

# MACRO- COURSE GUIDE

This course guide is designed to provide schools and colleges with detailed information regarding this course which EzyEconomics has designed to provide full coverage of the economics knowledge requirements indicated by the OCR A-level Economics syllabus.

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# SYLLABUS COVERAGE AND COURSE EFFICACY

The course material explains and assesses all of the learning requirements of the exam board syllabus.

This is also backed up by comprehensive feedback to questions (in screen text or video format), which further re-enforce the syllabus learning requirements.

As it would be very time consuming for schools to view all the videos and assessments included in the micro and macro course (this would take more than 80 hours) we have compiled this guide to provide an efficient basis for initially assessing the efficacy of this course.

The guide may also be used for reference purposes if schools wish to incorporate the service into their scheme of work or on a day-to-day basis throughout the course in order to help guide the setting of activities.

## **ASSESSING SYLLABUS KNOWLEDGE REQUIREMENTS**

If students are directed to complete all of the course assessments, teachers will have the comfort of knowing that syllabus knowledge requirements have been intensively interrogated. This will also identify where any syllabus gaps exist. This is a major difference relative to a traditional textbook.

The end of module assessments assess all explicit syllabus requirements and a range of additional requirements, which we have interpreted as an implied learning requirement of the syllabus. All other assessments assess learning obtained from video lectures. This means they provide an additional measure of syllabus requirements. The assessment style is less challenging as it is attempting to re-enforce learning from the videos and immediately correct any learning gaps.

Access is also provided to various items of extension material, which we feel support the learning required by the syllabus but which are not explicitly detailed in the syllabus.

## **SKILLS DEVELOPMENT**

The nature of the service means that it cannot currently do anything more than showcase key examination skills. It does not replace the crucial interventions of teachers in guiding the development of the graph creation, extended essay writing skills and tackling data response questions.

## **CONTENT OF COURSE GUIDE**

For each unit and end of module assessment we have detailed the following information:

- 1. Learning objective of video lecture**
- 2. Economic terms covered**
- 3. The content covered by each video lecture**
- 4. Relevant details for each question – learning target, learning task and question style.**

Students have access to the EzyLexicon, which currently provides detailed definitions and supplementary information relating to over 800 terms. There is also access to the EzyEconomics video archive (a weekly video blog).

| MODULE | DESCRIPTION                                       | A LEVEL | AS NEW |
|--------|---|---------|--------|
| 1.1    | The Circular Flow of Income                       | ●       | ●      |
| 1.2    | Macroeconomic Equilibrium                         | ●       | ●      |
| 1.3    | Measuring Economic Activity                       | ●       | ●      |
| 1.4    | Wealth and Income                                 | ●       | ●      |
| 1.5    | Purchasing Power                                  | ●       | ●      |
| 2.1    | Big Numbers                                       | ●       | ●      |
| 2.2    | Percentage Changes                                | ●       | ●      |
| 2.3    | Index Numbers                                     | ●       | ●      |
| 2.4    | Composite Indices                                 | ●       | ●      |
| 2.5    | Interpreting Graphs                               | ●       | ●      |
| 2.6    | Averages and Seasonality                          | ●       | ●      |
| 2.7    | Variation and Spread                              | ●       | ●      |
| 2.8    | Ratios and Fractions                              | ●       | ●      |
| 3.1    | Economic Growth                                   | ●       | ●      |
| 3.2    | Economic Cycles                                   | ●       | ●      |
|        | Introduction to Aggregate Demand/Aggregate Supply | ●       | ●      |
| 4.1    | Determinants of Aggregate Demand                  | ●       | ●      |
| 4.2    | Aggregate Demand Shifts                           | ●       | ●      |
| 4.3    | Multiplier Effect                                 | ●       | ●      |
| 4.4    | Aggregate Supply                                  | ●       | ●      |
| 4.5    | AD/AS Equilibrium                                 | ●       | ●      |
| 4.6    | Sustainable and Unsustainable Growth              | ●       | ●      |
| 4.7    | AD/AS – The Big Picture                           | ●       | ●      |
| 5.1    | Macroeconomic Objectives                          | ●       | ●      |
| 5.2    | Economic Growth                                   | ●       | ●      |
| 5.3    | Inflation and Deflation                           | ●       | ●      |
| 5.4    | Theories of Inflation                             | ●       | ●      |
| 5.5    | Employment and Unemployment                       | ●       | ●      |
| 5.6    | Causes, Effects and Solutions of Unemployment     | ●       | ●      |
| 5.7    | Balance of Payments                               | ●       | ●      |
| 5.8    | Phillips Curve                                    | ●       | ●      |
| 5.9    | Productivity                                      | ●       | ●      |



