

Standard Grade Economics Guidance Document

Standard Grade Economics — Guidance Document

The enclosed is a Guidance document for Standard Grade Arrangements in Economics.

This document complements the Arrangements for Standard Grade Economics, and should be used in conjunction with the Arrangements Document.

Area of study 1: Economic systems

		Course Content		
		Foundation level	General level	Credit level
1.1	The basic economic problem	<p>Resources</p> <ul style="list-style-type: none"> ◆ Identify human, natural and man-made resources <p>Needs and wants</p> <ul style="list-style-type: none"> ◆ Distinguish between needs and wants <p>Scarcity and choice</p> <ul style="list-style-type: none"> ◆ Understand that resources are limited in relation to peoples' wants ◆ Understand the concept of opportunity cost and personal scales of preference 	<p>Resources</p> <ul style="list-style-type: none"> ◆ Understand the difference between human, natural and man-made resources <p>Scarcity and choice</p> <ul style="list-style-type: none"> ◆ Appreciate the need for economic decision making as to what, how and for whom to produce 	<p>Resources</p> <ul style="list-style-type: none"> ◆ Explain how and why resources may be combined in different ways <p>Scarcity and choice</p> <ul style="list-style-type: none"> ◆ Describe and explain the economic benefits of the efficient allocation and distribution of economic resources

Course Content				
		Foundation level	General level	Credit level
1.2	The meaning of a 'mixed economy'	<p style="text-align: center;">Private and public sector</p> <ul style="list-style-type: none"> ◆ Understand a mixed economy comprised both public and private enterprise ◆ Briefly describe the balance between the private and public sectors of the UK economy ◆ Recognise the differences between private and public sector organisations 	<p style="text-align: center;">Resource allocation</p> <ul style="list-style-type: none"> ◆ Understand how resources and output are allocated in the private sector ◆ Understand how resources and output are allocated in the public sector ◆ Explain the role of both the consumer and the producer in the private sector ◆ Explain the role of Government in a mixed economy 	<p style="text-align: center;">Comparisons of economic systems</p> <ul style="list-style-type: none"> ◆ Describe the main features of a free market economy ◆ Suggest arguments for and against a free market economy ◆ Describe the main features of a command economy ◆ Suggest arguments for and against a command economy ◆ Suggest arguments for and against different mixes in a 'mixed economy' ◆ Evaluate the costs and benefits of the different economic systems

Course Content				
		Foundation level	General level	Credit level
1.3	Economic Models	<p style="text-align: center;">Simple circular flow model</p> <ul style="list-style-type: none"> ◆ Understand the difference between real and money flows ◆ Identify real and money flows between producers and consumers in a closed economy 	<p style="text-align: center;">Circular flow model</p> <ul style="list-style-type: none"> ◆ Describe real and money flows between producers and consumers in an open economy with government ◆ Understand the effects of exports and imports on the circular flow ◆ Understand the effect of government spending and taxation on the circular flow 	<p style="text-align: center;">Fluctuations in the circular flow model</p> <ul style="list-style-type: none"> ◆ Explain how variations in the level of savings and investment can cause fluctuations in the level of economic activity ◆ Describe the effects of these variations

Area of study 2: Production

		Course Content		
		Foundation level	General level	Credit level
2.1	Production defined	Goods and services <ul style="list-style-type: none"> ◆ Distinguish between goods and services ◆ Distinguish between capital goods and consumer goods ◆ Distinguish between durable and single use goods 	Output and supply <ul style="list-style-type: none"> ◆ Define output ◆ Define supply ◆ Appreciate why output and supply may differ 	Stockholding <ul style="list-style-type: none"> ◆ Explain the economic justification for stockholding ◆ Identify the economic costs of stockholding ◆ Describe and explain measures to improve resource substitution and mobility
2.2	Resources used in production	The factors of production <ul style="list-style-type: none"> ◆ Identify human, natural and man-made resources ◆ Explain reasons for resource substitution ◆ Identify simple examples of resource substitution ◆ Explain why resources must be combined to produce goods and services 	The factors of production <ul style="list-style-type: none"> ◆ Describe the distinctive characteristics of each resource ◆ Identify and describe limits to resource substitution ◆ Understand the cost effectiveness of substitution ◆ Distinguish between occupational and geographical mobility of resources 	The factors of production <ul style="list-style-type: none"> ◆ Describe and explain measures to improve resource substitution and mobility

