



# A Level Economics B

## Specification

Pearson Edexcel Level 3 Advanced GCE in Economics B (9EB0)

*First teaching from September 2015*

*First certification from 2017*

Issue 1



# **Pearson Edexcel Level 3 Advanced GCE in Economics B (9EB0) Specification**

First certification 2017

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## From Pearson's Expert Panel for World Class Qualifications

"The reform of the qualifications system in England is a profoundly important change to the education system. Teachers need to know that the new qualifications will assist them in helping their learners make progress in their lives.

When these changes were first proposed we were approached by Pearson to join an 'Expert Panel' that would advise them on the development of the new qualifications. We were chosen, either because of our expertise in the UK education system, or because of our experience in reforming qualifications in other systems around the world as diverse as Singapore, Hong Kong, Australia and a number of countries across Europe.

We have guided Pearson through what we judge to be a rigorous qualification development process that has included:

- Extensive international comparability of subject content against the highest-performing jurisdictions in the world
- Benchmarking assessments against UK and overseas providers to ensure that they are at the right level of demand
- Establishing External Subject Advisory Groups, drawing on independent subject-specific expertise to challenge and validate our qualifications
- Subjecting the final qualifications to scrutiny against the DfE content and Ofqual accreditation criteria in advance of submission.

Importantly, we have worked to ensure that the content and learning is future oriented. The design has been guided by what is called an 'Efficacy Framework', meaning learner outcomes have been at the heart of this development throughout.

We understand that ultimately it is excellent teaching that is the key factor to a learner's success in education. As a result of our work as a panel we are confident that we have supported the development of qualifications that are outstanding for their coherence, thoroughness and attention to detail and can be regarded as representing world-class best practice."

### **Sir Michael Barber (Chair)**

Chief Education Advisor, Pearson plc

### **Professor Sing Kong Lee**

Director, National Institute of Education, Singapore

### **Bahram Bekhradnia**

President, Higher Education Policy Institute

### **Professor Jonathan Osborne**

Stanford University

### **Dame Sally Coates**

Principal, Burlington Danes Academy

### **Professor Dr Ursula Renold**

Federal Institute of Technology, Switzerland

### **Professor Robin Coningham**

Pro-Vice Chancellor, University of Durham

### **Professor Bob Schwartz**

Harvard Graduate School of Education

### **Dr Peter Hill**

Former Chief Executive ACARA



# Introduction

The Pearson Edexcel Level 3 Advanced GCE in Economics B is designed for use in schools and colleges. It is part of a suite of GCE qualifications offered by Pearson.

## Purpose of the specification

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This specification sets out:

- the objectives of the qualification
- any other qualification(s) that a student must have completed before taking the qualification
- any prior knowledge and skills that the student is required to have before taking the qualification
- any other requirements that a student must have satisfied before they will be assessed or before the qualification will be awarded
- the knowledge and understanding that will be assessed as part of the qualification
- the method of assessment and any associated requirements relating to it
- the criteria against which a student's level of attainment will be measured (such as assessment criteria).

## Rationale

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The Pearson Edexcel Level 3 Advanced GCE in Economics B meets the following purposes, which fulfil those defined by the Office of Qualifications and Examinations Regulation (Ofqual) for GCE qualifications in their *GCE Qualification Level Conditions and Requirements* document, published in April 2014.

The purposes of this qualification are to:

- define and assess achievement of the knowledge, skills and understanding that will be needed by students planning to progress to undergraduate study at a UK higher education establishment, particularly (although not only) in the same subject area, for example economics, degrees in applied economics such as environmental economics, labour economics, public sector economics or monetary economics, business economics, or a business degree
- set out a robust and internationally comparable post-16 academic course of study to develop that knowledge, skills and understanding
- enable UK universities to accurately identify the level of attainment of students
- provide a basis for school and college accountability measures at age 18
- provide a benchmark of academic ability for employers.

### Qualification aims and objectives

The aims and objectives of the Pearson Edexcel Level 3 Advanced GCE in Economics B are to enable students to:

- develop an interest in, and enthusiasm for, the subject
- appreciate the contribution of economics to the understanding of the wider economic and social environment
- develop an understanding of a range of concepts and an ability to use those concepts in a variety of different contexts
- use an enquiring, critical and thoughtful approach to the study of economics and develop an ability to think as an economist
- understand that economic behaviour can be studied from a range of perspectives
- develop analytical and quantitative skills, together with qualities and attitudes that will equip them for the challenges, opportunities and responsibilities of adult and working life.



## The context for the development of this qualification

All our qualifications are designed to meet our World Class Qualification Principles<sup>[1]</sup> and our ambition to put the student at the heart of everything we do.

We have developed and designed this qualification by:

- reviewing other curricula and qualifications to ensure that it is comparable with those taken in high-performing jurisdictions overseas
- consulting with key stakeholders on content and assessment, including learned bodies, subject associations, higher-education academics, teachers and employers to ensure this qualification is suitable for a UK context
- reviewing the legacy qualification and building on its positive attributes.

This qualification has also been developed to meet criteria stipulated by Ofqual in their documents *GCE Qualification Level Conditions and Requirements* and *GCE Subject Level Conditions and Requirements for Economics*, published in April 2014.

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<sup>[1]</sup> Pearson's World Class Qualification principles ensure that our qualifications are:

- **demanding**, through internationally benchmarked standards, encouraging deep learning and measuring higher-order skills
- **rigorous**, through setting and maintaining standards over time, developing reliable and valid assessment tasks and processes, and generating confidence in end users of the knowledge, skills and competencies of certified students
- **inclusive**, through conceptualising learning as continuous, recognising that students develop at different rates and have different learning needs, and focusing on progression
- **empowering**, through promoting the development of transferable skills, see *Appendix 1*.



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## Qualification at a glance

The Pearson Edexcel Level 3 Advanced GCE in Economics B is structured into four themes and consists of three externally examined papers.

Students are introduced to economics through building knowledge of core microeconomic and macroeconomic concepts, and by investigating economic theory through real-world businesses and the environments in which they operate.

Breadth and depth of knowledge and understanding with applications to more complex concepts and models are developed in the second year of study.

Students will need to apply their knowledge and understanding to both familiar and unfamiliar contexts in the assessment and demonstrate an awareness of current economic events and policies.

### Theme 1: Markets, consumers and firms

Students will develop an understanding of:

- scarcity, choice and potential conflicts
- enterprise, business and the economy
- introducing the market
- the role of credit in the economy
- market failure and government intervention
- revenue, costs, profits and cash.

### Theme 2: The wider economic environment

Students will develop an understanding of:

- business growth and competitive advantage
- firms, consumers and elasticities of demand
- productive efficiency
- life in a global economy
- the economic cycle
- introduction to macroeconomic policy.

### Theme 3: The global economy

This theme develops the concepts introduced in Theme 2. Students will develop an understanding of:

- globalisation
- economic factors in business expansion
- impact of globalisation on global companies
- impact of globalisation on local and national economies
- global labour markets
- inequality and redistribution.

### Theme 4: Making markets work

This theme develops the concepts introduced in Theme 1. Students will develop an understanding of:

- competition and market power
- market power and market failure
- market failure across the economy
- macroeconomic policies and impact on firms and individuals
- risk and the financial sector.

Students must complete all assessment in May/June in any single year.

Paper 1: Markets and how they work		*Paper code: 9EB0/01
<ul style="list-style-type: none"> <li>Externally assessed</li> <li>Availability: May/June</li> <li>First assessment: 2017</li> </ul>		35% of the total qualification
<b>Overview of content</b> Paper 1 will assess markets and questions will be drawn from Themes 1 and 4.		
<b>Overview of assessment</b> <ul style="list-style-type: none"> <li>Written examination.</li> <li>The paper comprises three sections.</li> <li>Students answer all questions from all sections.</li> <li>Section A comprises one data response question.</li> <li>Section B and Section C each comprise one extended open-response question based on data.</li> <li>Duration: 2 hours.</li> <li>100 marks available.</li> </ul>		

Paper 2: Competing in the global economy		*Paper code: 9EB0/02
<ul style="list-style-type: none"> <li>Externally assessed</li> <li>Availability: May/June</li> <li>First assessment: 2017</li> </ul>		35% of the total qualification
<b>Overview of content</b> Paper 2 will assess the global economic environment and questions will be drawn from Themes 2 and 3.		
<b>Overview of assessment</b> <ul style="list-style-type: none"> <li>Written examination.</li> <li>The paper comprises three sections.</li> <li>Students answer all questions from all sections.</li> <li>Section A comprises one data response question.</li> <li>Section B and Section C each comprise one extended open-response question based on data.</li> <li>Duration: 2 hours.</li> <li>100 marks available.</li> </ul>		

