



Economics

Guidance on modifications to National 5 course for session 2021–22

August 2021

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Overview

The following topic and/or subtopic areas of content **will not** be directly assessed in the 2022 National 5 Economics question paper:

- ◆ Costs, revenue and profit — full topic
- ◆ Markets — one subtopic
- ◆ Government finance — one subtopic
- ◆ Understanding the impact of the global economy — some subtopics

We have highlighted* these in the following extract from the course support notes, taken from the *National 5 Economics Course Specification*.

You should use this guidance to help you plan which parts of the course to emphasise for session 2021–22, as it highlights course content that **will not** be directly assessed in the 2022 question paper.

The original content of the course has not changed. Candidates will continue to be credited for relevant knowledge used to answer a question in the question paper, including knowledge from the highlighted, not directly assessed, course content.

You should continue to deliver the entire course as normal, to help ensure a seamless progression into the next level of study. However, you can decide timing and depth of delivery, and if you want to internally assess the areas of content not directly assessed in the 2022 question paper.

Candidates must also complete a coursework assignment. Grades will be awarded based on their performance in both the assignment and the question paper.

*see column 2 for highlighted text

Approaches to learning, teaching and assessment

The table below suggests some activities which could support the delivery of this subject and which may suit the needs of candidates with different learning styles.

Economics of the market		
Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities for candidates
Personal economics	<ul style="list-style-type: none"> ◆ giving reasons why different people spend, save or borrow ◆ giving examples of types of savings — where to save ◆ giving examples of personal borrowing — where to borrow ◆ understanding the rewards for different types of saving, eg fixed term, instant access, ISA ◆ understanding the costs and impact of borrowing ◆ selecting and justifying suitable savings or borrowing methods for specific purposes ◆ using budgeting and financial planning to reduce uncertainties ◆ analysing the effects that changes in prices, taxation and interest rates have on a person's income and expenditure ◆ analysing the effect that changes in life circumstances have on personal income and expenditure, eg redundancy, unemployment, family size 	<ul style="list-style-type: none"> ◆ researching which banks offer the best savings rates, the best short-term rates and mortgage loan rates ◆ researching information on saving and borrowing, then creating a leaflet for 16 to 18-year-olds offering financial advice ◆ creating a scenario where candidates decide what to do with inheritance money — spending a certain amount, creating long- and short-term savings with the remainder, and justifying the reasons for choices ◆ using interactive websites, eg RBS MoneySense ◆ creating scenarios and using spreadsheets to prepare a personal budget and then adapting it with changing life circumstances, eg family size, job changes, child care costs, education fees ◆ creating scenarios and using spreadsheets to calculate both disposable income and discretionary income, to show how these are affected by changes in tax rates (in order to

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		consider the consequences of changing personal income levels)
Basic economic problem	<ul style="list-style-type: none"> ◆ distinguishing between, and giving examples of, needs and wants ◆ describing the basic economic problem ◆ 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 ◆ understanding geographical and occupational mobility/immobility of resources ◆ understanding the returns to the factors of production 	<ul style="list-style-type: none"> ◆ using flash cards containing examples of needs and wants and sorting them into the relevant category ◆ playing a 'survival' game to illustrate aspects of limited resources, eg natural, human and man-made ◆ creating a scenario which requires candidates to start with a lot of resources and then whittle the resources down in order to contend with changing circumstances ◆ completing a mix-and-match exercise of various phrases to create full sentences showing the three elements of opportunity cost, ie the reasons for the choice, the choice itself and the opportunity cost ◆ using case studies to generate class discussion on choices made for government spending, eg spending on fertility treatment, spending on high-speed rail links, reducing the regularity of refuse collections ◆ researching the cost of various NHS treatments and then discussing their value in relation to their cost