# COURSE OUTLINE

| MODULE | DESCRIPTION                                      | A LEVEL | AS NEW |
|--------|--|---------|--------|
|        | Introduction to Economic Policy                  | ●       | ●      |
| 6.1    | Fiscal Policy                                    | ●       | ●      |
| 6.2    | Taxation and Income Inequality                   | ●       | ●      |
| 6.3    | Government Finances and Evaluating Fiscal Policy | ●       | ●      |
| 6.4    | Monetary Policy                                  | ●       | ●      |
| 6.5    | Bank Rate and the Transmission Mechanism         | ●       | ●      |
| 6.6    | Alternative Monetary Policy Tools                | ●       | ●      |
| 6.7    | Demand-Side Policy in Context                    | ●       | ●      |
| 6.8    | Supply-Side Policy                               | ●       | ●      |
| 6.9    | Supply-Side Improvements                         | ●       | ●      |
| 7.1    | Provision of Finance                             | ●       | ●      |
| 7.2    | Financial Markets                                | ●       | ●      |
| 7.3    | Calculating Bond Yields                          | ●       | ●      |
| 7.4    | Financial Institutions                           | ●       | ●      |
| 7.5    | Central Banks                                    | ●       | ●      |
| 7.6    | UK Regulatory Structure                          | ●       | ●      |
| 7.7    | Bank Failures and Systemic Crises                | ●       | ●      |
| 7.8    | Finance in Developing and Emerging Economies     | ●       | ●      |
| 8.1    | Globalisation                                    | ●       | ●      |
| 8.2    | Trade  | ●       | ●      |
| 8.3    | Trade Protection                                 | ●       | ●      |
| 8.4    | Exchange Rates                                   | ●       | ●      |
| 8.5    | Currency Unions                                  | ●       | ●      |
| 8.6    | Terms of Trade                                   | ●       | ●      |
| 9.1    | Growth and Development                           | ●       | ●      |
| 9.2    | Factors Influencing Growth and Development       | ●       | ●      |
| 9.3    | Development Policy Approaches                    | ●       | ●      |
| 10.1   | Distribution of Income and Wealth                | ●       | ●      |
| 10.2   | Poverty  | ●       | ●      |

- Required for OCR Examination Board
- Only some elements required for OCR Examination Board
- Available but NOT required for OCR Examination Board

- 1.1 Circular Flow of Income
- 1.2 Macroeconomic Equilibrium
- 1.3 Measuring Economic Activity
- 1.4 Wealth and Income
- 1.5 Purchasing Power

**Unit 1: Circular Flow of Income**

**Closed Economy**

Candidates should understand the concept of the circular flow of income in the context of a closed economy.

**LEARNING OBJECTIVE**

**Open Economy**

Candidates should understand the concept of the circular flow of income in the context of an open economy.

**LEARNING OBJECTIVE**

**DEFINITIONS COVERED:**

- Factors of production
- Economic activity
- Economic growth
- Multiplier effect
- GDP
- Land
- Capital
- Labour
- Entrepreneurship
- Circular flow of income
- Closed economy

**CONTENT:**

- Definition of factors of production
- Breaking down the main factors of production – land, labour, capital and entrepreneurship
- Explanation of all the main characteristics of the factors of production
- Explanation of the rewards accompanying each factor of production
- Definition of GDP, economic growth and economic activity
- Graphical illustration of the circular flow of income for a closed economy
- Identifying the main channels of interaction between producers and consumers
- Definition of the multiplier effect
- Identifying the main channels of achieving economic growth – increasing resources and investment

**DEFINITIONS COVERED:**

- Factors of production
- Economic activity
- Economic growth
- Multiplier effect
- GDP
- Land
- Capital
- Labour
- Entrepreneurship
- Circular flow of income
- Open economy
- Leakages
- Injections

**CONTENT:**

- Reinforcing the policies to achieve economic growth from Unit 1a – Increased resources and investment
- Introducing the circular flow of income for an open economy
- Explanation of the leakages and injections of expenditure and income into an open economy
- Showing how savings and taxes can help increase the productive capacity of the economy
- Introducing the logical chain of reasoning behind how increased trade can lead to more specialisation and competition
- Definition of an injection and a leakage in the context of the circular flow of income

**ASSESSMENT**

| Question | Learning Target         | Task   | Style           |
|----------|-------------------------|--|-----------------|
| 1        | Capital                 | Identify the correct answer                            | Multiple choice |
| 2        | Land                    | Identify the correct answer                            | Multiple choice |
| 3        | Entrepreneurship        | Identify the correct answer                            | Multiple choice |
| 4        | Land                    | Identify the correct answer                            | Multiple choice |
| 5        | GDP                     | Identify the correct definition                        | Multiple choice |
| 6        | Multiplier effect       | Identify the correct definition                        | Multiple choice |
| 7        | Circular flow of income | Match the terms to the correct definition              | Matchdropdown   |
| 8        | Factors of production   | Match the rewards to the correct factors of production | Matchdropdown   |
| 9        | Factors of production   | Match the rewards to the correct factors of production | Matchdropdown   |
| 10       | Circular flow of income | Complete the circular flow of income diagram           | Matchdropdown   |

**ASSESSMENT**

| Question | Learning Target         | Task   | Style           |
|----------|-------------------------|--|-----------------|
| 1        | Circular flow of income | Identify the correct answer                      | Multiresponse   |
| 2        | Circular flow of income | Identify the correct answer                      | Multiresponse   |
| 3        | Economic activity       | Identify the correct answer                      | Multiple choice |
| 4        | Economic activity       | Identify the correct answer                      | Multiple choice |
| 5        | Leakages                | Assess whether the statement is true or false    | True/false      |
| 6        | Trade                   | Identify the correct statement(s)                | Multiresponse   |
| 7        | Economic growth         | Identify the correct statement(s)                | Multiple choice |
| 8        | Economic activity       | Assess whether the statement is true or false    | True/false      |
| 9        | Factors of production   | Identify the owners of the factors of production | Multiple choice |
| 10       | Circular flow of income | Complete the circular flow of income             | Matchdropdown   |

**Unit 2: Macroeconomic Equilibrium**

**Macroeconomic Equilibrium**

**LEARNING OBJECTIVE**

Candidates should understand the concept of a macroeconomic equilibrium.