Paper 3: The economic environment and business	
*Paper code: 9EB0/03	
<ul style="list-style-type: none"> <li>Externally assessed</li> <li>Availability: May/June</li> <li>First assessment: 2017</li> </ul>	30% of the total qualification
<p><b>Overview of content</b></p> <p>For Paper 3, there will be a pre-released context document issued on our website in November of the previous year. A new context will be given to centres each year and will relate to the examination series for the following summer.</p> <p>The context will focus on a broad context, such as an economy, industry, market or economic issue. The question paper will be in two sections.</p> <p>The first section will focus on the broad context provided. This will be outlined to centres through the pre-released document.</p> <p>The second section will focus on at least one strand within the context provided, such as a particular firm.</p> <p>Each section will contain unseen stimulus materials comprising quantitative and qualitative evidence. Students are required to apply their knowledge and understanding from Themes 1, 2, 3 and 4 and their understanding of the broad context to this evidence.</p> <p>Students <b>cannot</b> take any of their research or investigation data carried out as part of the pre-release into the examination.</p>	
<p><b>Overview of assessment</b></p> <ul style="list-style-type: none"> <li>Written examination.</li> <li>The paper comprises two sections. Each section comprises data response questions broken down into a number of parts, including one extended open-response question.</li> <li>Students answer all questions from both sections.</li> <li>Duration: 2 hours.</li> <li>100 marks available.</li> </ul>	

\*See *Appendix 5: Codes* for a description of this code and all other codes relevant to this qualification.

## Assessment Objectives and weightings

Students must:		% in GCE
<b>AO1</b>	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues	20-22
<b>AO2</b>	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues	22-24
<b>AO3</b>	Analyse issues within economics, showing an understanding of their impact on economic agents	28-30
<b>AO4</b>	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues	26-28
<b>Total</b>		<b>100%</b>



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# Knowledge, skills and understanding

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## Theme 1: Markets, consumers and firms

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### Overview

In this theme, students explore the way in which consumers make choices and entrepreneurs create desirable products.

Students will need to build upon the knowledge, skills and understanding developed in Theme 1 in Theme 4, making connections across these two themes in Paper 1, and across Themes 1, 2, 3 and 4 in Paper 3. Teaching approaches to content must reflect this.

Students will need to apply their knowledge and understanding of both familiar and unfamiliar contexts in the assessments, and demonstrate an awareness of current economic events and policies. Students should have knowledge of the UK economy in the last 10 years.

### Content

Students will learn about the market economy and how market forces shape the way in which firms meet consumer demand, how firms raise the finance they need and how they measure their performance.

Students will consider how markets work, looking at how supply and demand interact to allocate resources in local, national and international markets. They will learn how to apply supply and demand analysis to real-world situations and be able to offer explanations to explain consumer behaviour.

Having investigated how markets work, students will then look at market failure. They will look at the nature and causes of market failure before considering the strengths and weaknesses of possible government interventions to remedy market failure.

Students are encouraged to use an enquiring, critical and thoughtful approach to the study of economics and to develop an ability to think as an economist.

To develop their skills, knowledge and understanding in economics, students need to have acquired competence in quantitative skills that are relevant to, and applied in the context of, this theme (see *Appendix 3: Quantitative skills*).

For this theme, students will need to be aware of the accounting ratios outlined in *Appendix 4: Accounting ratios*.

## 1.1 Scarcity, choice and potential conflicts

Students are introduced to the basic economic problem and to the way in which different economic agents have different and conflicting objectives.

Subject content	What students need to learn:
1.1.1 The economic problem	<ul style="list-style-type: none"> <li>a) The problem of scarcity (where there are unlimited wants and finite resources)</li> <li>b) Choices and potential trade-offs</li> <li>c) The importance of opportunity costs to consumers, producers and government</li> </ul>
1.1.2 Business objectives	<ul style="list-style-type: none"> <li>a) Different business objectives and reasons for them: <ul style="list-style-type: none"> <li>o profit maximisation</li> <li>o sales maximisation</li> <li>o satisficing</li> </ul> </li> <li>b) Other objectives: <ul style="list-style-type: none"> <li>o survival</li> <li>o market share</li> <li>o cost efficiency</li> <li>o return on investment</li> <li>o employee welfare</li> <li>o customer satisfaction</li> <li>o social objectives</li> </ul> </li> </ul>
1.1.3 Stakeholders (economic agents) and their objectives	<ul style="list-style-type: none"> <li>a) Stakeholders (economic agents)</li> <li>b) Stakeholder objectives</li> <li>c) Stakeholder conflicts</li> <li>d) Corporate social responsibility</li> </ul>

## 1.2 Enterprise, business and the economy

Entrepreneurs are key to a dynamic economy and they take decisions in the context of current economic conditions.

Subject content	What students need to learn:
1.2.1 Role of an entrepreneur in the economy	<ul style="list-style-type: none"> <li>a) Creative destruction (organising factors of production to create and set up an enterprise)</li> <li>b) Making decisions to operate, expand and develop a business</li> <li>c) Selling the output for more than the cost of the inputs (adding value)</li> </ul>
1.2.2 Entrepreneurial motives	<ul style="list-style-type: none"> <li>a) Profit as an incentive</li> <li>b) Non-financial motives: ethical stance, social entrepreneurship, independence, home working</li> </ul>
1.2.3 Factors of production	<ul style="list-style-type: none"> <li>a) Enterprise</li> <li>b) Capital, land and labour: <ul style="list-style-type: none"> <li>o premises</li> <li>o equipment</li> <li>o raw materials</li> <li>o managers and employees</li> </ul> </li> </ul>
1.2.4 Specialisation	<ul style="list-style-type: none"> <li>a) Division of labour: advantages and disadvantages to employers and employees</li> <li>b) Specialisation: advantages and disadvantages to the firm</li> </ul>
1.2.5 The wider economic environment	<ul style="list-style-type: none"> <li>a) Implications for firms of changes in: <ul style="list-style-type: none"> <li>o interest rates</li> <li>o exchange rates</li> <li>o taxation</li> <li>o unemployment</li> <li>o inflation</li> </ul> </li> </ul>

### 1.3 Introducing the market

The understanding of markets is fundamental to economics and helps students to understand what is produced and how it is sold.

Subject content	What students need to learn:
1.3.1 Demand	a) Consumer objectives and decisions b) The demand curve c) The distinction between movements along a demand curve and shifts of a demand curve d) The factors that may cause a shift in the demand curve: <ul style="list-style-type: none"> <li>o changes in the prices of substitutes and complementary goods</li> <li>o changes in real incomes</li> <li>o changes in tastes and fashions</li> <li>o advertising and branding</li> <li>o changes in size and age distribution of the population</li> </ul>
1.3.2 Supply	a) Producer objectives and decisions b) The supply curve c) The distinction between movements along a supply curve and shifts of a supply curve d) The factors that may cause a shift in the supply curve: <ul style="list-style-type: none"> <li>o changes in the costs of production</li> <li>o the introduction of new technology</li> <li>o indirect taxes</li> <li>o subsidies</li> <li>o changes in the number of firms in an industry</li> <li>o external shocks</li> </ul>
1.3.3 Price determination	a) Equilibrium price and quantity and how they are determined b) The use of supply and demand diagrams to depict excess supply and excess demand c) The operation of market forces to eliminate excess demand and excess supply d) The use of the supply and demand model to show how shifts in demand and supply curves cause the equilibrium price and quantity to change in real-world situations e) The limitations of the supply and demand model and its predictions

Subject content	What students need to learn:
1.3.4 Price mechanism	a) Functions of the price mechanism to allocate resources: rationing, incentives, signalling b) How firms respond to a change in demand c) The price mechanism in the context of different types of markets: <ul style="list-style-type: none"> <li>o mass markets</li> <li>o niche markets</li> </ul> d) Potential market growth
1.3.5 Understanding the consumer	a) Primary and secondary market research data (quantitative and qualitative) used to quantify likely demand and gain insight into consumer behaviour b) Limitations of market research, sample size and bias c) Categorising consumers: market segmentation
1.3.6 The competition	a) Market positioning: market mapping and market maps b) Competitive advantage of a product or service c) Product differentiation d) Adding value to products/services e) How firms decide on price and level of output f) Nature and range of markets: stable and dynamic markets

## 1.4 The role of credit in the economy

Firms may need to borrow for capital investment and working capital but borrowing can be both costly and risky.

