
Economics of the Market

SCQF: level 5 (6 SCQF credit points)

Unit code: J291 75

Unit outline

The general aim of this Unit is to enable learners to understand that the scarcity of resources leads to the need for individuals, firms and governments to make choices. Learners will be introduced to personal economic decisions, the basic economic problem, and demand and supply and their place in a market economy.

Learners who complete this Unit will be able to:

- 1 Examine economic choices that an individual has to make regarding whether to spend, to save or to borrow
- 2 Apply knowledge and understanding of the basic economic problem to the choices made by participants in society
- 3 Apply knowledge and understanding of the concepts of demand and supply in a market economy

This Unit is available as a free-standing Unit. The Unit Specification should be read in conjunction with the *Unit Support Notes*, which provide advice and guidance on delivery, assessment approaches and development of skills for learning, skills for life and skills for work. Exemplification of the standards in this Unit is given in *Unit Assessment Support*.

Recommended entry

Entry to this Unit is at the discretion of the centre. However, learners would normally be expected to have attained the skills, knowledge and understanding required by one or more of the following or equivalent qualifications and/or experience:

- ◆ National 4 Business Course or relevant component Units
- ◆ National 4 Numeracy Unit

Examples of other such relevant prior learning and experiences would include an interest in the workings of the economy and/or current affairs.

Equality and inclusion

This Unit Specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence. For further information, please refer to the *Unit Support Notes*.

Standards

Outcomes and assessment standards

Outcome 1

The learner will:

- 1 Examine economic choices that an individual has to make regarding whether to spend, to save or to borrow by:**
 - 1.1 Describing basic elements of personal income, personal spending and how they affect personal budgeting decisions
 - 1.2 Outlining the relationship between planning for uncertainty and saving for an individual
 - 1.3 Outlining the economic impact of borrowing on an individual

Outcome 2

The learner will:

- 2 Apply knowledge and understanding of the basic economic problem to the choices made by participants in society by:**
 - 2.1 Describing the basic economic problem
 - 2.2 Defining opportunity cost and giving examples of opportunity costs for an individual, a firm and the government

Outcome 3

The learner will:

- 3 Apply knowledge and understanding of the concepts of demand and supply in a market economy by:**
 - 3.1 Using information to prepare and label a demand curve and a supply curve accurately, illustrating the equilibrium point
 - 3.2 Identifying determinants of demand and determinants of supply
 - 3.3 Using a diagram to illustrate how a change in any of the identified determinants affects equilibrium price and quantity traded

Evidence Requirements for the Unit

Assessors should use their professional judgement, subject knowledge and experience, and understanding of their learners, to determine the most appropriate ways to generate evidence and the conditions and contexts in which they are used.

Evidence can be drawn from a variety of sources and presented in a variety of formats including short written responses and/or recorded oral evidence. Learners should use appropriate economic terminology in their responses at all times and, where appropriate, make use of relevant examples.

Evidence may be presented for individual Outcomes, or gathered for the Unit. If the latter approach is used, it must be clear how the evidence covers each Outcome.

In Outcome 3:

- ◆ determinants of demand includes changes in income, changes in consumer tastes, and changes in prices of other goods and services
- ◆ determinants of supply includes changes in costs of production, changes in technology, changes in weather, and changes in prices of other goods and services

Exemplification of assessment is provided in *Unit Assessment Support*. Advice and guidance on possible approaches to assessment is provided in the *Unit Support Notes*.

Assessment standard thresholds

If a candidate successfully meets the requirements of the specified number of Assessment Standards they will be judged to have passed the Unit overall and no further re-assessment will be required.

The specific requirements for this Unit is as follows:

- ◆ 6 out of 8 Assessment Standards must be achieved.

It should be noted that there will still be the requirement for candidates to be given the opportunity to meet all Assessment Standards. The above threshold has been put in place to reduce the volume of re-assessment where that is required.

Development of skills for learning, skills for life and skills for work

It is expected that learners will develop broad, generic skills through this Unit. The skills that learners will be expected to improve on and develop through the Unit are based on SQA's *Skills Framework: Skills for Learning, Skills for Life and Skills for Work* and drawn from the main skills areas listed below. These must be built into the Unit where there are appropriate opportunities.

1 Literacy

1.2 Writing

2 Numeracy

2.3 Information handling

4 Employability, enterprise and citizenship

4.1 Employability

5 Thinking skills

5.1 Remembering

5.2 Understanding

5.3 Applying

Amplification of these is given in SQA's *Skills Framework: Skills for Learning, Skills for Life and Skills for Work*. The level of these skills should be at the same SCQF level of the Unit and be consistent with the SCQF level descriptor. Further information on building in skills for learning, skills for life and skills for work is given in the *Unit Support Notes*.

Appendix: Unit support notes

Introduction

These support notes are not mandatory. They provide advice and guidance on approaches to delivering and assessing this Unit. They are intended for teachers and lecturers who are delivering this Unit. They should be read in conjunction with:

- ◆ the *Unit Specification*
- ◆ the *Unit Assessment Support packs*

Developing skills, knowledge and understanding

Teachers and lecturers are free to select the skills, knowledge, understanding and contexts which are most appropriate for delivery in their centres.