**DEFINITIONS COVERED:**

- Macroeconomic Equilibrium
- Macroeconomic equilibrium
- Circular flow of income
- Leakages
- Injections
- Short-run
- Long-run
- Disequilibrium

**CONTENT:**

- Definition of macroeconomic equilibrium
- Definition of equilibrium
- Reinforcing the logic behind the circular flow of income
- Explanation of the link between leakages/injections and economic growth i.e. if leakages exceed injections there will be slower economic growth
- Definition of macroeconomic equilibrium
- Explanation of how changes in the savings rate, level of taxation and level of government spending affect the macroeconomic equilibrium

**ASSESSMENT**

| Question | Learning Target           | Task  | Style         |
|----------|---------------------------|---|---------------|
| 1        | Equilibrium               | Assess whether the statement is true or false | True/false    |
| 2        | Macroeconomics            | Identify the correct definition               | Multichoice   |
| 3        | Economic growth           | Identify the correct statement                | Multichoice   |
| 4        | Slower growth             | Identify the correct factor(s)                | Multiresponse |
| 5        | Macroeconomic equilibrium | Identify the correct definition               | Multichoice   |
| 6        | Economic growth           | Identify the correct factor(s)                | Multiresponse |
| 7        | Injections/Leakages       | Identify the correct statement                | Multichoice   |
| 8        | Leakages                  | Assess whether the statement is true or false | True/false    |
| 9        | Macroeconomic equilibrium | Match the following options                   | Matchdropdown |
| 10       | Macroeconomic equilibrium | Match the following conditions                | Matchdropdown |

**Unit 3: Measuring Economic Activity**

**Measuring Economic Activity - Basics**

**LEARNING OBJECTIVE**

Candidates should understand the basis of economic activity measurement and that the income, expenditure and output approaches produce the same result.

**DEFINITIONS COVERED:**

- Economic activity
- Gross domestic product
- Economic growth
- Income
- Output
- Expenditure
- Simon Kuznets
- United Nations

**CONTENT:**

- Definition of gross domestic product
- Explanation of the link between gross domestic product and economic growth and activity
- Evaluating the main reasons for measuring economic activity i.e. to evaluate policy decisions and identify trends
- Breakdown of the three separate ways of measuring GDP – income, expenditure and output approach
- Breaking down how to calculate each of the separate ways of measuring GDP – income, expenditure and output approach
- Defining each of the GDP measurement approaches – income, expenditure and output approach
- Explaining the origins of measuring economic activity with reference to Simon Kuznets

**ASSESSMENT**

| Question | Learning Target | Task  | Style         |
|----------|-----------------|---|---------------|
| 1        | GDP             | Identify the correct year   | Multichoice   |
| 2        | GDP calculation | Identify the correct organisation                                 | Multichoice   |
| 3        | GDP calculation | Identify the correct economist                                    | Multichoice   |
| 4        | UK GDP data     | Identify the correct organisation                                 | Multichoice   |
| 5        | GDP measurement | Identify the correct approaches for measuring GDP                 | Multiresponse |
| 6        | GDP measurement | Identify the benefits of measuring GDP                            | Multiresponse |
| 7        | GDP measurement | Identify the correct measure of GDP                               | Multichoice   |
| 8        | GDP measurement | Identify the correct measure of GDP                               | Multichoice   |
| 9        | GDP measurement | Identify the correct measure of GDP                               | Multichoice   |
| 10       | GDP measurement | Identify which measurement approach will lead to the lowest value | Multichoice   |

Unit 3: Measuring Economic Activity - CONTINUED >

**MODULE 1**

The Economic Problem

**MODULE 2**

Quantitative Skills

**MODULE 3**

Elasticity

**MODULE 4**

Individual Economic Decision Making

**MODULE 5**

Production, Costs and Revenue

- 1.1 Circular Flow of Income
- 1.2 Macroeconomic Equilibrium
- 1.3 Measuring Economic Activity
- 1.4 Wealth and Income
- 1.5 Purchasing Power

**Unit 3: Measuring Economic Activity****Measuring Economic Activity - Advanced****LEARNING OBJECTIVE**

Candidates should understand the structure of the income, output and expenditure approach, why value added is used and how we handle transfer payments.

**DEFINITIONS COVERED:**

Total value  
 Value added  
 Market prices  
 Basic cost  
 Transfer payments  
 Expenditure approach  
 Income approach  
 Output approach

**CONTENT:**

- Reinforcing the definitions of the three main approaches to measuring economic activity – Income, output and expenditure approach
- Definition of value added
- Numerical example of how to calculate the value added for a good related to the supply chain process of a supermarket
- Definition of transfer payments
- Explanation that transfer payments are excluded from GDP calculations because it is the redistribution of income rather than the creation of income
- A graph to show how real GDP is calculated using the output method
- Defining and distinguishing between GDP at basic cost and GDP at market prices
- A graph to show how real GDP is calculated using the income method
- A graph to show how real GDP is calculated using the expenditure method

