☐	
	4.7.5 Policies to control inflation • the range of policies available to control inflation and their effectiveness	☐	☐	☐	

Paper 1 Multiple Choice
Paper 2 Structured Questions

Topic 5: Economic development

This topic explores the effects of changes in the size and structure of population, and other influences on development, in a variety of countries.

Syllabus content	What do you know?	R	A	G	Comments
5.1 Living standards	5.1.1 Indicators of living standards • real Gross Domestic Product (GDP) per head • Human Development Index (HDI) and its components • advantages and disadvantages of real GDP per head and HDI as indicators	☐	☐	☐	
	5.1.2 Comparing living standards and income distribution • reasons for differences in living standards and income distribution within and between countries	☐	☐	☐	

Syllabus content	What do you know?	R	A	G	Comments
5.2 Poverty	5.2.1 Definitions of absolute and relative poverty • difference between absolute poverty and relative poverty				
	5.2.2 Causes of poverty • Unemployment • low wages • illness • age • environmental factors				
	5.2.3 Policies to alleviate poverty and redistribute income • promoting economic growth • improved education • improved healthcare provision • more generous state benefits • progressive taxation • national minimum wage (NMW)				
5.3 Population	5.3.1 Factors that affect population growth • definitions of: – birth rate – death rate – net migration, immigration and emigration • how birth rates, death rates and net migration can vary between countries • reasons why birth rates, death rates and net migration rates can vary between countries				
	5.3.2 The effects of changes in the size and structure of populations • the concept of an optimum population • the effects of increases and decreases in population size and changes in the age and gender distribution of population				

Syllabus content	What do you know?	R	A	G	Comments
5.4 Differences in economic development between countries	5.4.1 Causes and consequences of international differences • differences in: – income – productivity – population growth – size of primary, secondary and tertiary sectors – saving and investment – education – healthcare – natural resources				

Paper 1 Multiple Choice

Paper 2 Structured Questions

Topic 6: International trade and globalisation

This topic considers the importance of trade between countries and the causes and consequences of globalisation. It covers a range of international trade principles such as specialisation, the role of free trade, the role of multinational companies, foreign exchange rates and balance of payments stability.

Syllabus content	What do you know?	R	A	G	Comments
6.1 Specialisation and free trade	6.1.1 Specialisation by country • definition of specialisation by country • the basis for specialisation by country in terms of the best resource allocation and/or low-cost production • advantages and disadvantages of specialisation	☐	☐	☐	
	6.1.2 Free trade • definition of free trade • advantages and disadvantages of free trade	☐	☐	☐	

Syllabus content	What do you know?	R	A	G	Comments
6.2 Globalisation and trade restrictions	6.2.1 Definition of globalisation 6.2.2 Causes and consequences of changes in globalisation • causes of changes in globalisation: – changes in trade restrictions – changes in transport costs – changes in communication costs – movement of multinational companies (MNCs) • effects of changes in globalisation on: – international trade – competition – the environment – migration – income distribution – economic development 6.2.3 Role of multinational companies (MNCs) • MNCs and their advantages and disadvantages to host countries and home countries 6.2.4 Types of trade restrictions / methods of protection • tariffs • import quotas • subsidies • embargoes				

Syllabus content	What do you know?	R	A	G	Comments
6.2 Globalisation and trade restrictions	6.2.5 Reasons for trade restrictions • protect infant (sunrise) industries • protect declining (sunset) industries • protect strategic industries • avoid dumping • reduce a deficit on the current account of the balance of payments • raise tax revenue • restrict the import of demerit goods • promote environmental sustainability				
	6.2.6 Consequences of trade restrictions • impact of trade restrictions on the home country and its trading partners • advantages and disadvantages of restricting free trade				

Syllabus content	What do you know?	R	A	G	Comments
6.3 Foreign exchange rates	6.3.1 Definition of foreign exchange rate	☐	☐	☐	
	6.3.2 Reasons for buying and selling foreign currencies • trade in goods and services • speculation • government intervention in currency markets • payment of profit, interest and dividends between countries • workers' remittances • investment in capital goods between countries	☐	☐	☐	
	6.3.3 Determination of foreign exchange rate in foreign exchange market • definitions of floating exchange rate, appreciation and depreciation • the demand for and supply of a currency • the determination of the equilibrium foreign exchange rate • causes of foreign exchange rate fluctuations – changes in demand for exports and imports – changes in the interest rate – speculation	☐	☐	☐	
	6.3.4 Consequences of changes in foreign exchange rates • effects of changes in foreign exchange rates on prices and demand for exports and imports	☐	☐	☐	

Syllabus content	What do you know?	R	A	G	Comments
6.4 Current account of the balance of payments	6.4.1 Structure of the current account of the balance of payments • components of the current account of the balance of payments: – trade in goods – trade in services – primary income – secondary income • calculation of deficits and surpluses on the current account of the balance of payments and its component sections				
	6.4.2 Causes of current account deficit and surplus • reasons for current account deficits and surpluses				
	6.4.3 Consequences of current account deficit and surplus • impact on GDP, employment, inflation and foreign exchange rate				
	6.4.4 Policies to achieve balance of payments stability • the range of policies available to achieve balance of payments stability and their effectiveness				

Cambridge International Education
The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA, United Kingdom
t: +44 1223 553554
e: info@cambridgeinternational.org www.cambridgeinternational.org