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		<ul style="list-style-type: none"> ◆ using flash cards containing examples of the factors of production and sorting them into land, labour, capital and enterprise ◆ using a mix-and-match exercise for the factors of production and the returns to the factors of production
Theory of demand	<ul style="list-style-type: none"> ◆ defining effective demand ◆ drawing demand curves from demand schedules ◆ explaining the shape of the demand curve, ie willingness/ability to buy, income effect, substitution effect, law of diminishing marginal utility ◆ describing what is meant by total, marginal and diminishing marginal utility 	<ul style="list-style-type: none"> ◆ conducting market research with the class, eg what would happen to the demand for various goods if the price doubled/halved? ◆ demonstrating diminishing marginal utility by giving candidates water to drink or food to eat — candidates should score their utility until they do not want any more and utility is zero ◆ drawing demand diagrams from a range of scenarios that illustrate movements along the demand curve
Determinants of demand	<ul style="list-style-type: none"> ◆ using/drawing demand diagrams to explain how changes in the determinants of demand affect price and quantity demanded ◆ describing what is meant by substitute goods and complementary goods ◆ outlining the determinants of demand in contexts with examples, ie changes in taste/fashion, marketing, the state of the economy, world events, rises/falls in income, 	<ul style="list-style-type: none"> ◆ creating a table that allows candidates to show substitutes and complements ◆ investigating recent examples of determinants that have caused changes in demand ◆ drawing demand diagrams from a range of scenarios that illustrate shifts in the demand curve

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	population, prices of complementary/substitute goods	
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 cost 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"> ◆ using flash cards containing examples of fixed and variable costs and sorting them into the relevant category ◆ using flash cards containing examples of various costs and revenues and sorting them into the relevant category ◆ using scenarios with tables of costs and revenues to carry out calculations and draw diagrams ◆ identifying and labelling pre-drawn costs and revenues diagrams ◆ drawing diagrams of short-run cost curves
Theory of supply	<ul style="list-style-type: none"> ◆ defining supply ◆ drawing supply curves from supply schedules ◆ explaining the shape of the supply curve, ie profit per unit, new entrants, higher costs 	<ul style="list-style-type: none"> ◆ drawing supply diagrams from a range of scenarios that illustrate movements along the supply curve ◆ discussing recent examples of suppliers 'jumping on the band wagon' of new, immediately popular products
Determinants of supply	<ul style="list-style-type: none"> ◆ outlining the determinants of supply, ie changes to production costs, methods of production, external factors such as the weather 	<ul style="list-style-type: none"> ◆ investigating recent examples of determinants that have caused changes in supply ◆ drawing supply diagrams from a range of scenarios that illustrate shifts in the supply curve

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	<ul style="list-style-type: none"> ◆ using/drawing supply diagrams to explain how changes in the determinants of supply affect price and quantity supplied 	
Markets	<ul style="list-style-type: none"> ◆ defining a market ◆ describing different types of market ◆ using a demand and supply diagram to describe how equilibrium price and quantity are set ◆ using a demand and supply diagram to describe how shortage and surplus situations (excess demand and excess supply) are returned to equilibrium, ie market clearing ◆ using a demand and supply diagram to describe how changes in the determinants of demand and/or supply affect equilibrium price and quantity 	<ul style="list-style-type: none"> ◆ researching and presenting the findings about a chosen market, eg concert ticket market, housing market, car market, commodities market, agricultural produce market ◆ discussing the factors affecting demand and supply in different markets ◆ drawing market diagrams that show a surplus or shortage and how equilibrium is reached ◆ drawing market diagrams using a range of scenarios that illustrate shifts in demand and/or supply

