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Course Outline

AS Economics

Year 12

*Inspiring excellence, empowering global minds*

### Syllabus overview Aims.

The aims describe the purposes of a course based on this syllabus.

The aims are to enable students to:

- know and understand the terminology, concepts, theories and principles of economics
- express ideas in writing and using statistics and diagrams, or other methods, where appropriate
- develop the habit of using works of reference as sources of information specific to economics
- read critically to gain information about the changes in the wider economic and social environment
- appreciate the methods of study that economists use, and the most effective ways economic information may be analysed, correlated, discussed, evaluated and presented
- develop an interest in and enthusiasm for economics that could lead to further study

### Learning Outcomes Overview

- The learning outcomes for AS Pearson Economics are designed to equip students with a comprehensive understanding of economic principles and their application in real-world scenarios. Key outcomes include the ability to:
- Understand Economic Principles: Students will grasp fundamental concepts such as scarcity, opportunity cost, supply and demand, and the role of markets in resource allocation
- Analyze Economic Data: Learners will develop skills to interpret and analyze economic data, utilizing graphical representations and statistical methods to support their arguments.
- Evaluate Economic Policies: Students will assess the effectiveness and implications of various government policies, including fiscal and monetary measures, and their impact on economic performance.
- Explore Market Structures: An understanding of different market structures, including perfect competition, monopolistic competition, oligopoly, and monopoly, will enable students to analyze business behavior and market outcomes.
- Examine Global Economics: Students will explore international trade, exchange rates, and the effects of globalization, understanding how these factors influence domestic economies.

### Ongoing Objectives

At the AS level, the study of economics serves as a fundamental exploration of how economies operate. This educational program is designed to equip students with a comprehensive understanding of the essence of economics, its underlying goals, and the central participants within the economic sphere. Through this course, students acquire the vital language and analytical instruments required to grasp economic mechanisms and assess economic choices effectively.

## Unit Overview

### Term 1

#### Section 1- Introductory concepts

Approximate length: 4 weeks

Introductory concepts in AS Economics lay the foundation for understanding economic principles and the functioning of economies. Key concepts include scarcity, which refers to the limited nature of resources compared to unlimited human wants, necessitating choices and trade-offs. Opportunity cost represents the value of the next best alternative forgone when a decision is made, highlighting the importance of evaluating trade-offs in resource allocation. Supply and demand are fundamental concepts that describe how prices are determined in a market; demand refers to the quantity of a good consumers are willing to purchase at various prices, while supply reflects the quantity producers are willing to sell. The interaction between supply and demand establishes market equilibrium, where quantity supplied equals quantity demanded. Additionally, market failure occurs when the allocation of resources is not efficient, leading to issues such as externalities, public goods, and information asymmetry. Understanding these introductory concepts is crucial for analyzing more complex economic theories and real-world applications, facilitating a deeper comprehension of how economies operate and the challenges they face.

#### **Objectives Covered:**

##### 1.1 The nature of economics

- a) Economics as a social science: inability to conduct scientific experiments.
- b) The development of models in economics based on assumptions.
- c) The use of the ceteris paribus assumption in building models and drawing conclusions based on them.

##### 1.2 Positive and normative economics

- a) The distinction between positive statements and value judgements on economic issues.
- b) The role of value judgements in influencing economic decision making and policy.

##### 1.3 Scarcity

- a) The problem of unlimited wants and finite resources.
- b) The distinction between renewable and non-renewable resources.
- c) The link between scarcity and opportunity cost.
- d) The distinction between free goods and economic goods.

##### 1.6 Production possibility frontiers

- a) The use of production possibility frontiers to depict:
  - the maximum productive potential of an economy
  - efficient or inefficient allocation of resources
  - possible and unobtainable production
  - opportunity cost (using marginal analysis)
  - economic growth and decline.

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- b) The distinction between movements along, and shifts in, production possibility frontiers, and their possible causes.
- c) The distinction between capital goods and consumer goods.
- d) The significance of capital goods for productivity and economic growth.

### 1.7 Specialisation and the role of money and financial markets

- a) The advantages and disadvantages of specialisation and the division of labour in organizing production; Adam Smith's views on the division of labour.
- b) The function of money as a medium of exchange, a measure and store of value, and a method of deferred payment; the significance of these functions for specialisation.
- c) The role of financial markets:
  - to facilitate saving
  - to make funds available to businesses and individuals
  - to facilitate the exchange of goods and services
  - to provide forward markets in commodities and currencies
  - to provide a market for equities.

### 1.8 Free market, mixed and command economies

- a) The distinction between free market, mixed and command economies.
- b) The advantages and disadvantages of free market and command economies.
- c) The role of the state in a mixed economy.

## **Section 2- Consumer behaviour and demand**

**Approximate length: 4 weeks**

### 2.1. Rational decision making

- a) The assumption of rationality in decision making consumers aim to maximise utility by making rational choices; firms aim to maximise profits.
- b) Reasons why consumers may not aim to maximise utility:
  - the influence of other people's behaviour (herding)
  - habitual behaviour
  - inertia
  - poor computational skills
  - the need to feel valued
  - framing and bias.