Subject content	What students need to learn:
1.4.1 Role of banks in the economy	a) Channelling savings towards investment b) Role of banks in providing credit c) Interest rates and collateral
1.4.2 Risk and liability	a) The meaning of risk b) Implications of limited and unlimited liability
1.4.3 Types and sources of credit and the impact of credit within the economy	a) Types of credit: <ul style="list-style-type: none"> <li>o loans</li> <li>o overdrafts</li> <li>o trade credit</li> </ul> b) Sources of credit: <ul style="list-style-type: none"> <li>o banks</li> <li>o other firms</li> </ul> c) Other types of finance: <ul style="list-style-type: none"> <li>o venture capital</li> <li>o share capital</li> <li>o leasing</li> </ul> d) Other sources of finance: <ul style="list-style-type: none"> <li>o owner's capital: personal savings</li> <li>o retained profit</li> <li>o sale of assets</li> <li>o individual investors</li> <li>o online collaborative funding</li> </ul> e) Challenges in obtaining credit: <ul style="list-style-type: none"> <li>o role and impact of credit on the economy</li> </ul>

## 1.5 Market failure and government intervention

Some markets work better than others and governments may try to make markets work more efficiently for the benefit of society.

Subject content	What students need to learn:
1.5.1 Market failure and externalities	a) Private costs, external costs and social costs b) Private benefits, external benefits and social benefits c) Costs and benefits from the production and consumption of goods and services d) Strength of the market economy: markets work well when the private and social benefits exceed (or are equal to) the private and social costs e) Weaknesses of the market economy: some markets fail because of the existence of external costs, leading to under/over production or consumption
1.5.2 Government intervention and failure	a) Purpose of intervention with reference to market failure in various contexts b) Methods of government intervention: <ul style="list-style-type: none"> <li>o regulation</li> <li>o legislation</li> <li>o indirect taxation</li> <li>o grants and subsidies</li> <li>o voluntary agreements</li> </ul> c) Causes of government failure: <ul style="list-style-type: none"> <li>o distortion of price signals</li> <li>o unintended consequences</li> <li>o excessive administrative costs</li> <li>o information gaps</li> </ul> d) Government failure in various markets

## 1.6 Revenue, costs, profits and cash

An efficient allocation of resources requires a way of measuring the costs of using those resources and the revenues generated by their use.

Subject content	What students need to learn:
1.6.1 Revenue and costs	<ul style="list-style-type: none"> <li>a) Calculation of sales volume and sales revenue</li> <li>b) Calculation of average, fixed, variable and total costs</li> <li>c) Calculation of percentage change</li> </ul>
1.6.2 The relationship between revenue and costs	<ul style="list-style-type: none"> <li>a) Contribution: selling price – variable cost per unit</li> <li>b) Break-even point: total fixed costs + total variable costs = total sales revenue</li> <li>c) Using contribution to calculate the break-even point</li> <li>d) Margin of safety</li> <li>e) Limitations of break-even analysis</li> </ul>
1.6.3 Profit and loss	<ul style="list-style-type: none"> <li>a) Profit as an incentive in a competitive market: market entry and exit</li> <li>b) How firms calculate: <ul style="list-style-type: none"> <li>o gross profit</li> <li>o operating profit</li> <li>o profit for the year (net profit)</li> </ul> </li> <li>c) Statement of comprehensive income (profit and loss account)</li> <li>d) How firms measure profitability: <ul style="list-style-type: none"> <li>o gross profit margin</li> <li>o operating profit margin</li> <li>o profit for the year (net profit) margin</li> </ul> </li> <li>e) How firms increase profit</li> </ul>
1.6.4 Business survival and cash flow	<ul style="list-style-type: none"> <li>a) Distinction between profit and cash flow</li> <li>b) Importance of cash flow for business survival</li> <li>c) Forecasting and interpreting cash flow</li> <li>d) Use of a cash-flow forecast to identify credit requirements and minimise risk</li> </ul>



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## Theme 2: The wider economic environment

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### Overview

This theme helps students to explore how firms can become more competitive. It introduces them to the wider international and economic environment in which firms operate.

Students will need to build upon the knowledge, skills and understanding developed in Theme 2 in Theme 3, making connections across these two themes in Paper 2, and across Themes 1, 2, 3 and 4 in Paper 3. Teaching approaches to content must reflect this.

Students will need to apply their knowledge and understanding of both familiar and unfamiliar contexts in the assessments, and demonstrate an awareness of current economic events and policies. Students should have knowledge of the UK economy in the last 10 years.

### Content

Business growth and competitive advantage lead naturally to the ways in which consumers are influenced by and respond to changes in prices and incomes. This theme goes on to develop an understanding of the nature of productive efficiency and the need to improve it. At this point, the theme broadens out to cover global issues, fluctuations in the economy and the ways in which governments respond to threats and changes with micro- and macro-economic policies.

Students will consider the different approaches that may be used by policy-makers to address the main economic issues.

Students are encouraged to use an enquiring, critical and thoughtful approach to the study of economics and develop an ability to think as an economist.

To develop their skills, knowledge and understanding in economics, students need to have acquired competence in quantitative skills that are relevant to and applied in the context of this theme (see *Appendix 3: Quantitative skills*).

## 2.1 Business growth and competitive advantage

Success in business requires dynamism and flexibility which must include technical excellence, sensitivity to market trends and imaginative thinking.

Subject content	What students need to learn:
2.1.1 Growth	a) Objectives of growth: <ul style="list-style-type: none"> <li>o to achieve economies of scale (internal and external)</li> <li>o increased market power over consumers and suppliers</li> <li>o increased market share and brand recognition</li> <li>o increased profitability</li> </ul> b) Problems arising from growth: <ul style="list-style-type: none"> <li>o diseconomies of scale</li> <li>o internal communication</li> <li>o potential skills shortages</li> </ul> c) The role of corporate culture
2.1.2 Methods of growth	a) Organic and inorganic growth b) Horizontal, vertical and conglomerate integration
2.1.3 Research and development (R&D) and innovation	a) Competitive advantage through innovation b) Incentive to increase market power c) Product and process innovation d) Role of state funding e) Product life cycle and extension strategies
2.1.4 How the digital economy affects markets and firms	a) Market information in the digital economy: <ul style="list-style-type: none"> <li>o price comparison sites</li> <li>o viral marketing</li> <li>o social media</li> </ul> b) The supply-side: <ul style="list-style-type: none"> <li>o micromarketing</li> <li>o online retailing and online distribution</li> <li>o recruiting and training staff with digital skills</li> </ul> c) The demand-side: <ul style="list-style-type: none"> <li>o satisfying consumers with the long tail</li> <li>o wider geographical markets</li> </ul> d) Impact on markets and firms: <ul style="list-style-type: none"> <li>o impact on costs, prices, profit and loss</li> <li>o firm creation and destruction in a new business environment</li> </ul>

Subject content	What students need to learn:
2.1.5 How small firms compete	a) Small-firm survival in competitive markets: <ul style="list-style-type: none"> <li>o product differentiation and unique selling points (USPs)</li> <li>o flexibility in responding to customer needs</li> <li>o customer service</li> <li>o targeting niche markets</li> <li>o achieving competitive advantage through relationships with stakeholders</li> </ul>

## 2.2 Firms, consumers and elasticities of demand

Measuring consumer response to changes in prices and incomes helps firms make price, product and output decisions.

Subject content	What students need to learn:
2.2.1 Price elasticity of demand (PED)	a) The significance of price elasticity of demand to firms (in both niche and mass markets) in terms of implications for pricing b) Calculation of price elasticity of demand c) Interpretation of numerical values of price elasticity of demand d) The factors influencing price elasticity of demand e) The relationship between price elasticity of demand and total revenue
2.2.2 Competing on price	a) Pricing strategies: <ul style="list-style-type: none"> <li>cost plus (calculating mark up on unit cost)</li> <li>price skimming</li> <li>penetration</li> <li>predatory</li> <li>competitive</li> <li>psychological</li> </ul> b) Factors that determine the most appropriate pricing strategy for a particular situation: <ul style="list-style-type: none"> <li>number of USPs/amount of differentiation</li> <li>price elasticity of demand</li> <li>amount of competition</li> <li>strength of brand</li> <li>stage in the product life cycle</li> <li>costs and the need to make a profit</li> </ul> c) Changes in pricing to reflect social trends (online sales and price comparison sites)
2.2.3 Types of non-price competition	a) The impact of marketing on the demand curve: <ul style="list-style-type: none"> <li>product differentiation</li> <li>advertising and other promotional methods</li> <li>distribution methods</li> </ul> b) Devising appropriate marketing approaches
2.2.4 Income elasticity of demand (YED)	a) The significance of income elasticity of demand to firms b) Calculation of income elasticity of demand c) Interpretation of numerical values of income elasticity of demand d) The factors influencing income elasticity of demand

## 2.3 Productive efficiency

Firms' success and living standards in the economy depend on increasing productive efficiency.