**ASSESSMENT**

| Question | Learning Target      | Task  | Style         |
|----------|----------------------|---|---------------|
| 1        | Value added          | Using the table calculate the correct answer                | Multichoice   |
| 2        | Value added          | Using the numbers calculate the correct answer              | Multichoice   |
| 3        | Transfer payments    | Identify the correct statement                              | Multichoice   |
| 4        | Transfer payments    | Assess whether the statement is true or false               | True/false    |
| 5        | Income approach      | Identify the largest component of the income approach       | Multichoice   |
| 6        | UK real GDP          | Identify the correct figure                                 | Multichoice   |
| 7        | Income approach      | Identify the components of GDP used in the income approach  | Multiresponse |
| 8        | GDP at basic cost    | Identify the correct option(s)                              | Multiresponse |
| 9        | Real GDP             | Match the percentage shares to the correct component of GDP | Matchdropdown |
| 10       | Expenditure approach | Complete the chart by identifying the correct label         | Matchdropdown |

## Unit 4: Wealth and Income

### Wealth and Income

Candidates should understand that measurements of economic activity do not include wealth, the relative value of wealth and income generated by economic activity and the concept of liquidity, stock and flow.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Income

Wealth

Liquidity

Stock

Flow

Cumulative Real GDP

Real GDP

#### CONTENT:

- Defining and distinguishing between income and wealth
- Using income and wealth as an example of how liquidity properties vary from asset to asset
- A graph to highlight the difference between the level of real GDP and the cumulative measure of real GDP, using data from 1948 to 2012
- A graph to show the UK household wealth survey from 2008-2012
- Definition of liquidity

### ASSESSMENT

| Question | Learning Target            | Task   | Style          |
|----------|----------------------------|--|----------------|
| 1        | Liquidity                  | Identify the least liquid asset                | Multiplechoice |
| 2        | Wealth                     | Identify characteristics of wealth             | Multiresponse  |
| 3        | Liquidity                  | Assess whether the statement is true or false  | True/false     |
| 4        | Liquidity                  | Identify the most liquid asset                 | Multiplechoice |
| 5        | Liquidity                  | Identify the least liquid asset                | Multiplechoice |
| 6        | Income                     | Identify characteristics of income             | Multiresponse  |
| 7        | UK household wealth survey | Identify the correct figure                    | Multiplechoice |
| 8        | Income                     | Assess whether the statement is true or false  | True/false     |
| 9        | UK household wealth        | Identify the biggest share of household wealth | Multiplechoice |
| 10       | Liquidity                  | Identify the least liquid asset                | Multiplechoice |

## Unit 5: Purchasing Power

### Purchasing Power – Domestic

Candidates should understand why we measure economic activity, how to take account of inflation and population changes to improve economic analysis.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Nominal value

Real value

Current prices

Constant prices

Per capita value

Purchasing power parity

GDP per capita

Real GDP per capita

Real GDP

Nominal GDP

#### CONTENT:

- Definition of nominal GDP
- A graph to show the increase in the UK nominal GDP over time
- An explanation of the issue of using nominal GDP as a measure of economic activity
- Using data to show that nominal GDP increases due to two factors – price increases and production increases
- Showing how to transform from a nominal value to a real value
- A graph to show the difference between nominal and real GDP
- A chart to show the percentage increase in real and nominal GDP over time to illustrate the inflationary problems of nominal GDP as a measure of economic activity
- A graph to show the increase in the UK population since 1984
- Definition of GDP per capita
- A graph to show the change in the real GDP per capita for the UK
- Using base numbers to compare actual GDP per capita against real GDP per capita

**MODULE 1**

Economic Activity

**MODULE 2**

Quantitative Skills

**MODULE 3**

Elasticity

**MODULE 4**Individual Economic  
Decision Making**MODULE 5**Production, Costs  
and Revenue

- |     |                             |
|-----|-----------------------------|
| 1.1 | Circular Flow of Income     |
| 1.2 | Macroeconomic Equilibrium   |
| 1.3 | Measuring Economic Activity |
| 1.4 | Wealth and Income           |
| 1.5 | Purchasing Power            |

**Unit 5: Purchasing Power****Purchasing Power –  
International**

Understand why we measure economic activity, how to take account of inflation and population changes to improve economic analysis.

**LEARNING  
OBJECTIVE****DEFINITIONS  
COVERED:**

Nominal value

---

Real value

---

Current prices

---

Constant prices

---

Per capita value

---

Purchasing power parity

---

Exchange rate

---

GDP per capita

---

Real GDP per capita

---

Real GDP

---

Nominal GDP

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**CONTENT:**

- Using numbers to internationally compare economic activity measures of the UK against China and India

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- Introducing the concept of purchasing power parity (PPP)

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- Explanation of the importance of using PPP to make country comparisons more intuitive i.e. If GDP is higher, you know this means it will buy more goods

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- Numerical example to show how PPP works between countries using a hypothetical exchange rate

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- Definition of Purchasing Power Parity

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**ASSESSMENT**

| Question | Learning Target     | Task   | Style         |
|----------|---------------------|--|---------------|
| 1        | Real GDP per capita | Using the numbers calculate the correct answer                   | Multichoice   |
| 2        | Purchasing power    | Identify the correct factor(s)                                   | Multiresponse |
| 3        | Real value          | Identify the correct answer(s)                                   | Multiresponse |
| 4        | Nominal value       | Identify the correct answer(s)                                   | Multiresponse |
| 5        | GDP per capita      | Complete the formula for GDP per capita                          | Multichoice   |
| 6        | GDP per capita      | Identify the correct answer                                      | Multichoice   |
| 7        | Purchasing power    | Identify the correct definition                                  | Multichoice   |
| 8        | PPP exchange rate   | Identify the correct statement                                   | Multichoice   |
| 9        | UK GDP              | Examine the graph and match the options below                    | Matchdropdown |
| 10       | UK GDP              | Examine the graph and match the description and data items below | Matchdropdown |

**LEARNING  
OBJECTIVE**

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 1 surrounding economic activity.