UK economic activity		
Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities for candidates
Government finance	<ul style="list-style-type: none"> ◆ describing different sources of government income ◆ describing the difference between direct and indirect taxation ◆ naming and describing the main taxes, eg those reported in the media ◆ describing the recent changes in the burden between direct and indirect taxes ◆ explaining how the recent changes in direct and indirect taxes affect individuals, firms and the government ◆ describing the main areas of government expenditure, eg health, education, defence ◆ describing public and merit goods ◆ understanding the reasons for government expenditure in the main spending areas ◆ describing the difference between current and capital expenditure and what is meant by a transfer payment ◆ describing examples of capital/current/transfer payments in different contexts ◆ explaining the impact of government taxation on the UK economy ◆ describing trends in UK Government spending 	<ul style="list-style-type: none"> ◆ using flash cards containing different taxes and sorting them into direct and indirect ◆ using a mix-and-match exercise for names and descriptions of the main taxes ◆ researching information on recent taxation changes ◆ researching main areas of government spending and making a presentation on actual government priorities in relation to what candidates think spending priorities should be ◆ using flash cards containing examples of public and merit goods and sorting them into the relevant category ◆ researching information on UK Government spending and sources of income ◆ creating graphs/charts to illustrate research findings ◆ using flash cards containing examples of current, capital and transfer payments and sorting them into the relevant category ◆ debating recent spending issues, eg government debt, upcoming capital projects ◆ using interactive websites, eg Bank of England education ◆ researching and creating graphs of trends in government spending to generate discussion

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	<ul style="list-style-type: none"> ◆ explaining the impact of UK Government spending and changing levels of spending on the UK economy ◆ describing the circular flow of income in a closed economy (without injections and withdrawals) 	<ul style="list-style-type: none"> ◆ drawing a diagram to illustrate the circular flow of income in a closed economy
Government aims: inflation and (un)employment (only aims — not how to achieve them)	<ul style="list-style-type: none"> ◆ describing the main government aims, ie in relation to inflation, unemployment, growth ◆ defining rate of inflation ◆ describing the method of calculating inflation, eg survey, basket, weight, collecting prices ◆ understanding the difference between CPI and CPIH measures of inflation ◆ defining real and money/nominal income ◆ understanding the main causes of inflation, ie demand pull, cost push, imported ◆ understanding the effects of inflation on individuals, firms and the economy ◆ defining unemployment and the rate and level of unemployment ◆ describing ways of measuring unemployment, ie claimant count, labour force survey ◆ understanding the meaning of the term 'seasonally adjusted' in relation to unemployment statistics 	<ul style="list-style-type: none"> ◆ researching and drawing graphs of recent trends in inflation ◆ researching changes in the basket of goods over time ◆ creating flow charts from phrases about the links in the different causes of inflation ◆ producing a list of the consequences of inflation ◆ making presentations on the effects of the listed consequences on prices, savings, mortgages, wages and unemployment ◆ using a table of wage and inflation rates to calculate real wage increases/decreases ◆ creating a series of scenarios and asking candidates to complete a table with 'causes of inflation' and 'effects of inflation' as column headings ◆ researching and drawing graphs of recent trends in unemployment for the UK, Scotland, different regions, different age groups, etc ◆ providing scenarios for candidates to classify into different types/causes of unemployment

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	<ul style="list-style-type: none"> ◆ understanding the causes of unemployment, eg cyclical/demand deficient, structural, frictional ◆ understanding the effects of unemployment on individuals, firms and government income and expenditure 	<ul style="list-style-type: none"> ◆ creating a series of scenarios and asking candidates to complete a table with 'causes of unemployment' and 'effects of unemployment' as column headings
Government aims: economic growth	<ul style="list-style-type: none"> ◆ defining what is meant by growth in the economy, eg an increase in total output over a period of time using the same or fewer resources ◆ describing ways of increasing output/GDP ◆ understanding standards of living 	<ul style="list-style-type: none"> ◆ researching and drawing graphs of recent trends in growth ◆ discussing ways of measuring standards of living in different decades and potential ways of measuring it in the future
Scotland's place in the UK economy	<ul style="list-style-type: none"> ◆ describing the different types of industry in Scotland, ie primary, secondary, tertiary ◆ giving examples of different Scottish industries, eg whisky, oil, tourism ◆ understanding where different types of industry are located ◆ understanding levels of employment in different industries ◆ understanding the contribution of Scottish industry to the UK economy ◆ understanding why Scotland specialises in certain types of industry ◆ naming famous Scottish entrepreneurs and their businesses 	<ul style="list-style-type: none"> ◆ researching and presenting the findings about different Scottish industries, eg what they do, value to the economy, volume of employment created, export value and destinations ◆ pinning representations of different industries in the appropriate places on a map of Scotland ◆ researching and presenting the findings about different Scottish entrepreneurs and their impact on the Scottish/UK economy ◆ using a mix-and-match exercise to match Scottish entrepreneurs with their businesses