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		Foundation level	General level	Credit level
2.3	The chain of production	Primary, secondary, tertiary <ul style="list-style-type: none"> ◆ Identify each stage of production ◆ Briefly describe the features of each stage 	Primary, secondary, tertiary <ul style="list-style-type: none"> ◆ Describe changes in the pattern of UK production between and within the three main sectors. ◆ Describe changes in the pattern of employment in the UK between and within the sectors 	Primary, secondary, tertiary <ul style="list-style-type: none"> ◆ Account for changes in the pattern of UK production and employment
2.4	Costs and Revenue	Costs and revenue <ul style="list-style-type: none"> ◆ Understand the concept of fixed cost, variable cost and total cost ◆ Carry out simple calculations of fixed, variable and total cost ◆ Understand the concept of total revenue ◆ Carry out simple calculations of total revenue ◆ Understand the concept of profit ◆ Carry out simple calculations of profit ◆ Understand that an extra unit of production will add to total 	Costs and revenue <ul style="list-style-type: none"> ◆ Understand average cost ◆ Carry out average cost calculations ◆ Understand average revenue ◆ Carry out average revenue calculations ◆ Understand the relationship between size of production unit and average cost ◆ Explain the shape of a short run average cost curve 	Costs and revenue <ul style="list-style-type: none"> ◆ Understand average fixed cost and average variable cost ◆ Carry out calculations to find AFC and AVC ◆ Define Marginal Cost ◆ Define Marginal Revenue ◆ Explain why profit maximisation occurs where $MR=MC$ ◆ Explain why a firm's output decisions in the short run and in the long run differ ◆ Outline the main economies of scale

		<p>cost but may not add to profit</p> <ul style="list-style-type: none">◆ Understand normal profit		<ul style="list-style-type: none">◆ Distinguish between short run average cost and long run average cost curves◆ Account for the relationship between level of output and average cost of production both in the short and long run
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Course Content				
		Foundation level	General level	Credit level
2.5	Production Methods and Processes	<p>Specialisation</p> <ul style="list-style-type: none"> ◆ Explain what is meant by specialisation and the division of labour ◆ Briefly describe the advantages and disadvantages to employees, employers and consumers of specialisation and division of labour 	<p>Division of labour by product and process</p> <ul style="list-style-type: none"> ◆ Describe and explain the difference between division of labour by product and by process including appropriate examples 	<p>Economies of scale</p> <ul style="list-style-type: none"> ◆ Understand how specialisation and division of labour contribute to firms achieving economies of scale
2.6	The Growth of Firms and Industries	<p>Growth</p> <ul style="list-style-type: none"> ◆ Describe how firms grow ◆ Briefly describe horizontal and vertical integration ◆ Understand the difference between mergers and takeovers ◆ Describe why firms grow 	<p>Growth</p> <ul style="list-style-type: none"> ◆ Be able to describe the advantages and disadvantages of large firms (including conglomerates) ◆ Be able to describe the advantages and disadvantages of small firms ◆ Describe the costs and benefits of large and small workplaces/production units for consumers, employees and employers 	<p>Growth</p> <ul style="list-style-type: none"> ◆ Describe multinational companies ◆ Explain how multinational companies operate ◆ Describe and explain advantages and disadvantages of multinationals to consumers, employees, employers and governments