Subject content	What students need to learn:
2.3.1 Productivity	a) Productivity (output per unit of input in a given time period): <ul style="list-style-type: none"> <li>o factors influencing productivity</li> <li>o link between productivity and competitiveness</li> <li>o productivity and wages</li> <li>o productivity and economic growth</li> </ul> b) Distinction between labour and capital intensive production
2.3.2 Capacity utilisation	a) Full capacity and spare capacity b) Capacity utilisation: <ul style="list-style-type: none"> <li>o <math>\text{current output} \div \text{maximum possible output}</math> (as a percentage)</li> </ul> c) Implications of under- and over-utilisation of capacity d) Ways of improving capacity utilisation
2.3.3 Efficiency and competitiveness using lean production	a) Quality: control, assurance, Total Quality Management (TQM) b) Continuous improvement (Kaizen) c) Just in time (JIT) management of stock d) Competitive advantage from lean production
2.3.4 Impact on costs and sales revenue	a) Impact on average costs b) Minimising waste of resources c) Competitive advantage of short product development lead times

## 2.4 Life in a global economy

Globalisation has given firms many new opportunities to trade and to contribute to economic development.

Subject content	What students need to learn:
2.4.1 Globalisation	a) Characteristics of globalisation: <ul style="list-style-type: none"> <li>o increased investment flows</li> <li>o world trade rising as a proportion of world Gross Domestic Product (GDP)</li> <li>o increased migration</li> </ul> b) Factors contributing to globalisation in the last 50 years: <ul style="list-style-type: none"> <li>o trade liberalisation</li> <li>o capital market liberalisation</li> <li>o political change resulting in the opening up of China and the former Soviet Union</li> <li>o reduced cost of transport and communications</li> <li>o increased significance of global (transnational) companies</li> </ul>
2.4.2 Developed, emerging and developing economies	a) Growth rate of the UK and BRIC (Brazil, Russia, India and China) economies since 2000 b) Indicators of growth: <ul style="list-style-type: none"> <li>o GDP per capita</li> <li>o literacy</li> <li>o health</li> <li>o Human Development Index (HDI)</li> </ul> c) Characteristics of developed (mature), emerging and developing economies d) Mean and median incomes
2.4.3 International trade	a) Specialisation and international trade b) Trading blocs c) Trade and growth d) Imports and exports: visibles and invisibles e) Impact of cheap imports on standards of living
2.4.4 Exchange rates	a) Changes in exchange rates b) Impact of changing exchange rates on firms c) Interpretation of exchange rate data d) Interpretation of effective exchange rates

## 2.5 The economic cycle

Economic growth rates are constantly changing, creating instability and uncertainty for firms and economic agents.

Subject content	What students need to learn:
2.5.1 The economic cycle	<ul style="list-style-type: none"> <li>a) Understanding of the economic cycle</li> <li>b) Characteristics of a boom</li> <li>c) Characteristics of a recession</li> <li>d) Implications for firms of fluctuations in economic activity</li> </ul>
2.5.2 Circular flow of income, expenditure and output	<ul style="list-style-type: none"> <li>a) The circular flow of income</li> <li>b) The impact of injections into and withdrawals from the circular flow of income</li> <li>c) Factors influencing AD: components <math>C + I + G + (X - M)</math></li> <li>d) Factors influencing AS: <ul style="list-style-type: none"> <li>o changes in the cost of inputs and resources</li> <li>o changes in productivity</li> </ul> </li> </ul>
2.5.3 Inflation	<ul style="list-style-type: none"> <li>a) Inflation, deflation and disinflation</li> <li>b) Interpret price indices (RPI and CPI) and the rate of inflation</li> <li>c) Real and nominal values, constant and current prices</li> <li>d) Causes of inflation: <ul style="list-style-type: none"> <li>o demand pull</li> <li>o cost push</li> </ul> </li> <li>e) The impact of inflation on firms: <ul style="list-style-type: none"> <li>o uncertainty</li> <li>o loss of international competitiveness</li> </ul> </li> <li>f) The impact of inflation on individuals: <ul style="list-style-type: none"> <li>o loss of real income</li> <li>o savers and borrowers</li> </ul> </li> </ul>
2.5.4 Employment and unemployment	<ul style="list-style-type: none"> <li>a) Employment, underemployment and unemployment</li> <li>b) Measures of unemployment: <ul style="list-style-type: none"> <li>o the claimant count</li> <li>o the International Labour Organisation (ILO) measure</li> </ul> </li> <li>c) The causes of unemployment: <ul style="list-style-type: none"> <li>o structural unemployment</li> <li>o occupational immobility</li> <li>o geographical immobility</li> <li>o technological unemployment</li> <li>o demand deficiency and cyclical unemployment</li> </ul> </li> <li>d) The impact of unemployment on firms and individuals</li> </ul>

## 2.6 Introduction to macroeconomic policy

Economic policies focus on stabilisation and standards of living but controversy and debate may influence the outcome.

Subject content	What students need to learn:
2.6.1 Possible macroeconomic objectives	<ul style="list-style-type: none"> <li>a) Economic growth</li> <li>b) Low unemployment</li> <li>c) Low and stable rate of inflation</li> <li>d) Balance of payments equilibrium on current account</li> </ul>
2.6.2 Policy instruments	<p>The nature and impact of the following on the economy, firms and economic agents:</p> <ul style="list-style-type: none"> <li>a) Fiscal policy: <ul style="list-style-type: none"> <li>o adjusting levels of government spending and taxation to affect aggregate demand</li> </ul> </li> <li>b) Monetary policy: <ul style="list-style-type: none"> <li>o adjusting interest rates to affect aggregate demand</li> </ul> </li> <li>c) Supply-side policies: <ul style="list-style-type: none"> <li>o taxes, benefits, education and training, grants and subsidies infrastructure</li> </ul> </li> <li>d) Exchange rate policy: <ul style="list-style-type: none"> <li>o floating rate</li> </ul> </li> </ul>
2.6.3 Potential policy conflicts and trade-offs	<ul style="list-style-type: none"> <li>a) Inflation and unemployment</li> <li>b) Economic growth and negative externalities</li> <li>c) The issues governments face in managing the macro-economy</li> <li>d) How different macroeconomic perspectives influence policy decisions</li> <li>e) The likely effects of individual policy instruments on specific problems; possible unintended consequences</li> </ul>



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## Theme 3: The global economy

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### Overview

This theme builds on the content of *Theme 2: The wider economic environment* and continues its focus on the international economic environment.

Students will need to build upon the knowledge, skills and understanding developed in Theme 2 in Theme 3, making connections across these two themes in Paper 2, and across Themes 1, 2, 3 and 4 in Paper 3. Teaching approaches to content must reflect this.

Students will need to apply their knowledge and understanding of both familiar and unfamiliar contexts in the assessments, and demonstrate an awareness of current economic events and policies. Students should have knowledge of the UK economy in the last 10 years.

### Content

Students develop their understanding of the meaning of globalisation. They then go on to explore ways in which firms expand into new markets and move to new locations for production, alongside looking at the issues relating to global trade and growth, and the trade policies that shape the global economy. Multinational corporations figure significantly in this theme, along with the study of global labour markets, poverty, inequality and income distribution.

Students will apply supply and demand analysis to the labour market as they see how wages are determined and look at other influences on the rewards of labour.

Students are encouraged to use an enquiring, critical and thoughtful approach to the study of economics and develop an ability to think as an economist.

To develop their skills, knowledge and understanding in economics, students need to have acquired competence in quantitative skills that are relevant to and applied in the context of this theme (see *Appendix 3: Quantitative skills*).

### 3.1 Globalisation

The term 'globalisation' describes a range of economic developments that enhance the ability of nations and firms to trade within a rules-based system.