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	<ul style="list-style-type: none"> ◆ understanding the importance and impact of entrepreneurship on Scottish/UK economy 	

Global economic activity		
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Understanding global trade	<ul style="list-style-type: none"> ◆ defining global trade ◆ describing the main types, relative values and trends of imports to and exports from the UK ◆ identifying the main trading partners of the UK ◆ understanding the advantages and disadvantages of global trade to an economy ◆ describing the different barriers to trade ◆ explaining how different barriers to trade work ◆ describing reasons for erecting trade barriers ◆ understanding the advantages and disadvantages of barriers to trade 	<ul style="list-style-type: none"> ◆ using a recipe and asking candidates to work out where each ingredient for the dish comes from ◆ looking at electrical/white/audio-visual goods/gadgets at home and listing their countries of origin in preparation for a class discussion ◆ researching and presenting the findings about different aspects of global trade, eg the UK's main trading partners, the goods traded, the relative value of imports and exports, how trading patterns have changed in recent years ◆ using a mix-and-match exercise to match the names of barriers to trade, their definitions and explanations of how they work ◆ investigating recent examples of retaliation against barriers to trade
Multinationals	<ul style="list-style-type: none"> ◆ defining a multinational, ie a multinational has its headquarters in one country and facilities in at least one other ◆ understanding the reasons for becoming a multinational ◆ explaining the reasons for a multinational to locate in a foreign country 	<ul style="list-style-type: none"> ◆ researching and presenting the findings about specific multinationals and their product ranges ◆ debating why multinationals locate in different countries ◆ researching why specific multinationals choose to locate in Scotland in particular
Exchange rates	<ul style="list-style-type: none"> ◆ defining an exchange rate 	<ul style="list-style-type: none"> ◆ using scenarios to classify examples of trade in goods/services and imports/exports

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	<ul style="list-style-type: none"> ◆ calculating straightforward currency exchange rates ◆ understanding the effect of fluctuations in the exchange rate on the prices of imports and exports ◆ understanding the effect of fluctuations in exchange rates on firms and individuals 	<ul style="list-style-type: none"> ◆ investigating changes in the value of different currencies in relation to the £ sterling, and creating graphs to show the changes ◆ creating a series of scenarios for UK firms importing goods from different countries as exchange rates change and calculating any losses or gains ◆ creating a series of scenarios for UK firms exporting goods to different countries as exchange rates change and calculating any losses or gains ◆ researching the best value holiday destinations based on different exchange rates in relation to travel, hotels, excursions, etc ◆ researching the impact of currency fluctuations on foreign tourists visiting the UK
Understanding the impact of the global economy	<ul style="list-style-type: none"> ◆ describing the following features of EU membership: free movement of labour, goods, services and capital, and the common external tariff (CET) ◆ understanding the advantages and disadvantages of being part of the EU ◆ defining what is meant by eurozone ◆ understanding the advantages and disadvantages of being part of the eurozone ◆ naming developing economies 	<ul style="list-style-type: none"> ◆ researching and presenting the findings about the EU and the euro features ◆ holding a class debate on the pros and cons of EU membership ◆ using flash cards containing the names of different countries and sorting them into EU, developing and emerging countries ◆ researching a developing economy and suggesting what could be done to promote economic growth in that country

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	<ul style="list-style-type: none"> ◆ describing the characteristics of developing economies ◆ describing the different types and methods of aid given to developing economies, eg bilateral aid, tied aid, food aid, medical aid, capital equipment ◆ naming emerging economies ◆ describing the characteristics of emerging economies relative to developing economies 	<ul style="list-style-type: none"> ◆ researching the need for aid, its history and current examples ◆ investigating the UK's giving of aid, eg where it goes, what type, how much ◆ researching an emerging economy to establish its characteristics and evaluating its impact on UK and international trade