### 2.2. The demand curve

- a) The concept of 'demand'.
- b) The distinction between movements along a demand curve and shifts of a demand curve.
- c) The concept of diminishing marginal utility and its significance for the shape of the individual demand curve.
- d) Factors that may cause a shift in the demand curve:
  - changes in the price of substitutes or complementary goods
  - changes in real income
  - changes in tastes
  - changes in size and age distribution of the population
  - advertising.

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2.3. Price, income and cross-elasticities of demand

- a) The concepts of 'price', 'income' and 'cross-elasticities of demand'.
- b) How to use formulae to calculate price, income and cross-elasticities of demand.
- c) Interpretation of numerical values of price elasticity of demand:
  - perfectly price elastic demand
  - price elastic demand
  - unitary price elastic demand
  - price inelastic demand
  - perfectly price inelastic demand.
- d) The factors influencing price elasticity of demand:
  - availability of substitutes
  - branding
  - percentage of total expenditure
  - addictiveness of product
  - durability of product.
- e) How to calculate total revenue.
- f) How price elasticity of demand varies along a straight-line demand curve.

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  - branding
  - percentage of total expenditure
  - addictiveness of product
  - durability of product.
- e) How to calculate total revenue.
- f) How price elasticity of demand varies along a straight-line demand curve.
- g) The relationship between price elasticity of demand and total revenue.
- h) Interpretation of numerical values of income elasticity of demand:
  - perfectly income elastic demand
  - income elastic demand
  - income inelastic demand
  - perfectly income inelastic demand
  - the distinction between normal goods and inferior goods.
- i) Interpretation of numerical values of cross elasticity of demand. Significance for the degree to which goods are:
  - substitutes
  - complements

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- unrelated.

j) The significance of price, income and cross-elasticities of demand for firms, consumers and the government.

### 2.5. The supply curve

a) The concept of 'supply'.

b) The distinction between movements along a supply curve and shifts of a supply curve.

c) Factors that may cause a shift in the supply curve:

- changes in the costs of production
- the introduction of new technology
- indirect taxes (specific and ad valorem)
- government subsidies

### 2.6. Price elasticity of supply

a) The concept of 'price elasticity of supply'.

b) Calculation and interpretation of numerical values of price elasticity of supply:

- perfectly elastic supply
- elastic supply
- unitary elastic supply
- inelastic supply
- perfectly inelastic supply.

c) Factors that influence price elasticity of supply:

- the time period
- availability of stock/perishability
- mobility of factors of production
- legal constraints
- capacity.

d) The distinction between the short run and long run in economics and its significance for price elasticity of supply.

### 2.7. Price determination

a) Equilibrium price and quantity, and how they are determined.

b) Causes of changes in the equilibrium price and quantity as a result of shifts in demand and supply curves.

c) The operation of market forces to eliminate excess demand and excess supply.

d) The distinction between consumer and producer surplus.

e) How changes in demand or supply might affect consumer and producer surplus.

f) The rationing, incentive and signaling functions of the price mechanism for allocating scarce resources.

g) The price mechanism in the context of different types of markets, including local, national and global markets.

h) The impact of indirect taxes on consumers, producers and the government.

i) The incidence of indirect taxes on consumers and producers.

j) The impact of subsidies on consumers, producers and the government.

k) The incidence of subsidies on consumers and producers.

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2.8. Market failure

- a) Why market failure occurs: too much or too little of a good is produced and/or consumed compared to the socially optimal level of output.
  - Sources of market failure:
  - externalities
  - the free-rider problem; non-provision of public goods
  - imperfect market information
  - moral hazard
  - speculation and market bubbles.
- b) The distinction between private benefits, external benefits and social benefits.
- c) The distinction between private costs, external costs and social costs.
- d) The distinction between:
  - external benefits of production
  - external benefits of consumption
  - external costs of production
  - external costs of consumption.
- e) The use of diagrams, using marginal analysis, to illustrate:
- f) the external benefits from consumption
- g) the external costs from production
- h) the distinction between the market and social optimum positions; identification of the welfare loss or gain areas.
- i) The impact of externalities in various contexts:
  - transport
  - health
  - education
  - environment
  - financial.
- j) The distinction between public and private goods: private goods: rival and excludable  
public goods: non-rival and non-excludable.
- k) Why public goods may not be provided by the private sector making reference to the free-rider problem.
- l) The distinction between symmetric and asymmetric information.
- m) The significance of information gaps.
- n) How imperfect market information may lead to a misallocation of resources in various contexts:
  - healthcare
  - education
  - pensions
  - insurance.