Subject content	What students need to learn:
3.1.1 Growing economies	<ul style="list-style-type: none"> <li>a) Growing economic power of: <ul style="list-style-type: none"> <li>o Asia (China and India)</li> <li>o Africa</li> <li>o other emerging markets</li> </ul> </li> <li>b) Implications of economic growth for individuals and firms: <ul style="list-style-type: none"> <li>o trade and rationalisation opportunities for firms</li> <li>o shifting employment patterns</li> </ul> </li> <li>c) Rising incomes</li> <li>d) Conversion of nominal to real values</li> <li>e) Calculating and interpreting index numbers</li> </ul>
3.1.2 Trade and growth	<ul style="list-style-type: none"> <li>a) Increasing trade liberalisation</li> <li>b) The role of specialisation and increasing specialisation by country</li> <li>c) Trade liberalisation and economic growth</li> <li>d) Foreign direct investment (FDI) and link to growth</li> </ul>
3.1.3 Trading blocs	<ul style="list-style-type: none"> <li>a) Trade creation and trade diversion</li> <li>b) Expansion of trading blocs: <ul style="list-style-type: none"> <li>o EU and the single market</li> <li>o ASEAN</li> <li>o NAFTA</li> </ul> </li> <li>c) Impact on firms of trading blocs</li> <li>d) Growing interdependence</li> </ul>
3.1.4 Trade policy and trade negotiations	<ul style="list-style-type: none"> <li>a) Protectionism: <ul style="list-style-type: none"> <li>o tariffs and import quotas (with diagrammatic representation)</li> <li>o other trade barriers</li> <li>o government legislation and domestic subsidies</li> </ul> </li> <li>b) International trade negotiations: <ul style="list-style-type: none"> <li>o role of G20</li> <li>o role of international institutions (World Trade Organisation (WTO), International Monetary Fund (IMF), World Bank)</li> <li>o bilateral trading agreements</li> </ul> </li> </ul>

Subject content	What students need to learn:
3.1.5 Exchange rate changes	a) Impact of changes in exchange rates and the possible effects on: <ul style="list-style-type: none"> <li>o the current account and the balance of payments</li> <li>o economic growth; firms</li> <li>o employment/unemployment</li> <li>o the rate of inflation</li> <li>o FDI flows</li> </ul> b) The Eurozone

### 3.2 Economic factors in business expansion

Firms need to be able to assess the relative merits of competing potential locations for market growth and production.

Subject content	What students need to learn:
3.2.1 Conditions that prompt trade	a) Push factors: <ul style="list-style-type: none"> <li>o saturated markets</li> <li>o competition</li> </ul> b) Pull factors: <ul style="list-style-type: none"> <li>o economies of scale</li> <li>o risk spreading</li> </ul> c) Possibility of offshoring and outsourcing d) Extending the product life cycles by selling in multiple markets e) Raising capacity utilisation
3.2.2 Assessing the potential of different economies	a) Factors influencing expansion into a market: <ul style="list-style-type: none"> <li>o levels and growth of disposable income</li> <li>o ease of doing business</li> <li>o infrastructure</li> <li>o political stability</li> <li>o exchange rate</li> </ul> b) Factors influencing the location of production sites: <ul style="list-style-type: none"> <li>o costs of production</li> <li>o skills and availability of labour force</li> <li>o infrastructure</li> <li>o location in trade bloc</li> <li>o government incentives</li> <li>o ease of doing business</li> <li>o political stability</li> <li>o natural resources</li> <li>o likely return on investment</li> </ul>

### 3.3 Impact of globalisation on global companies

Firms need to understand the differences between consumers in different countries and cultures.

Subject content	What students need to learn:
3.3.1 Responding to global demand	a) Globalisation vs glocalisation b) Different approaches to global markets: <ul style="list-style-type: none"> <li>o domestic/ethnocentric</li> <li>o mixed/geocentric</li> <li>o international/polycentric</li> </ul> c) Price and non-price competition in global markets <ul style="list-style-type: none"> <li>o adapting marketing strategies for global markets</li> </ul> d) Branding and differentiation in global markets
3.3.2 Demand-side factors in global markets	a) Cultural/social factors: <ul style="list-style-type: none"> <li>o cultural differences</li> <li>o different tastes</li> </ul> b) Information and communication factors: <ul style="list-style-type: none"> <li>o language, unintended meanings, inappropriate/inaccurate translations</li> </ul> c) How firms respond to these demand-side factors <ul style="list-style-type: none"> <li>o adapting marketing strategies for niche and mass markets</li> </ul>

### 3.4 Impact of globalisation on local and national economies

Large firms can wield significant market power and can have both positive and negative effects in the countries in which they operate.

Subject content	What students need to learn:
3.4.1 The impact of multinational corporations (MNCs)	a) Impact of MNCs on the local economy: <ul style="list-style-type: none"> <li>o local labour, wages, working conditions and job creation</li> <li>o local firms</li> <li>o the local community and environment</li> </ul> b) Impact of MNCs on the national economy: <ul style="list-style-type: none"> <li>o economic growth</li> <li>o FDI flows</li> <li>o balance of payments</li> <li>o technology and skills transfer</li> <li>o consumers</li> <li>o business culture</li> <li>o tax revenues and transfer pricing</li> </ul>
3.4.2 Ethical issues	a) Stakeholder conflicts b) Pay and working conditions c) Environmental considerations: <ul style="list-style-type: none"> <li>o emissions</li> <li>o waste disposal</li> </ul> d) Supply chain considerations: <ul style="list-style-type: none"> <li>o exploitation of labour</li> <li>o child labour</li> </ul> e) Marketing considerations: <ul style="list-style-type: none"> <li>o misleading product labelling</li> <li>o inappropriate promotional activities</li> </ul>
3.4.3 Controlling MNCs	a) Factors to consider: <ul style="list-style-type: none"> <li>o political influence</li> <li>o legal control</li> <li>o pressure groups</li> <li>o social media</li> </ul> b) Self-regulation

### 3.5 Global labour markets

Globalisation has opened up labour markets, giving firms access to a greater number of potential employees. Production has sometimes moved to where labour is cheaper and this has had an impact on both pay and job opportunities.

Subject content	What students need to learn:
3.5.1 Employment patterns	a) Growth of the global labour force b) Structural change c) Interdependence of labour markets
3.5.2 Wage rates	a) Factors that influence the supply of and demand for labour b) The importance of skills, training and education c) Impact of global competition, recession and redundancies d) Impact of trade unions and professional bodies
3.5.3 Minimum wage legislation	a) Minimum wages in developing and developed countries b) Skill shortages and their impact on international competitiveness c) Migration: <ul style="list-style-type: none"> <li>o within economies</li> <li>o between economies</li> </ul> d) Inequality and incentives

### 3.6 Inequality and re-distribution

Globalisation has helped to reduce the number of people living in absolute poverty and has had an impact on inequality between and within nations.

Subject content	What students need to learn:
3.6.1 Poverty and inequality	a) Absolute and relative poverty b) Measures of poverty: <ul style="list-style-type: none"> <li>o national measures</li> <li>o international measures</li> </ul> c) Measures of inequality: <ul style="list-style-type: none"> <li>o Gini coefficient</li> <li>o Lorenz curve (diagrammatic analysis)</li> </ul>
3.6.2 Reducing poverty	a) Economic development and economic growth b) International aid and improvements in welfare; non-governmental organisations (NGOs) c) Poverty reduction policies
3.6.3 The impact of inequality on economic agents	a) On individuals b) On firms: connections between low income and low productivity c) On the economy
3.6.4 Re-distribution of income and wealth	a) The distinction between income and wealth b) Incentives and the poverty trap c) Taxation and the provision of services



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## Theme 4: Making markets work

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### Overview

This theme starts by considering degrees of competition within markets and then encourages students to apply their understanding to how governments may improve the functioning of markets and the economy.

Students will need to build upon the knowledge, skills and understanding developed in Theme 1 in Theme 4, making connections across these two themes in Paper 1, and across Themes 1, 2, 3 and 4 in Paper 3. Teaching approaches to content must reflect this.

Students will need to apply their knowledge and understanding of both familiar and unfamiliar contexts in the assessments, and demonstrate an awareness of current economic events and policies. Students should have knowledge of the UK economy in the last 10 years.

### Content

Students will investigate competition and market power in this theme, as well as other aspects of market failure, covered in greater depth from *Theme 1: Markets, consumers and firms*. The focus on regulation opens up the range of measures that can be used to prevent firms from using their market power in ways that are detrimental to the interests of society as a whole.

In-depth coverage of macroeconomic policy and the role of the financial markets allows students to explore the significant problems that have developed in recent years without needing technical understanding of the financial system.

Students are encouraged to use an enquiring, critical and thoughtful approach to the study of economics and develop an ability to think as an economist.

To develop their skills, knowledge and understanding in economics, students need to have acquired competence in quantitative skills that are relevant to and applied in the context of this theme (see *Appendix 3: Quantitative skills*).

## 4.1 Competition and market power

Firms operate in markets with varying degrees of competition and this affects their decisions and the way in which resources are used.

