

National Unit Specification: general information

UNIT Microeconomics (Higher)

NUMBER D206 12

COURSE Economics (Higher)

SUMMARY

This unit enables candidates to gain a knowledge and understanding of the fundamental economic problem of allocating scarce resources among alternative uses; an understanding of the economic roles and responsibilities of the individual in society as a producer, consumer and citizen, and an understanding of the economic roles and responsibilities of firms and governments in the use and distribution of resources.

OUTCOMES

- 1 Explain the basic economic problem
- 2 Explain the factors which influence demand
- 3 Explain the factors which influence supply
- 4 Analyse the operation of markets
- 5 Analyse different types of markets.

RECOMMENDED ENTRY

While entry is at the discretion of the centre, candidates will normally be expected to have attained one of the following:

- Standard Grade Economics at Credit level
- the component units of Intermediate 2 Economics - *Microeconomics (Int 2)* and *The Economy (Int 2)*

and

- Standard Grade English at Credit level, or
- Intermediate 2 English or its component units.

Administrative Information

Superclass: EB

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National Unit Specification: general information (cont)

UNIT Microeconomics (Higher)

CREDIT VALUE

1 credit at Higher.

CORE SKILLS

This unit gives automatic certification of the following:

Complete core skills for the unit	None
Core skills components for the unit	Critical Thinking H

Additional information about core skills is published in *Automatic Certification of Core Skills in National Qualifications* (SQA, 1999).

National Unit Specification: statement of standards

UNIT Microeconomics (Higher)

OUTCOME 1

Explain the basic economic problem.

Performance criteria

- a) Explanation of scarcity is correct and makes accurate reference to unlimited wants and limited resources.
- a) Explanation includes accurate reference to choice, opportunity cost and economic efficiency.
- a) Explanation includes accurate reference to production possibility curves (PPCs), shifts in PPCs and the possible reasons for these shifts.

Note on the range for this outcome

Opportunity cost: individual, firms and government.

Evidence requirements

Evidence in the form of answers to extended response questions to cover all aspects of the performance criteria and the range.

For PC (c) evidence should be shown by means of a production possibility curve.

OUTCOME 2

Explain the factors which influence demand.

Performance criteria

- a) Explanation of determinants of demand is accurate and related to shifts of, and movements along, the demand curve
- a) Explanation of price elasticity of demand is correct and accurately refers to the factors influencing it
- a) Explanation of the effect on revenue of a change in price is correct and accurately related to the value of price elasticity of demand
- a) Explanation of income elasticity of demand is correct and refers to positive and negative income elasticity

Note on the range for this outcome

Demand: individual, market.

Price elasticity of demand: elastic, inelastic.

Evidence requirements

Evidence including diagrammatic evidence in the form of answers to structured response questions or extended responses to cover all aspects of the performance criteria and the range.

For PC (a) four determinants of demand and diagrammatic evidence are required.

National Unit Specification: statement of standards (cont)

UNIT Microeconomics (Higher)

OUTCOME 3

Explain the factors which influence supply.

Performance criteria

- a) Explanation of the determinants of supply is accurate and related to shifts of, and movements along, the supply curve.
- a) Explanation of the relationships between costs and output in the short run is accurate.
- a) Explanation of long run average costs is accurate and makes reference to economies and diseconomies of scale.

Note on the range for this outcome

Relationships between costs and output: total fixed, total variable and total costs: average and marginal costs.

Evidence requirements

Evidence including diagrammatic evidence in the form of answers to structured response questions or extended responses to cover all aspects of the performance criteria and the range.

For PC (a) three determinants of supply are required.

For PCs (a), (b) and (c) diagrammatic evidence is required.

OUTCOME 4

Analyse the operation of markets.

Performance criteria

- a) Explanation of the determination of equilibrium price and quantity is accurate and makes use of supply and demand curves.
- b) Explanation of changes in equilibrium price and quantity is accurate and makes reference to shifts of, and movements along, the demand and supply curves.
- c) Explanation of a maximum or a minimum price is accurate with respect to its effect on price and quantity and the consequences of imposing it.