**MODULE 1  
EMA****QUESTIONS  
COVER:**

- **UNIT 1:**  
The Circular Flow of Income
- **UNIT 2:**  
Macroeconomic Equilibrium
- **UNIT 3:**  
Measuring Economic Activity
- **UNIT 4:**  
Wealth and Income
- **UNIT 5:**  
Purchasing Power

**ASSESSMENT**

| Question | Learning Target              | Task   | Style         |
|----------|------------------------------|--|---------------|
| 1        | Value added                  | Using the numbers calculate the correct answer                   | Multichoice   |
| 2        | Multiplier effect            | Identify the correct definition                                  | Multichoice   |
| 3        | Economic activity            | Identify the correct definition                                  | Multichoice   |
| 4        | Injections/Leakages          | Identify the correct statement(s)                                | Multichoice   |
| 5        | Measuring GDP                | Identify the correct measure(s)                                  | Multiresponse |
| 6        | Measuring GDP                | Identify the correct statement                                   | Multichoice   |
| 7        | GDP                          | Identify the factors which do not contribute to GDP              | Multiresponse |
| 8        | Real GDP                     | Identify the correct answer                                      | Multichoice   |
| 9        | UK real GDP                  | Identify the correct figure                                      | Multichoice   |
| 10       | Factors of production        | Identify the correct definition                                  | Multichoice   |
| 11       | Circular flow of income      | Identify the correct factor(s)                                   | Multiresponse |
| 12       | Macroeconomic disequilibrium | Identify the correct answer                                      | Multichoice   |
| 13       | GDP                          | Identify the correct answer                                      | Multichoice   |
| 14       | Measuring GDP                | Identify the correct way of measuring GDP                        | Multichoice   |
| 15       | Value added                  | Identify the correct answer                                      | Multichoice   |
| 16       | Liquidity                    | Identify the correct definition                                  | Multichoice   |
| 17       | Wealth                       | Identify the correct figure                                      | Multichoice   |
| 18       | Nominal GDP                  | Using the numbers identify the correct answer                    | Multichoice   |
| 19       | GDP per capita               | Identify the correct answer                                      | Multichoice   |
| 20       | Purchasing power             | Identify the correct answer                                      | Multichoice   |
| 21       | Purchasing power parity      | Identify the correct definition                                  | Multichoice   |
| 22       | Circular flow of income      | Identify the correct labels to complete the diagram              | Matchdropdown |
| 23       | Economic activity            | Match the following terms to the definitions                     | Matchdropdown |
| 24       | GDP per capita               | Match the countries with the GDP per capita amounts              | Matchdropdown |
| 25       | GDP expenditure approach     | Match the following expenditure share to the appropriate figures | Matchdropdown |

|     |                      |
|-----|----------------------|
| 2.1 | Big Numbers          |
| 2.2 | Percentages          |
| 2.3 | Index Numbers        |
| 2.4 | Composite Indices    |
| 2.5 | Interpreting Graphs  |
| 2.6 | Averages             |
| 2.7 | Variation and Spread |
| 2.8 | Ratios and Fractions |

## Unit 1: Big Numbers

### Big Numbers

To improve confidence working with big numbers and to know how to interpret and write out big numbers.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Million

Billion

Trillion

#### CONTENT:

- Definition of a million
- Definition of a billion
- Definition of a trillion
- Establishing the link between a million, a billion and a trillion
- Applied example of figures displayed in millions e.g. CEO salary
- Applied example of figures displayed in billions e.g. UK contribution to the EU
- Applied example of figures displayed in trillions e.g. UK national debt
- Summary table to show the number of zero's contained in million, billion and trillion figures

#### ASSESSMENT

| Question | Learning Target         | Task   | Style         |
|----------|-------------------------|--|---------------|
| 1        | Millions                | Convert the value from millions to billions                    | Multichoice   |
| 2        | Trillions               | Identify the correct answer                                    | Multichoice   |
| 3        | Calculating big numbers | Using the numbers calculate the correct answer                 | Multichoice   |
| 4        | Millions conversion     | Convert the figure from billions to millions                   | Multichoice   |
| 5        | Millions                | Add the two million figures together to get the correct answer | Multiresponse |
| 6        | Big numbers             | Identify which number is the biggest                           | Multichoice   |
| 7        | Trillions               | Assess whether the statement is true or false                  | True/false    |
| 8        | Billions                | Assess whether the statement is true or false                  | True/false    |
| 9        | Millions                | Assess whether the statement is true or false                  | True/false    |
| 10       | Trillions               | Assess whether the statement is true or false                  | True/false    |
| 11       | Thousands               | Assess whether the statement is true or false                  | True/false    |
| 12       | Trillions conversion    | Convert the figure from trillions to billions                  | Multichoice   |
| 13       | Millions                | Calculate the correct answer                                   | Multichoice   |
| 14       | Big numbers             | Match the following values                                     | Matchdropdown |
| 15       | Big numbers             | Match the following values                                     | Matchdropdown |

## Unit 2: Percentages

### Percentage Changes

Understand why percentage changes are useful and how to apply a calculation process to determine the percentage change between two data items.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Million