Area of study 3: Consumption

Course Content				
		Foundation level	General level	Credit level
3.1	Consumers in an economy	<p>Patterns of consumption</p> <ul style="list-style-type: none"> ◆ Understand the concept of consumer goods ◆ Identify consumer goods ◆ Understand the concept of capital goods ◆ Identify capital goods ◆ Briefly describe the pattern of consumption of goods and services among UK individuals 	<p>Patterns of consumption</p> <ul style="list-style-type: none"> ◆ Appreciate that differences in people’s income will have a significant influence on their spending habits ◆ Appreciate that differences in people’s ages will have a significant influence on their spending habits ◆ Understand that firms purchase capital goods and employ them to produce consumer goods ◆ Describe the mix of resources which are used by governments ◆ Describe the goods and services consumed by governments ◆ Appreciate that firms and governments wish to keep production costs to a minimum ◆ Describe why firms and governments wish to keep production costs to a minimum. 	<p>Patterns of consumption</p> <ul style="list-style-type: none"> ◆ Appreciate the effect on consumers of changes in the level of spending on capital goods by firms and governments ◆ Appreciate the effect on consumers of changes in the pattern of spending on capital goods by firms and governments

Course Content				
		Foundation level	General level	Credit level
3.1 (cont)	Consumers in an economy		<ul style="list-style-type: none"> ◆ Suggest methods which firms and governments could use to keep costs to a minimum 	
3.2	People as savers	Saving <ul style="list-style-type: none"> ◆ Understand why people save their money instead of spending all of it ◆ Identify where people can save their money 	Saving <ul style="list-style-type: none"> ◆ Understand the advantages of different forms of saving ◆ Understand the disadvantages of different forms of saving 	Saving <ul style="list-style-type: none"> ◆ Understand and explain the factors which influence how much money people save
3.3	People as savers	Borrowing <ul style="list-style-type: none"> ◆ Understand the reasons why people borrow money. ◆ Identify where people can borrow their money 	Borrowing <ul style="list-style-type: none"> ◆ Understand the advantages of different forms of borrowing. ◆ Understand the disadvantages of different forms of borrowing 	Borrowing <ul style="list-style-type: none"> ◆ Understand and explain the factors which influence how much money people borrow

Area of study 4: Market mechanisms

		Course Content		
		Foundation level	General level	Credit level
4.1	Demand	<p>Demand</p> <ul style="list-style-type: none"> ◆ Understand the difference between demand and effective demand ◆ Identify factors that might influence the market demand for individual goods and services ◆ Briefly describe the effect of changes in price of individual products on consumers ◆ Understand that consumers want to maximise the benefits from consumption 	<p>The law of demand</p> <ul style="list-style-type: none"> ◆ Understand that as price of a good rises, demand for that good falls ◆ Construct simple demand schedules ◆ Construct simple demand curves ◆ Describe changes in the conditions of demand ◆ Explain the effects of these changes on both the demand schedule and the demand curve ◆ Understand the effects of changes in price on revenue received from sales 	<p>Elasticity of demand</p> <ul style="list-style-type: none"> ◆ Calculate price elasticity of demand ◆ Understand factors influencing the degree of responsiveness of consumers to changes in prices of different goods and services ◆ Explain why changes in income will affect demand by individuals ◆ Explain why changes in income will affect demand in an economy

					Course Content		
		Foundation level		General level		Credit level	
4.2	Supply	Supply		The law of supply		Elasticity of supply	
		<ul style="list-style-type: none"> ◆ Identify factors that might influence the market supply of individual goods and services ◆ Briefly describe the effect of changes in price of individual products on consumers ◆ Understand the effect of changes in the costs of production on supply ◆ Understand the effect of availability of resources on supply 		<ul style="list-style-type: none"> ◆ Understand that as price rises, supply rises ◆ Construct simple supply schedules ◆ Construct simple supply curves ◆ Describe changes in the conditions of supply ◆ Explain the effects of these changes on both the supply schedule and the supply curve ◆ Understand the difference between supply and output (see 2a) 		<ul style="list-style-type: none"> ◆ Identify factors which might constrain firms' ability to change supply ◆ Calculate price elasticity of supply ◆ Understand factors influencing the degree of responsiveness of firms to changes in prices of different goods and services 	