Subject content	What students need to learn:
4.1.1 Spectrum of competition	<ul style="list-style-type: none"> <li>a) Characteristics of monopoly, oligopoly, imperfect and perfect competition</li> <li>b) How the model of perfect competition helps to explain how markets work</li> <li>c) The impact of market structure on pricing strategies and consumers</li> <li>d) Non-price competition</li> <li>e) The limitations of the model of perfect competition</li> </ul>
4.1.2 Barriers to entry	<ul style="list-style-type: none"> <li>a) Contestability and ease of entry</li> <li>b) Barriers to entry: <ul style="list-style-type: none"> <li>o product differentiation</li> <li>o branding</li> <li>o start-up costs</li> <li>o intellectual property rights</li> <li>o R&amp;D and technology change</li> </ul> </li> <li>c) The impact of barriers to entry on market structure</li> <li>d) Economies of scale and their impact on cost and price</li> </ul>
4.1.3 Oligopoly	<ul style="list-style-type: none"> <li>a) Concentration ratios</li> <li>b) Competition in an oligopoly; interdependence and price stability</li> <li>c) Tacit agreement</li> <li>d) Price discrimination</li> </ul>
4.1.4 Business objectives and pricing decisions	<ul style="list-style-type: none"> <li>a) Calculate average cost, average revenue and profit</li> <li>b) Calculate marginal cost and marginal revenue</li> <li>c) Link between marginal cost and revenue and contribution</li> <li>d) The impact of objectives on pricing strategies</li> </ul>
4.1.5 Productive and allocative efficiency	<ul style="list-style-type: none"> <li>a) The distinction between allocative efficiency and productive efficiency</li> <li>b) The significance of the margin; opportunity costs, trade-offs and allocative efficiency</li> <li>c) Increasing productivity to reduce average cost through greater efficiency by improving: <ul style="list-style-type: none"> <li>o technology</li> <li>o human capital (skills training and education)</li> <li>o the quality of management</li> </ul> </li> <li>d) Matching the structure of production to the pattern of consumer preferences (market orientation)</li> <li>e) How markets interact with one another</li> </ul>

## 4.2 Market power and market failure

Firms do not always behave in a way that benefits all economic agents and governments may intervene to regulate the power these firms have.

Subject content	What students need to learn:
4.2.1 Market failure	a) Significance of market power: <ul style="list-style-type: none"> <li>o cartels, collusion, restrictive practices and tacit agreement</li> <li>o monopsony power</li> <li>o natural monopolies</li> <li>o power in the labour market</li> </ul> b) The implications of market failure in the business world for economic agents and governments
4.2.2 Business regulation	a) Promoting competition through: <ul style="list-style-type: none"> <li>o preventing anti-competitive practices</li> <li>o controlling mergers and takeovers</li> <li>o privatisation</li> </ul> b) Regulating natural monopolies c) Protecting consumers d) The work of the Competition and Markets Authority e) Impact of EU competition policy f) Employee protection
4.2.3 Arguments for and against regulation	a) The benefits of regulation b) The costs of regulation

### 4.3 Market failure across the economy

Markets may not produce outcomes that are always considered socially desirable. This may prompt governments to intervene in an attempt to change the outcomes.

Subject content	What students need to learn:
4.3.1 Market failure in society	a) The consequences of under-provision and under-consumption of merit and other goods and services b) Positive and negative externalities c) Over-consumption of demerit goods d) Factor immobility (occupational and geographical) e) Imperfect and asymmetric information f) Consequences of environmental change
4.3.2 Externalities	a) Private, external and social costs and benefits b) The impact on society of charging prices that do not reflect total internal and external costs c) Environmental externalities
4.3.3 Policies to deal with market failure	a) The provision of public and merit goods, indirect taxation of demerit goods, tradable pollution permits, provision of information, legislation and regulation b) The impact of these policies on the economy and society, long- and short-term

#### 4.4 Macroeconomic policies and impact on firms and individuals

Economic fluctuations may well affect the fortunes of firms and individuals, and this encourages a demand for policies that reduce harm and promote wellbeing.

Subject content	What students need to learn:
4.4.1 The AD/AS model	<ul style="list-style-type: none"> <li>a) Changes in Aggregate Demand (AD)</li> <li>b) Changes in Aggregate Supply (AS)</li> <li>c) Full capacity output</li> <li>d) Impact of changes in AD and/or AS on inflation and unemployment</li> <li>e) The multiplier effect</li> <li>f) How the AS/AD model sheds light on the economy as a whole</li> </ul>
4.4.2 Demand-side policies	<ul style="list-style-type: none"> <li>a) Distinction between monetary and fiscal policy <ul style="list-style-type: none"> <li>o fiscal policy: government spending and taxation (direct and indirect)</li> <li>o monetary policy: the role of the Bank of England and the Bank of England's Monetary Policy Committee</li> <li>o interest rates</li> <li>o asset purchases to increase the money supply (quantitative easing)</li> </ul> </li> <li>b) The impact of changing the level of AD on the economy as a whole</li> <li>c) The use of AD/AS diagrams to illustrate demand-side policies</li> <li>d) How investment, job creation and economic growth can be encouraged</li> <li>e) How inflation and unemployment can be controlled</li> <li>f) Time lags involved</li> <li>g) Strengths and weaknesses of demand-side policies</li> <li>h) Potential policy conflicts and trade-offs facing policy-makers when applying policies</li> </ul>
4.4.3 Supply-side policies	<ul style="list-style-type: none"> <li>a) Distinction between market-based and interventionist methods</li> <li>b) Market-based and interventionist policies to: <ul style="list-style-type: none"> <li>o increase incentives</li> <li>o promote competition</li> <li>o reform the labour market</li> <li>o improve the skills and quality of the labour force</li> <li>o improve the infrastructure</li> </ul> </li> <li>c) The use of AD/AS diagrams to illustrate supply-side policies</li> <li>d) Strengths and weaknesses of supply-side policies</li> <li>e) Potential policy conflicts and trade offs facing policy-makers when applying policies</li> </ul>

Subject content	What students need to learn:
4.4.4 The impact of macroeconomic policies	a) The possible impact of macroeconomic policies b) Comparing alternative approaches c) Identifying criteria for success and evaluating effectiveness

#### 4.5 Risk and the financial sector

Firms and individuals require access to credit to meet their respective needs. The financial sector provides a system that facilitates growth and development; economic policies regulate that system in the hope of ensuring stability.

Subject content	What students need to learn:
4.5.1 Risks and uncertainty	a) The difference between risk and uncertainty b) The impact of shocks c) Exchange rate risk and forward markets d) The role of insurance in business
4.5.2 The role of the financial sector	a) To mobilise savings for lending to firms and individuals b) To lend to business for investment in working capital c) To lend to individuals d) To facilitate the exchange of goods and services e) To assess creditor risk f) To provide forward markets in currencies and commodities g) To provide a market for equities
4.5.3 The role of the central bank	a) The role of the Monetary Policy Committee in setting the official interest (base) rate b) The implementation of monetary policy to control inflation c) Regulation of the banking industry: the Bank of England's Financial Policy Committee d) Banker to the banks – lender of last resort
4.5.4 The Global Financial Crisis	a) Contributing factors: <ul style="list-style-type: none"> <li>o sub-prime mortgages</li> <li>o moral hazard (too big to fail)</li> <li>o collapse of lending to businesses</li> <li>o speculation and market bubbles</li> <li>o the role of organisational culture</li> </ul> b) The role of banking regulation c) The impact of the financial sector on economic agents and governments





# Assessment

## Assessment summary

Students must complete all assessment in May/June in any single year.

### Paper 1: Markets and how they work

\*Paper code: 9EB0/01

- Each question is set in a context, drawing on topics from across Themes 1 and 4.
- Students answer all questions from all sections.
- Section A comprises one data response question broken down into a number of parts.
- Section B and Section C each comprise one extended open-response question based on data.
- First assessment: May/June 2017.
- The assessment is 2 hours.
- The assessment comprises 3 questions.
- The assessment comprises 100 marks.

**35% of the  
total  
qualification**

### Paper 2: Competing in the global economy

\*Paper code: 9EB0/02

- Each question is set in a context, drawing on topics from across Themes 2 and 3.
- Students answer all questions from all sections.
- Section A comprises one data response question broken down into a number of parts.
- Section B and Section C each comprise one extended open-response question based on data.
- First assessment: May/June 2017.
- The assessment is 2 hours.
- The assessment comprises 3 questions.
- The assessment comprises 100 marks.

**35% of the  
total  
qualification**

**Paper 3: The economic environment and business** \*Paper code: 9EB0/03

<ul style="list-style-type: none"> <li>• Section A will focus on the broad context provided in the pre-released document issued on our website in November of the previous year. Section B will focus on at least one strand within the context provided.</li> <li>• Each section will contain unseen stimulus materials comprising quantitative and qualitative evidence. Students are required to apply their knowledge and understanding from Themes 1, 2, 3 and 4, and their understanding of the broad context to this evidence.</li> <li>• Questions in Sections A and B are each broken down into a number of parts, including one extended open-response question.</li> <li>• Students <b>cannot</b> take any of their research or investigation data carried out as part of the pre-release into the examination.</li> <li>• First assessment: May/June 2017.</li> <li>• The assessment is 2 hours.</li> <li>• The assessment comprises 2 questions.</li> <li>• The assessment comprises 100 marks.</li> </ul>	<p><b>30% of the total qualification</b></p>
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The sample assessment materials can be found in the *Pearson Edexcel Level 3 Advanced GCE in Economics B Sample Assessment Materials* document.