Billion

Trillion

Percentage change

Rounding

#### CONTENT:

- Identifying the importance of using percentage changes when dealing with big numbers
- Introducing a 4 step process to calculating percentage changes
- Using the 4 step process to calculate the percentage change in UK GDP
- Using the 4 step process to calculate the percentage change in the UK unemployment rate
- Explanation of how and when rounding is appropriate

## Percentage Issues

### LEARNING OBJECTIVE

To understand percentage points, how to analyse differences in percentages and the significance of the difference between the change and rate of change

#### DEFINITIONS COVERED:

Percentage

Percentage points

Percentage change

Change

Rate of change

Price level

CPI

Inflation

Deflation

Rate of inflation

#### CONTENT:

- Identifying the issues of using percentages for economic analysis
- Outlining that percentage points must be used to highlight the difference between percentage figures
- Three numerical examples to illustrate how to calculate the total percentage increase/decrease from two percentage point values
- Defining and distinguishing between a change and a rate of change
- Definitions of price level, CPI, inflation, deflation and rate of inflation
- Using a graph to identify that the rate of change of the price level represents whether an economy is experiencing inflation or deflation i.e. falling price level signifies inflation at a decreasing rate and rising price level signifies inflation at an increasing rate
- Explanation that a falling price level does not indicate deflation

#### ASSESSMENT

| Question | Learning Target      | Task  | Style         |
|----------|----------------------|---|---------------|
| 1        | Percentage changes   | Using the numbers calculate the percentage change                                 | Multichoice   |
| 2        | Percentage changes   | Using the numbers calculate the percentage change                                 | Multichoice   |
| 3        | Percentage changes   | Using the data identify which country experienced the largest percentage increase | Multichoice   |
| 4        | Percentage growth    | Using the numbers calculate the percentage growth                                 | Multichoice   |
| 5        | Percentage formula   | Using the numbers calculate the correct answer                                    | Multichoice   |
| 6        | Percentage formula   | Using the numbers calculate the correct answer                                    | Multichoice   |
| 7        | Percentage changes   | Using the numbers calculate the percentage changes for both years                 | Multichoice   |
| 8        | Percentage increases | Identify the correct percentage increase from the table                           | Multichoice   |
| 9        | Percentage indexes   | Using the numbers calculate the percentage change for the index                   | Multichoice   |
| 10       | Percentage changes   | Complete the step by step approach for calculating percentage changes             | Matchdropdown |
| 11       | Real number          | Identify the incorrect statement  | Multichoice   |
| 12       | Percentage points    | Using the numbers calculate the correct answer                                    | Multichoice   |
| 13       | Percentage points    | Identify the correct statement  | Multichoice   |
| 14       | Percentage changes   | Using the numbers calculate the correct answer                                    | Multichoice   |
| 15       | Price changes        | Identify the incorrect statement  | Multichoice   |

|     |                      |
|-----|----------------------|
| 2.1 | Big Numbers          |
| 2.2 | Percentages          |
| 2.3 | Index Numbers        |
| 2.4 | Composite Indices    |
| 2.5 | Interpreting Graphs  |
| 2.6 | Averages             |
| 2.7 | Variation and Spread |
| 2.8 | Ratios and Fractions |

**Unit 3: Index Numbers**

**Index Numbers**

Understand what an index number or series is and how to convert a data series to an indexed format.

**LEARNING OBJECTIVE**

**DEFINITIONS COVERED:**

- Index
- Index numbers
- Proportionate changes
- Percentage changes
- Current value
- Base year
- Rounding

**CONTENT:**

- Definition of an index
- Definition of an index number
- Explanation that index numbers allow the analysis of proportionate changes and not percentage changes
- Introducing the concept of a base year
- Showing a step by step process to convert numbers into index numbers
- Detailed numerical example of how to convert numbers into index numbers for UK GDP data
- A graph which compares index values of real GDP against real GDP per capita
- Explanation of how to interpret index numbers

**Unit 4: Composite Indices**

**Composite Indices**

Understand the concept of a composite index, differentiate this from an indexed data series and to develop competence to support the effective interpretation of composite index numbers.

**LEARNING OBJECTIVE**

**DEFINITIONS COVERED:**

- Indices
- Simple Index
- Composite index
- HDI
- MSCI World Index
- Happy Planet Index
- Living standards

**CONTENT:**

- Definition of Indices
- Defining and distinguishing between a simple and composite index
- Outlining some examples of composite indices – MSCI World Index, HDI and Happy Planet Index
- Description of the goals and objectives of the MSCI World Index
- A pie chart to show the sector weights within the MSCI World Index
- A pie chart to show the country weights within the MSCI World Index

**ASSESSMENT**

| Question | Learning Target          | Task   | Style         |
|----------|--------------------------|--|---------------|
| 1        | Index numbers benefits   | Identify the benefits of using index numbers                 | Multiresponse |
| 2        | Base years               | Assess whether the statement is true or false                | True/false    |
| 3        | Index values calculation | Using the numbers calculate the index values                 | Multichoice   |
| 4        | Base years               | Assess whether the statement is true or false                | True/false    |
| 5        | Index values calculation | Using the numbers calculate the index values                 | Multichoice   |
| 6        | Index numbers            | Using the table identify the correct statement               | Multichoice   |
| 7        | Productivity index       | Using the table identify the true statement                  | Multichoice   |
| 8        | Index values             | Using the table identify which statement is inaccurate       | Multichoice   |
| 9        | Index values             | Assess whether the statement is true or false                | True/false    |
| 10       | Index values calculation | Complete the step by step process to calculate index numbers | Matchdropdown |

## Unit 5: Interpreting Graphs

### Interpreting Graphs

#### LEARNING OBJECTIVE

Candidates should understand how to interpret graphs and apply a consistent process to improve interpretive accuracy.