Course Content				
		Foundation level	General level	Credit level
4.3	Markets	<p>Markets</p> <ul style="list-style-type: none"> ◆ Understand the ways in which producers and consumers get together to form a market ◆ Understand how market price is set through demand and supply ◆ Understand the effect individual firms or groups of firms can have on prices 	<p>Market equilibrium</p> <ul style="list-style-type: none"> ◆ Understand how demand and supply interact to determine price and output ◆ Construct demand and supply schedules to illustrate market equilibrium ◆ Construct demand and supply curves to illustrate market equilibrium ◆ Explain the effect of changes in the conditions of demand and/or supply on market equilibrium, price and output 	<p>Market intervention</p> <ul style="list-style-type: none"> ◆ Explain how firms as producers might intervene in the market ◆ Describe forms that this intervention might take ◆ Describe reasons for firms intervening in markets ◆ Explain how governments might intervene in markets ◆ Describe forms that government intervention might take ◆ Suggest reasons for government intervention ◆ Explain the effects of intervention in the market on output, consumption and resources used

Course Content				
		Foundation level	General level	Credit level
4.4	The market for labour	<p>The market for labour</p> <ul style="list-style-type: none"> ◆ Identify reasons why a firm's demand for labour might change ◆ Suggest reasons why a firm may not be able to obtain the labour it requires ◆ Suggest factors which limit the total amount of labour available in the UK ◆ Understand the difference between wages and earnings ◆ Understand the difference between wages/earnings and take-home pay 	<p>Wage differentials between occupations</p> <ul style="list-style-type: none"> ◆ Explain why workers in different occupations do not receive the same level of wage 	<p>Intervention in the labour market</p> <ul style="list-style-type: none"> ◆ Suggest ways in which the labour market is influenced by trade unions ◆ Suggest ways in which the labour market is influenced by employers ◆ Suggest ways in which the labour market is influenced by government ◆ Understand why there is intervention in the labour market ◆ Describe the effect of intervention on the labour market

Area of study 5: Money, Finance and Banking

		Course Content		
		Foundation level	General level	Credit level
5.1	The nature of money	<p>Money</p> <ul style="list-style-type: none"> ◆ Identify the different forms of money in modern society ◆ Briefly describe the different functions of money ◆ Identify the characteristics of good money ◆ Identify different ways of paying for goods and services 	<p>Money</p> <ul style="list-style-type: none"> ◆ Explain why there are different forms of money ◆ Explain the different functions of money ◆ Account for the different characteristics of good money ◆ Suggest reasons for paying for goods and services by different methods 	<p>Money</p> <ul style="list-style-type: none"> ◆ As foundation/general but in more depth
5.2	Finance	<p>Financing firms</p> <ul style="list-style-type: none"> ◆ Suggest reasons why firms may need to borrow money 	<p>Financing firms</p> <ul style="list-style-type: none"> ◆ Suggest and describe ways that firms can borrow money in the short run ◆ Suggest and describe ways that firms can borrow money in the long run ◆ Suggest and describe other ways that firms can raise finance in the short run ◆ Suggest and describe other ways that firms can raise finance in the long run 	<p>Financing firms</p> <ul style="list-style-type: none"> ◆ Understand that firms can become a PLC in order to raise finance ◆ Understand the role of the stock exchange in helping firms raise finance in the long term