\*See *Appendix 5: Codes* for a description of this code and all other codes relevant to this qualification.

## Assessment Objectives and weightings

Students must:		% in GCE
<b>AO1</b>	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues	20-22
<b>AO2</b>	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues	22-24
<b>AO3</b>	Analyse issues within economics, showing an understanding of their impact on economic agents	28-30
<b>AO4</b>	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues	26-28
<b>Total</b>		<b>100%</b>

## Breakdown of Assessment Objectives

Paper	Assessment Objectives				Total for all Assessment Objectives
	AO1	AO2	AO3	AO4	
Paper 1: Markets and how they work	6–8%	7–9%	9–11%	8–10%	35%
Paper 2: Competing in the global economy	6–8%	7–9%	9–11%	8–10%	35%
Paper 3: The economic environment and business	6–8%	7–9%	9–11%	8–10%	30%
<b>Total for this qualification</b>	<b>20–22%</b>	<b>22–24%</b>	<b>28%–30%</b>	<b>26–28%</b>	<b>100%</b>

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## Entry and assessment information

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### Student entry

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Details of how to enter students for the examinations for this qualification can be found in our *UK Information Manual*. A copy is made available to all examinations officers and is available on our website at: [www.edexcel.com/iwantto/Pages/uk-information-manual.aspx](http://www.edexcel.com/iwantto/Pages/uk-information-manual.aspx)

### Forbidden combinations and discount code

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Centres should be aware that students who enter for more than one GCE qualification with the same discount code will have only one of the grades they achieve counted for the purpose of the School and College Performance Tables – normally the better grade (please see *Appendix 5: Codes*).

Students should be advised that, if they take two qualifications with the same discount code, colleges, universities and employers are very likely to take the view that they have achieved only one of the two GCEs. The same view may be taken if students take two GCE qualifications that have different discount codes but have significant overlap of content, for example Advanced or Advanced Subsidiary GCEs in Business. Students or their advisers who have any doubts about their subject combinations should check with the institution to which they wish to progress before embarking on their programmes.

This qualification is a forbidden combination with Advanced Subsidiary GCE in Economics A or Advanced GCE in Economics A qualifications.

### Access arrangements, reasonable adjustments and special consideration

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#### Access arrangements

Access arrangements are agreed before an assessment. They allow students with special educational needs, disabilities or temporary injuries to:

- access the assessment
- show what they know and can do without changing the demands of the assessment.

The intention behind an access arrangement is to meet the particular needs of an individual disabled student without affecting the integrity of the assessment. Access arrangements are the principal way in which awarding bodies comply with the duty under the Equality Act 2010 to make 'reasonable adjustments'.

Access arrangements should always be processed at the start of the course. Students will then know what is available and have the access arrangement(s) in place for assessment.

### **Reasonable adjustments**

The Equality Act 2010 requires an awarding organisation to make reasonable adjustments where a person with a disability would be at a substantial disadvantage in undertaking an assessment. The awarding organisation is required to take reasonable steps to overcome that disadvantage.

A reasonable adjustment for a particular person may be unique to that individual and therefore might not be in the list of available access arrangements.

Whether an adjustment will be considered reasonable will depend on a number of factors, which will include:

- the needs of the student with the disability
- the effectiveness of the adjustment
- the cost of the adjustment; and
- the likely impact of the adjustment on the student with the disability and other students.

An adjustment will not be approved if it involves unreasonable costs to the awarding organisation, timeframes or affects the security or integrity of the assessment. This is because the adjustment is not 'reasonable'.

### **Special consideration**

Special consideration is a post-examination adjustment to a student's mark or grade to reflect temporary injury, illness or other indisposition at the time of the examination/assessment, which has had, or is reasonably likely to have had, a material effect on a candidate's ability to take an assessment or demonstrate his or her level of attainment in an assessment.

### **Further information**

Please see our website for further information about how to apply for access arrangements and special consideration.

For further information about access arrangements, reasonable adjustments and special consideration, please refer to the JCQ website: [www.jcq.org.uk](http://www.jcq.org.uk).

## Equality Act 2010 and Pearson equality policy

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Equality and fairness are central to our work. Our equality policy requires all students to have equal opportunity to access our qualifications and assessments, and our qualifications to be awarded in a way that is fair to every student.

We are committed to making sure that:

- students with a protected characteristic (as defined by the Equality Act 2010) are not, when they are undertaking one of our qualifications, disadvantaged in comparison to students who do not share that characteristic
- all students achieve the recognition they deserve for undertaking a qualification and that this achievement can be compared fairly to the achievement of their peers.

You can find details on how to make adjustments for students with protected characteristics in the policy document *Access Arrangements, Reasonable Adjustments and Special Considerations*, which is on our website, [www.edexcel.com/Policies](http://www.edexcel.com/Policies).

## Synoptic assessment

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Synoptic assessment requires students to work across different parts of a qualification and to show their accumulated knowledge and understanding of a topic or subject area.

Synoptic assessment enables students to show their ability to combine their skills, knowledge and understanding with breadth and depth of the subject.

In this qualification, synoptic assessment can be found in *Paper 3: The economic environment and business*.

## Awarding and reporting

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This qualification will be graded, awarded and certificated to comply with the requirements of the current Code of Practice, published by the Office of Qualifications and Examinations Regulation (Ofqual).

The Advanced GCE qualification will be graded and certificated on a six-grade scale from A\* to E using the total subject mark. Individual papers are not graded.

The first certification opportunity for the Pearson Edexcel Level 3 Advanced GCE in Economics B will be 2017.

Students whose level of achievement is below the minimum judged by Pearson to be of sufficient standard to be recorded on a certificate will receive an unclassified U result.

## Language of assessment

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Assessment of this qualification will be available in English.  
All student work must be in English.

## Grade descriptions

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The grade descriptions for this qualification are published by Ofqual and will be available on its website.



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## Other information

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### Student recruitment

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Pearson follows the JCQ policy concerning recruitment to our qualifications in that:

- they must be available to anyone who is capable of reaching the required standard
- they must be free from barriers that restrict access and progression
- equal opportunities exist for all students.

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### Prior learning and other requirements

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There are no prior learning or other requirements for this qualification.

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### Progression

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Students will develop transferable skills that support study in a wide range of subjects at university and the transition to employment, including quantitative and analytical analysis, forming and testing hypotheses, and commercial awareness. The development and application of quantitative skills prepare students for study of economics and related courses at university.

Students can progress from this qualification to:

- higher education courses such as economics degrees with a focus on theory, or degrees in applied economics such as environmental economics, labour economics, public sector economics or monetary economics. Alternatively, students may choose to study a business economics, mathematical economics or business degree
- a wide range of careers ranging from finance, banking, insurance, accountancy, management and consultancy, to becoming professional economists.



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## Appendix 1: Transferable skills

### The need for transferable skills

In recent years, higher education institutions and employers have consistently flagged the need for students to develop a range of transferable skills to enable them to respond with confidence to the demands of undergraduate study and the world of work.

The Organisation for Economic Co-operation and Development (OECD) defines skills, or competencies, as 'the bundle of knowledge, attributes and capacities that can be learned and that enable individuals to successfully and consistently perform an activity or task and can be built upon and extended through learning.'<sup>1</sup>

To support the design of our qualifications, the Pearson Research Team selected and evaluated seven global 21st-century skills frameworks. Following on from this process, we identified the National Research Council's (NRC) framework as the most evidence-based and robust skills framework. We adapted the framework slightly to include the Program for International Student Assessment (PISA) ICT Literacy and Collaborative Problem Solving (CPS) Skills.

The adapted National Research Council's framework of skills involves:<sup>2</sup>

### Cognitive skills

- **Non-routine problem solving** – expert thinking, metacognition, creativity.
- **Systems thinking** – decision making and reasoning.
- **Critical thinking** – definitions of critical thinking are broad and usually involve general cognitive skills such as analysing, synthesising and reasoning skills.
- **ICT literacy** – access, manage, integrate, evaluate, construct and communicate<sup>3</sup>.

### Interpersonal skills

- **Communication** – active listening, oral communication, written communication, assertive communication and non-verbal communication.
- **Relationship-building skills** – teamwork, trust, intercultural sensitivity, service orientation, self-presentation, social influence, conflict resolution and negotiation.
- **Collaborative problem solving** – establishing and maintaining shared understanding, taking appropriate action, establishing and maintaining team organisation.