- Definition of the Human Development Index (HDI)
- Breakdown of the three components of the HDI that contribute towards a country's economic development – life expectancy, expected years in school and gross national income per capita
- Showing how to interpret HDI values
- Outlining the limitations of the HDI
- Definition of the Happy Planet Index
- Outlining the formula for calculating the Happy Planet Index
- Numerical example of how to calculate the Happy Planet Index for four different countries

#### DEFINITIONS COVERED:

Graph

Phase

Quarter

Axis

Peak

Trough

Trends

Patterns

#### CONTENT:

- A series of graphs to show the importance of scale when interpreting diagrams
- Explanation that candidates should always assess the scale of the graph first before reaching any conclusions about the trends displayed in the graph
- Identifying the analytical importance of the start and end points of a graph
- Identifying the analytical importance of peaks and troughs in graphs
- Explanation of how to analyse graphs in phases using quarterly data for UK real GDP
- Introducing a six step process to analysing graphs – examine scales, start and end, high and low, phases, describe significant points and refer to axis with units

#### ASSESSMENT

| Question | Learning Target    | Task   | Style         |
|----------|--------------------|--|---------------|
| 1        | HDI                | Match the HDI with the relevant factor                         | Matchdropdown |
| 2        | HDI value          | Identify the correct meaning of the HDI value                  | Multichoice   |
| 3        | HDI use            | Which of the following is not a use of the HDI                 | Multichoice   |
| 4        | HDI limitations    | Assess whether the statement is true or false                  | True/false    |
| 5        | Happy Planet Index | Identify the correct answer                                    | Multichoice   |
| 6        | Happy Planet Index | Identify the country with the highest Happy Planet Index value | Multichoice   |
| 7        | Composite index    | Identify the correct functions of this type of index           | Multiresponse |
| 8        | Composite index    | Identify which of the following is not a composite index       | Multichoice   |
| 9        | Composite index    | Identify the correct statement                                 | Multichoice   |
| 10       | Indices            | Assess whether the statement is true or false                  | True/false    |

#### ASSESSMENT

| Question | Learning Target                | Task  | Style         |
|----------|--------------------------------|---|---------------|
| 1        | Low points                     | Assess whether the statement is true or false                     | True/false    |
| 2        | Identifying significant points | Using the graph identify the correct answer                       | Multichoice   |
| 3        | Identifying significant points | Using the graph identify the correct answer                       | Multichoice   |
| 4        | Identifying significant points | Assess whether the statement is true or false                     | True/false    |
| 5        | Graph analysis                 | Assess whether the statement is true or false                     | True/false    |
| 6        | Graph analysis                 | Identify the accurate statement                                   | Multichoice   |
| 7        | Graph interpretation           | Assess whether the statement is true or false                     | True/false    |
| 8        | Graph interpretation           | Match the statements that follow to the correct part of the graph | Matchdropdown |
| 9        | Graph interpretation           | Match the statements to the correct data items                    | Matchdropdown |
| 10       | Graph interpretation           | Match the statements to the correct data items                    | Matchdropdown |

|     |                      |
|-----|----------------------|
| 2.1 | Big Numbers          |
| 2.2 | Percentages          |
| 2.3 | Index Numbers        |
| 2.4 | Composite Indices    |
| 2.5 | Interpreting Graphs  |
| 2.6 | Averages             |
| 2.7 | Variation and Spread |
| 2.8 | Ratios and Fractions |

## Unit 6: Averages

### Averages

To develop competence that supports understanding and interpretation of the basic principles of mean, median, mode and weighted averages.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Averages

Weight

Mean

Median

Mode

Range

Weighted average

#### CONTENT:

- Identifying why an average is useful as a summary statistic
- Defining and distinguishing between the mean, median and mode
- Numerical example to show how the mean of a data set can be calculated with reference to the annual level of real GDP for the UK
- Numerical example to show how to identify the median of a data set
- Explanation that if an even number of values cannot be identified from the data set the median value is half way between the two values proximal to the middle value
- Numerical example to show how to calculate the range of a data set
- Explanation that the mean should only be taken as accurate and an appropriate summary statistic if there are relatively few outliers
- Numerical example to show how to calculate the mode of a data set
- Definition of a weighted average
- Numerical example to show how a weighted average can be calculated in the context of average weekly pensioner incomes

### Seasonality

Candidates should be able to understand the meaning of seasonally adjusted figures.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Seasonality

Intervals

Time series data

Seasonal adjustments

Seasonal component

Irregular component

Trend

#### CONTENT:

- Definition of time series data
- Illustrating the factors which cause time series data to change – seasonal factors and irregularities
- Graphical representation of the different forms of time series data in economics
- Explanation of the seasonal influences on times series data – weather patterns, administrative measures, events and calendar variations
- Explanation of what is meant by the term seasonality
- Graphical representation of how data can be seasonally adjusted – UK unemployment rate