Course Content				
		Foundation level	General level	Credit level
5.3	Banking	Banks <ul style="list-style-type: none"> ◆ Identify the services offered by banks 	Banks <ul style="list-style-type: none"> ◆ Understand the main functions of a commercial bank: <ul style="list-style-type: none"> — borrows funds — lends funds — transfers money — offers other financial services — offers advice 	Banks <ul style="list-style-type: none"> ◆ Appreciate the main liabilities of a bank ◆ Appreciate the main financial assets of a bank ◆ Understand and explain the pattern of bank lending ◆ Understand and explain the need for a bank to have liquid assets ◆ Understand and explain the need for a bank to be profitable ◆ Explain how banks make profit
		Simple circular flow model <ul style="list-style-type: none"> ◆ Understand the difference between real and money flows ◆ Identify real and money flows between producers and consumers in a closed economy 	Circular flow model <ul style="list-style-type: none"> ◆ Describe real and money flows between producers and consumers in an open economy with government ◆ Understand the effects of exports and imports on the circular flow ◆ Understand the effect of government spending and taxation on the circular flow 	Fluctuations in the circular flow model <ul style="list-style-type: none"> ◆ Explain how variations in the level of savings and investment can cause fluctuations in the level of economic activity

Area of study 6: International trade

Course Content				
		Foundation level	General level	Credit level
6.1	The nature and purpose of trade	Benefits of trade <ul style="list-style-type: none"> ◆ Be aware of benefits which countries, and their citizens, enjoy as a result of trade ◆ Know the reasons why countries need to trade with each other ◆ Be able to explain the notion of absolute productive advantage 	Barriers to trade <ul style="list-style-type: none"> ◆ List the Barriers to trade ◆ Explain how these barriers would work ◆ Describe the logic for these barriers being established 	Specialisation and trade <ul style="list-style-type: none"> ◆ Explain the notion of comparative productive advantage ◆ Describe the gains from specialisation and exchange, even where a country enjoys absolute advantage in all products
6.2	Recording international trading activity	The current balance <ul style="list-style-type: none"> ◆ Know the distinction between imports and exports, and between real flows of goods and services and consequent money flows ◆ Describe the composition of current balance 	Current trends in trade <ul style="list-style-type: none"> ◆ Appreciate the effects of imposing trade barriers ◆ Recording international trading activity. ◆ Analyse the current patterns of UK trade in terms of: <ul style="list-style-type: none"> — composition of exports and imports — destination of exports — countries of origin of imports 	Composition of the current balance <ul style="list-style-type: none"> ◆ Recording international trading activity ◆ Be aware of trends in the composition of current balance, and the reason for trends

Course Content				
		Foundation level	General level	Credit level
6.3	National and international currencies	Simple currency transactions <ul style="list-style-type: none"> ◆ Know the currency units of USA and Europe and Japan ◆ Know why currency is exchanged ◆ Understand why foreign currency is used to purchase pounds 	Changes in exchange rates <ul style="list-style-type: none"> ◆ Know why changes in the foreign exchange value of the £ occur and implications for UK citizens travelling abroad and for foreign visitors to the UK 	Effects of exchange rate changes <ul style="list-style-type: none"> ◆ Explain the effects of changes in the foreign exchange value of the £ on the prices of exports and imports and on the profitability of exporting and importing

Area of study 7: Public finance

Course Content				
		Foundation level	General level	Credit level
7.1	Government expenditure	Government expenditure <ul style="list-style-type: none"> ◆ Describe the main areas of public expenditure: <ul style="list-style-type: none"> — provision of goods — provision of services — provision of loans, grants, pensions, and benefits ◆ Distinguish between capital expenditure and current expenditure 	Government expenditure <ul style="list-style-type: none"> ◆ Suggest arguments for and against public provision of goods, services and transfer payments ◆ Suggest arguments for and against the increasing role of the private sector 	Government expenditure <ul style="list-style-type: none"> ◆ Describe trends in public provision of goods, services and transfer payments, and reasons for the trends
7.2	Government income	Sources of income <ul style="list-style-type: none"> ◆ Identify sources of government income: <ul style="list-style-type: none"> — ie the main taxes — ie the main charges ◆ Appreciate the possible reasons for government borrowing 	Taxation <ul style="list-style-type: none"> ◆ Distinguish between progressive and regressive taxation ◆ Recognise the balance between taxes on income and taxes on expenditure within the UK economy 	Characteristics of taxation <ul style="list-style-type: none"> ◆ Know the characteristics of a 'good tax' and a 'good tax system' in terms of equity and efficiency ◆ Understand the effects of changes in the balance between taxes and income