## Term 2

2.9. Measures of economic performance

- a) Understand the measures of economic performance:
  - a. economic growth
  - b. inflation
  - c. employment and unemployment

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- d. balance of payments.
- a) Know that the most commonly used measure of national income is gross domestic product (GDP).
  - b) Know that gross national income (GNI) is an alternative measure of national income.
  - c) Understand that national income can be measured in real or nominal terms and as a total or per capita.
  - d) Know that the rate of change in real GDP is a measure of economic growth.
  - e) Understand that economic growth rates are often compared between countries and over time.
  - f) Understand the distinction between positive and negative economic growth rates.
  - g) Understand the concept 'recession'.
  - h) Understand that national income statistics can be inaccurate because of statistical errors, the existence of the hidden economy, of non-traded sectors and difficulties with valuing public sector output.
  - i) Understand how GDP/GNI can be used to compare living standards between countries and over time.
  - j) Understand that problems occur when comparing national income over time as a measure of living standards because of factors such as the hidden economy, changes in the quality of goods and services and changes in income distribution.
  - k) Understand that further problems occur when comparing national income between countries. In particular, an exchange rate has to be constructed that accurately reflects different purchasing power parities.
  - l) Understand that there is only a partial correlation between levels of national income and levels of national happiness.
  - m) Understand that there are a range of indicators of national happiness and well-being.
    - a) Understand that inflation is a general sustained rise in the price level.
    - b) Understand the concepts of inflation, deflation and disinflation.
    - c) Understand that inflation is measured by calculating the change in a weighted price index over time, using the consumer price index (CPI).
    - d) Understand the limitations of the CPI as a measure of the rate of inflation.
    - e) Understand that the producer price index (PPI) is an indicator of the future trends in the rate of inflation.
    - f) Understand how unemployment is measured, using the International Labour Organisation (ILO) definition.
      - a) Understand components of the balance of payments, with particular reference to the current account.
      - b) Understand the distinction between deficits and surpluses in the trade in goods and services balance.
      - c) Understand the distinction between balance of payments deficits and surpluses on the current account.

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2.10. Aggregate demand (AD)

- a) Understand the distinction between balance of payments deficits and surpluses on the current account.
- i. The concept of AD.  
Components of aggregate demand:  $C + I + G + (X - M)$  = the AD curve.
- b) The distinction between a movement along, and a shift of, the AD curve.
- Influences on consumption:
  - disposable income
  - interest rates
  - consumer confidence
  - level of welfare payments
  - wealth effects
  - availability of credit.
- c) The relationship between savings and consumption.
- d) The definition of the 'savings ratio'.
- e) Causes and effects of changes in the savings ratio.
- f) 3 Investment (I)
- g) The distinction between gross investment and net investment.
- h) Influences on investment:
- the rate of economic growth
  - interest rates
  - business confidence and expectations
  - availability of credit
  - tax on company profits.
  - Government policy to promote investment:
  - tax relief
  - subsidies
  - reductions on the rate of corporation tax.
- i) 4 Government expenditure (G)
- j) Influences on government expenditure:
- fiscal policy
  - the level of economic activity
  - correction of market failures
  - political priorities.
- k) 5 Net trade balance (X-M)  
The impact on the net trade balance of changes in:
- real income
  - the exchange rate
  - the state of the global economy
  - degree of protectionism
  - non-price factors

## Assessment

### **Formative:**

In economics education, my focus is on students. I prioritize providing continuous feedback and guidance to help students apply their knowledge effectively in exam situations. Both written and oral feedback support students in aligning with exam standards. I also encourage peer feedback, which enhances students' analytical skills and self-assessment.

Students play an active role in shaping their learning journey. They evaluate both theory and practical aspects. I use past paper mark schemes and specifications as benchmarks to help students track their progress.

Incorporating economics technology, similar to sports feedback, provides immediate assessment for students. In addition to formal assessments, I deliver ongoing formative feedback as a crucial part of my approach to support students' improvement. This method ensures a deep understanding of economics and supports students' growth.

### **Summative assessments:**

Unit 1 of the IAS, titled "Markets in Action," is externally assessed through a written examination lasting 1 hour and 45 minutes, available in January, June, and October, with the first assessment occurring in January 2019. The exam is worth 80 marks, contributing 50% of the total IAS and 25% of the total IAL. The content covers essential topics such as introductory concepts, consumer behavior and demand, supply, price determination, market failure, and government intervention in markets. The assessment consists of four sections: Section A features six multiple-choice questions worth 6 marks, Section B includes five short-answer questions totaling 20 marks, Section C comprises a five-part question based on data from a source booklet worth 34 marks, and Section D presents one 20-mark essay question from a choice of two.

Unit 2 of the IAS, titled "Macroeconomic Performance and Policy," is externally assessed through a written examination lasting 1 hour and 45 minutes, with availability in January, June, and October, and the first assessment taking place in June 2019. The exam is worth 80 marks, contributing 50% of the total IAS and 25% of the total IAL. The content covers key topics including measures of economic performance, aggregate demand (AD), aggregate supply (AS), national income, economic growth, and macroeconomic objectives and policies. The assessment is structured into four sections: Section A consists of six multiple-choice questions worth 6 marks, Section B includes five short-answer questions totaling 20 marks, Section C features a five-part question based on data provided in a source booklet worth 34 marks, and Section D presents one 20-mark essay question from a choice of two options.