<sup>1</sup> OECD (2012), Better Skills, Better Jobs, Better Lives (2012): <http://skills.oecd.org/documents/OECDSkillsStrategyFINALENG.pdf>

<sup>2</sup> Koenig, J. A. (2011) Assessing 21st Century Skills: Summary of a Workshop, National Research Council

<sup>3</sup> PISA (2011) The PISA Framework for Assessment of ICT Literacy, PISA

### **Intrapersonal skills**

- **Adaptability** – ability and willingness to cope with the uncertain, handling work stress, adapting to different personalities, communication styles and cultures, and physical adaptability to various indoor and outdoor work environments.
- **Self-management and self-development** – ability to work remotely in virtual teams, work autonomously, be self-motivating and self-monitoring, willing and able to acquire new information and skills related to work.

Transferable skills enable young people to face the demands of further and higher education, as well as the demands of the workplace, and are important in the teaching and learning of this qualification. We will provide teaching and learning materials, developed with stakeholders, to support our qualifications.

## Appendix 2: Level 3 Extended Project qualification

### What is the Extended Project?

- The Extended Project is a standalone qualification that can be taken alongside GCEs. It supports the development of independent learning skills and helps to prepare students for their next step – whether that be university study or employment. The qualification:
- is recognised by universities for the skills it develops
- is worth half of an Advanced GCE qualification at grades A\*–E
- carries UCAS points for university entry.

The Extended Project encourages students to develop skills in the following areas: research, critical thinking, extended writing and project management. Students identify and agree a topic area of their choice (which may or may not be related to a GCE subject they are already studying), guided by their teacher.

Students can choose from one of four approaches to produce:

- a dissertation (for example an investigation based on predominately secondary research)
- an investigation/field study (for example a practical experiment)
- a performance (for example in music, drama or sport)
- an artefact (for example a creating a sculpture in response to a client brief or solving an engineering problem).

The qualification is coursework based and students are assessed on the skills of managing, planning and evaluating their project. Students will research their topic, develop skills to review and evaluate the information, and then present the final outcome of their project.

### Students: what they need to do

The Extended Project qualification requires students to:

- select a topic of interest for an in-depth study and negotiate the scope of the project with their teacher
- identify and draft an objective for their project (for example in the form of a question, hypothesis, challenge, outline of proposed performance, issue to be investigated or commission for a client) and provide a rationale for their choice
- produce a plan for how they will deliver their intended objective
- conduct research as required by the project brief, using appropriate techniques
- carry out the project using tools and techniques safely
- share the outcome of the project using appropriate communication methods, including a presentation.

### Teachers: key information

- The Extended Project has 120 guided learning hours (GLH) consisting of:
  - a 40-GLH taught element that includes teaching the technical skills (for example research skills)
  - an 80-GLH guided element that includes mentoring students through the project work.
- Group work is acceptable, however it is important that each student provides evidence of their own contribution and produces their own report.
- 100% externally moderated.
- Four Assessment Objectives: manage, use resources, develop and realise, review.
- Can be run over 1, 1½ or 2 years.
- Can be submitted in January or June.

### What is the Extended Project for Economics?

The Extended Project creates the opportunity to develop transferable skills for progression to higher education and to the workplace, through the exploration of either an area of personal interest or a topic of interest within the Economics qualification content. Through the study of this Economics qualification, students will develop knowledge and understanding of economic concepts and issues; apply these concepts and issues to real world contexts; then analyse and evaluate these concepts and issues.

### Skills developed

Through the Extended Project students will develop skills in:

- conducting, organising and using research
- independent reading in the subject area
- planning, project management and time management
- defining a hypothesis to be tested in investigations or developing a design brief
- collecting, handling and interpreting data and evidence
- evaluating arguments and processes, including arguments in favour of alternative interpretations of data and evaluation of experimental methodology
- critical thinking.

In the context of the Extended Project, critical thinking refers to the ability to identify and develop arguments for a point of view or hypothesis and to consider and respond to alternative arguments. This supports the development of evaluative skills, through evaluating economic arguments, and using qualitative and quantitative evidence to support informed judgements relating to economic issues.

The Extended Project is an ideal vehicle to develop the skills identified in

*Appendix 1.*



## Types of Extended Project

Students may choose a university-style dissertation on any topic that can be researched and argued, for example:

- a controversial economic issue such as UK membership of the EU
- High Speed rail (HS2)
- the government's role in reducing pollution.

A dissertation might involve an investigation such as:

- Is fair trade actually fair?
- Does income inequality help or harm economic growth?
- Taxing wealth is less harmful than taxing income or spending.

The dissertation uses secondary research sources to provide a reasoned defence or a point of view, with consideration of counter arguments.

An alternative might be an investigative project or field study involving the collection of data from primary research, for example:

- a study of the impact of unemployment on the local community
- a statistical survey of attitudes concerning a social issue such as alcohol or drug use.

A field study might consider an issue which lends itself to primary research, for example:

- the impact of peer pressure on teenage mobile phone purchasing
- an investigation into whether teenage binge drinking is a supply-side not a demand-side problem.

## Using the Extended Project to support breadth and depth

There is no specified material that students are expected to study and, in the Extended Project, students are assessed on the quality of the work they produce and the skills they develop and demonstrate through completing this work. Students can use the Extended Project to demonstrate *extension* in one or more dimensions:

- **deepening understanding:** where a student explores a topic in greater depth than in the specification content
- **broadening skills:** where a student learns a new skill. This might be learning how to design a website or learning a new statistical technique which can be used in the analysis of either primary or secondary data collected by the student
- **widening perspectives:** where the student's project spans different subjects. A student studying Economics with History may wish to research the influence of an economic thinker such as Keynes or Hayek. A student studying Economics with Geography may wish to research the economic development of a particular country or the impact of an industry on the landscape. A student studying Economics with Mathematics may wish to use statistical techniques to analyse macroeconomic data and research one aspect of the economy in more detail. A student studying Economics with Psychology may wish to conduct an experiment into economic behaviour.

A wide range of information to support the delivery and assessment of the Extended Project, including the specification, teacher guidance for all aspects, editable scheme of work and exemplars for all four approaches, can be found on our website [www.edexcel.com/project](http://www.edexcel.com/project)



## Appendix 3: Quantitative skills

This appendix is taken from the DfE Subject Content for Economics.

Throughout the course of study, students will develop competence in the quantitative skills listed below. There are opportunities for students to develop these skills throughout the content and they are required to apply the skills to relevant economic contexts.

The assessment of quantitative skills will include at least Level 2 mathematical skills and constitute a minimum of 20% of the overall marks for this qualification.

Quantitative skill number	Quantitative skill
QS 1	calculate, use and understand ratios and fractions
QS 2	calculate, use and understand percentages, percentage changes and percentage point changes
QS 3	understand and use the terms mean, median and relevant quantiles
QS 4	construct and interpret a range of standard graphical forms
QS 5	calculate and interpret index numbers
QS 6	calculate cost, revenue and profit (marginal, average, totals)
QS 7	make calculations to convert from money to real terms
QS 8	make calculations of elasticity and interpret the result
QS 9	interpret, apply and analyse information in written, graphical tabular and numerical forms



## Appendix 4: Accounting ratios

Students will need to learn the following accounting ratios for this qualification.

### Statement of comprehensive income

	Ratio name	Ratio formula
Revenue	Gross profit margin	$\frac{\text{Gross Profit} \times 100\%}{\text{Revenue}}$
– Cost of sales		
<b>= Gross profit</b>		
– Other operating expenses	Operating profit margin	$\frac{\text{Operating Profit} \times 100\%}{\text{Revenue}}$
<b>= Operating profit</b>		
– Interest	Profit for the year (net profit) margin	$\frac{\text{Profit for the year (net profit)} \times 100\%}{\text{Revenue}}$
<b>= Profit for the year (net profit)</b>		



## Appendix 5: Codes

Type of code	Use of code	Code number
Discount codes	Every qualification is assigned to a discount code indicating the subject area to which it belongs. This code may change. Please go to our website ( <a href="http://www.edexcel.com">www.edexcel.com</a> ) for details of any changes.	4410
National Qualifications Framework (NQF) codes	Each qualification title is allocated an Ofqual National Qualifications Framework (NQF) code. The NQF code is known as a Qualification Number (QN). This is the code that features in the DfE Section 96 and on the LARA as being eligible for 16–18 and 19+ funding, and is to be used for all qualification funding purposes. The QN is the number that will appear on the student's final certification documentation.	The QN for the qualification in this publication is: Advanced GCE – 601/4767/2
Subject codes	The subject code is used by centres to enter students for a qualification. Centres will need to use the entry codes only when claiming students' qualifications.	GCE – 9EB0
Paper code	These codes are provided for reference purposes. Students do not need to be entered for individual papers.	Paper 1: 9EB0/01 Paper 2: 9EB0/02 Paper 3: 9EB0/03

For more information about Edexcel or BTEC qualifications from Pearson, visit [www.edexcel.com](http://www.edexcel.com) or [www.btec.co.uk](http://www.btec.co.uk)

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