Course Content				
		Foundation level	General level	Credit level
7.3	Government budgeting	<p>The purpose of the budget</p> <ul style="list-style-type: none"> ◆ Describe how the budget is an opportunity for government to: <ul style="list-style-type: none"> — alter its spending programme — alter the level and pattern of taxes — raise or lower or leave unchanged its need to borrow 	<p>The impact of the budget on demand</p> <ul style="list-style-type: none"> ◆ Understand the impact of budgetary changes on: <ul style="list-style-type: none"> — consumer spending — investment 	<p>The impact of the budget on the economy</p> <ul style="list-style-type: none"> ◆ Describe the impacts of changes in aggregate demand on: <ul style="list-style-type: none"> — total output of the economy, — employment within the economy — imports and the current balances, — general price level

Area of study 8: Economic growth

Course Content				
		Foundation level	General level	Credit level
8	Economic growth	<p style="text-align: center;">Standard of living</p> <ul style="list-style-type: none"> ◆ Appreciate the relationship between changes in total output and changes in the standard of living ◆ Recognise indicators of standards of living 	<p style="text-align: center;">Costs of increases in standard of living</p> <ul style="list-style-type: none"> ◆ Describe the costs associated with the pursuit and achievement of higher standards of living ◆ Describe the economic benefits associated with growth 	<p style="text-align: center;">Means of achieving growth</p> <ul style="list-style-type: none"> ◆ Know measures of increasing national output ◆ Recognise the distinction between output and productive capacity

Area of study 9: Inflation

		Course Content		
		Foundation level	General level	Credit level
9 1	Inflation	<p>Inflation</p> <ul style="list-style-type: none"> ◆ Understand that inflation is a general rise in the level of prices ◆ Understand that inflation lowers the purchasing power of money ◆ Understand that wage rises above inflation will increase purchasing power 	<p>Inflation</p> <ul style="list-style-type: none"> ◆ Describe how inflation is measured by the Consumer Price Index (CPI) ◆ Distinguish between real income and money income ◆ Explain how inflation affects people's income and firms' profits 	<p>Inflation</p> <ul style="list-style-type: none"> ◆ Understand and explain the causes of inflation: <ul style="list-style-type: none"> — cost — push — demand — pull ◆ Understand and explain the effects of inflation on: <ul style="list-style-type: none"> — exports — imports — saving — borrowing — cost of living — standard of living

Area of study 10: Regional disparities

Course Content				
		Foundation level	General level	Credit level
10	Why do differences exist between areas of the country?	The nature of disparities <ul style="list-style-type: none"> ◆ Identify ways in which regions differ from each other ◆ Briefly describe why businesses might prefer to locate in one area as opposed to another 	Methods of government intervention <ul style="list-style-type: none"> ◆ Describe methods a government might have available to reduce disparities between regions ◆ Explain how these methods might work 	Arguments for and against Intervention <ul style="list-style-type: none"> ◆ Suggest and explain reasons in favour and against government intervention to reduce regional disparities

Area of study 11: Unemployment

		Course Content		
		Foundation level	General level	Credit level
11	Unused resources	<p>Resources</p> <ul style="list-style-type: none"> ◆ Understand that unemployment means unused resources ◆ Understand how this affects each resource — human, man-made and natural ◆ Identify reasons why resources become unused ◆ Identify reasons why resources remain unused ◆ Briefly describe the economic effects of unemployment on individuals ◆ Briefly describe the social effects of unemployment on individuals 	<p>Measuring unemployment</p> <ul style="list-style-type: none"> ◆ Understand the ways in which unemployment can be measured in an economy ◆ Suggest ways in which individuals might improve their job prospects ◆ Suggest reasons why these ways might improve job prospects 	<p>Costs of unused resources</p> <ul style="list-style-type: none"> ◆ Describe and explain the economic costs resulting from unemployed resources ◆ Describe and explain the social costs resulting from unemployed resources