Evidence requirements

Evidence including diagrammatic evidence in the form of answers to structured response questions or extended responses to cover all aspects of the performance criteria.

For PC (b) evidence must include diagrams showing a shift in demand; a shift in supply; a shift in both demand and supply.

For PC (c) evidence should relate to a maximum or a minimum price.

Diagrammatic evidence is required for all performance criteria.

National Unit Specification: statement of standards (cont)

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OUTCOME 5

Analyse different types of markets.

Performance criteria

- a) Analysis of factors affecting competition in a market is accurate and related to specific market situations.
- b) Analysis of prices set by firms in different markets is accurate and related to the nature of competition in the markets.

Note on the range for this outcome

Factors affecting competition: number of firms, size of firms, number of consumers, product differentiation, barriers to entry.

Evidence requirements

Evidence in the form of answers to extended response questions to cover all aspects of the performance criteria and the range, and to involve a comparison of two different markets.

National Unit Specification: support notes

UNIT Microeconomics (Higher)

This part of the unit is offered as guidance. The support notes are not mandatory.

While the time allocated to this unit is at the discretion of the centre, the notional design length is 40 hours.

This unit is closely linked to *Microeconomics (Int 2)*. Hence, the context of both is similar. At this level candidates have to demonstrate a greater level of understanding than at Intermediate 2 and also cover a greater range of content.

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This unit is set in the context of the UK economy and its place in the world as a whole. Practical examples relevant to this, and to candidates' own experiences, should be used wherever possible, to illustrate the economic ideas within the unit.

This unit involves the study of markets and introduces candidates to the behaviour of firms. It begins by setting this in the context of the basic economic problem. It then applies the theory of demand and supply to explain market behaviour. The study of supply includes aspects of the theory of production and candidates should be able to explain the relationships between cost and output in the short and long run. However, a detailed knowledge of the economic principles underlying the shape of the cost curves is not expected. Finally, the unit takes the opportunity to explore actual markets in the UK economy. Any examples of these could be used, but possible ones might include the housing market, the car market, the market for electricity. It is important to note that this does not involve an analysis of theoretical market structures, such as perfect competition.

Further details are provided in the course specification.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

This unit requires that candidates gain an understanding of the fundamentals of resource allocation. They should be made aware of the importance of diagrams in illustrating basic economic concepts. Wherever possible, this should be done in a way which enhances candidate comprehension, rather than concentrating on the mechanical manipulation of diagrammatic material.

For the successful completion of the final outcome, use should be made of actual examples of real market situations.

National Unit Specification: support notes (cont)

UNIT Microeconomics (Higher)

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

This unit offers considerable scope for the use of practical examples in the generation of evidence of candidate achievement of outcomes. Material is available from a range of sources including newspapers, journals and business magazines, although these may require to be edited and adapted before use by candidates.

There exist natural links between some of the outcomes, particularly Outcomes 2, 3 and 4, and where these occur it would be possible to generate evidence from one case study.

Instruments of assessment for this unit are likely to be extended and structured response questions, most of which will require the use of diagrams. Some could be based on case study material and, while some may be fairly substantial, others may be relatively small. The nature of the unit is such that preparing instruments of assessment for each outcome may not always be the most appropriate assessment strategy.

A possible assessment strategy might be to use four instruments of assessment. The first would be an extended response covering Outcome 1. The second instrument of assessment could be structured response questions based on a case study for Outcomes 2 and 4 and PC (a) of Outcome 3. The third could be an extended response to cover PCs (b) and (c) of Outcome 3. The final instrument of assessment, to cover Outcome 5, could also take the form of an extended response question based on a case study of two different markets.

SPECIAL NEEDS

This unit specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering alternative outcomes for units. For information on these, please refer to the SQA document *Guidance on Special Assessment and Certification Arrangements for Candidates with Special Needs/Candidates whose First Language is not English* (SQA, 1998).