Approaches to learning and teaching

| Topic | Examples of possible approaches | Suggested experiences and activities for learners |
|------------------------|--|--|
| Basic economic problem | <ul style="list-style-type: none"> ◆ Distinguishing between and giving examples of needs and wants. ◆ Defining concepts of scarcity, choice and opportunity cost. ◆ Giving examples of opportunity cost for individuals, firms and governments. ◆ Defining and giving examples of the factors of production — land, labour, capital and enterprise. | <ul style="list-style-type: none"> ◆ Asking learners to describe three choices they made that week and explaining why they had to choose and how they decided what to choose. This is a good way of introducing the concept of scarcity and opportunity cost. ◆ Using ‘the survival game’ to illustrate aspects of limited resources. ◆ Creating a questionnaire to collect data regarding needs and wants and analyse the results by creating graphs and charts. |
| Personal economics | <ul style="list-style-type: none"> ◆ Giving reasons why people spend, save or borrow. ◆ Giving examples of types of savings and methods of personal borrowing — where to save and borrow. ◆ Selecting and justifying suitable savings or borrowing methods for a specific purpose. ◆ Using budgeting and financial planning to reduce uncertainties. ◆ Analysing the effects that changes in prices, taxation, interest rates, redundancy and unemployment have on a person’s income and expenditure. | <ul style="list-style-type: none"> ◆ Working in groups to research information on saving and borrowing and then creating a leaflet for 16–18 year olds offering them advice. ◆ Use of interactive websites; eg RBS Moneysense for schools. ◆ Using spreadsheets to prepare personal budgets. |
| Demand | <ul style="list-style-type: none"> ◆ Describing what is meant by total, marginal and diminishing marginal utility. ◆ Defining effective demand, drawing demand curves from demand schedules, describing the shape of the demand curve. | <ul style="list-style-type: none"> ◆ Conducting market research with the class, eg what would happen to their demand for a good they regularly if its price doubled/halved? |

| Topic | Examples of possible approaches | Suggested experiences and activities for learners |
|---------------------------|---|---|
| Determinants of demand | <ul style="list-style-type: none"> ◆ Using demand curve diagrams to describe how changes in the determinants of demand affect price and quantity demanded. ◆ Outlining the determinants of demand. ◆ Describing what is meant by substitute goods and complementary goods. | <ul style="list-style-type: none"> ◆ Drawing demand diagrams from a range of scenarios that illustrate movements along and shifts in the demand curve. |
| Costs, revenue and profit | <ul style="list-style-type: none"> ◆ Defining fixed costs, variable costs, total costs, average costs, total sales revenue, average sales revenue and profit. ◆ Identifying and drawing costs curves on a short run cost diagram. ◆ Giving examples of fixed and variable costs. ◆ Calculating total fixed cost, total variable cost and total cost. ◆ Calculating average fixed cost, average variable cost and average total cost. ◆ Calculating total sales revenue, average sales revenue and profit. | <ul style="list-style-type: none"> ◆ Drawing diagrams that show short run cost curves. |
| Supply | <ul style="list-style-type: none"> ◆ Defining supply, drawing supply curves from supply schedules, describing the shape of the supply curve. | |
| Determinants of supply | <ul style="list-style-type: none"> ◆ Using supply curve diagrams to describe how changes in the determinants of supply affect price and quantity supplied. ◆ Outlining the determinants of supply. | <ul style="list-style-type: none"> ◆ Drawing supply diagrams from a range of scenarios that illustrate movements along and shifts in the supply curve. |
| Markets | <ul style="list-style-type: none"> ◆ Defining of a market. ◆ Describing different types of market. ◆ Using a demand and supply curve diagram to describe how equilibrium price and quantity are set. | <ul style="list-style-type: none"> ◆ Discussing, in groups, the factors affecting demand and supply in different markets. ◆ Researching a market of their choice, ie oil market, car market, football market, agriculture and presenting the findings to the class in various ways. |

| Topic | Examples of possible approaches | Suggested experiences and activities for learners |
|-------|--|--|
| | <ul style="list-style-type: none"> ◆ Using demand and supply curve diagrams to describe how changes in the determinants of demand and supply affect equilibrium price and quantity. | <ul style="list-style-type: none"> ◆ Drawing demand and supply diagrams to show what will happen in the market for: <ul style="list-style-type: none"> — cream, if there is an increase in the supply of strawberries — Shell petrol, if there is a decrease in the price of BP petrol — wool, if there is an increase in the demand for mutton |

Combining assessment within Units

Assessment could be combined in this Unit by holistically assessing all the Outcomes of the Unit in a single assessment. When assessment within the Unit is holistic, teachers and lecturers should take particular care to track the evidence for each individual Outcome.

Administrative information

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Superclass: EB

History of changes to National Unit Specification

| Version | Description of change | Authorised by | Date |
|---------|--|---------------------------|-------------------|
| 1.1 | Assessment standard thresholds added Unit Support Notes added | Qualifications Manager | September 2018 |
| 2.0 | Unit code updated | Qualifications Manager | July 2019 |
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