### ASSESSMENT

| Question | Learning Target      | Task   | Style         |
|----------|----------------------|--|---------------|
| 1        | Averages             | Join the following averages with the correct definitions | Matchdropdown |
| 2        | Range                | Assess whether the statement is true or false            | True/false    |
| 3        | Mode                 | Using the data calculate the correct answer              | Multichoice   |
| 4        | Median               | Using the data calculate the correct answer              | Multichoice   |
| 5        | Mean                 | Using the data calculate the correct answer              | Multichoice   |
| 6        | Rearranging formula  | Using the data calculate the correct answer              | Multichoice   |
| 7        | Summary statistics   | Identify the correct row of the table                    | Multichoice   |
| 8        | Averages             | Assess whether the statement is true or false            | True/false    |
| 9        | Seasonality          | Using the graph identify the correct answer              | Multichoice   |
| 10       | Seasonality          | Identify the correct factors                             | Multiresponse |
| 11       | Seasonal variations  | Identify the correct statement                           | Multichoice   |
| 12       | Seasonal adjustments | Assess whether the statement is true or false            | True/false    |
| 13       | Seasonal adjustments | Assess whether the statement is true or false            | True/false    |
| 14       | Range                | Identify which method has the largest range              | Multichoice   |
| 15       | Mean                 | Identify which method has the smallest mean              | Multichoice   |

## Unit 7: Variation and Spread

### Variation and Spread

Candidates should be able to understand the meaning, interpret and use range, quantile and standard deviation data.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Range

Quantiles

Standard deviation

Quartiles

Quintiles

Deciles

Percentiles

Measure of spread

#### CONTENT:

- Definition of range, quantiles and standard deviation
- Identifying the main forms of quantiles that are commonly used for economic analysis – quartiles, quintiles, deciles and percentiles
- Introducing the process of how to break down data into respective quantiles
- Using income distribution data to highlight decile data
- Explanation of how to identify summary statistics (mean and median) using decile data
- Explanation of how to interpret a large/ small standard deviation for a particular data set

#### ASSESSMENT

| Question | Learning Target      | Task  | Style         |
|----------|----------------------|---|---------------|
| 1        | Variation and Spread | Match the terms with the correct definition   | Matchdropdown |
| 2        | Percentiles          | Assess whether the statement is true or false | True/false    |
| 3        | Quartiles            | Calculate the correct answer                  | Multichoice   |
| 4        | Variation and Spread | Using the table identify the correct answer   | Fillblank     |
| 5        | Standard deviation   | Assess whether the statement is true or false | True/false    |
| 6        | Mean                 | Using the table calculate the correct answer  | Fillblank     |
| 7        | Mean                 | Using the table calculate the correct answer  | Fillblank     |
| 8        | Mean                 | Using the table calculate the correct answer  | Fillblank     |
| 9        | Quartiles            | Using the table identify the correct answer   | Multichoice   |
| 10       | Mean                 | Using the table calculate the correct answer  | Fillblank     |

## Unit 8: Ratios and Fractions

### The Dependency Ratio

To understand, calculate and use relevant ratios and fractions – specifically relating to the dependency ratio.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Ratios

Dependency ratio

Leverage ratio

Liquidity coverage ratio

#### CONTENT:

- Outlining the three uses of ratios – analyse, compare and regulate
- Definition of a ratio
- Definition of the dependency ratio
- Definition of the leverage ratio
- Definition of the liquidity coverage ratio
- A graph to show the change in the UK dependency ratio since 2012 and a forecast up to 2036
- Numerical example of how to calculate the dependency ratio using real world data for the UK economy

|     |                      |
|-----|----------------------|
| 2.1 | Big Numbers          |
| 2.2 | Percentages          |
| 2.3 | Index Numbers        |
| 2.4 | Composite Indices    |
| 2.5 | Interpreting Graphs  |
| 2.6 | Averages             |
| 2.7 | Variation and Spread |
| 2.8 | Ratios and Fractions |

## Unit 8: Ratios and Fractions

### The Leverage Ratio

#### LEARNING OBJECTIVE

To understand, calculate and use relevant ratios and fractions – specifically relating to the leverage ratio.

#### DEFINITIONS COVERED:

Ratios  
 Dependency ratio  
 Leverage ratio  
 Liquidity coverage ratio  
 Interest  
 Loans  
 Assets  
 Liabilities  
 Capital  
 Solvency

#### CONTENT:

- Outlining the three uses of ratios – analyse, compare and regulate
- Definition of a ratio
- Definition of the dependency ratio
- Definition of the leverage ratio
- Definition of the liquidity coverage ratio
- Outlining the basics of banks i.e. the profit margin is predominantly determined by the difference between the interest on loans and the interest on deposits
- Explanation of the role that bank capital has in terms of the solvency position of a bank
- A numerical example to show that when assets outstrip liabilities, a bank is classed as solvent
- A numerical example to show that when liabilities outstrip assets, a bank is classed as insolvent
- Identifying the main uses of the leverage ratio i.e. to assess and manage solvency
- Numerical example to show how the leverage ratio is calculated
- Illustration of how to convert the leverage ratio from a percentage in to a standard ratio format
- Numerically evaluating the regulatory impact of capital restraints being imposed on a bank's balance sheet

## The Solvency Ratio

### LEARNING OBJECTIVE

To understand, calculate and use relevant ratios and fractions – specifically relating to the liquidity coverage ratio.

#### DEFINITIONS COVERED:

Ratios

Dependency ratio

Leverage ratio

Liquidity coverage ratio

Interest

Loans

Assets

Liabilities

Capital

Solvency

#### CONTENT:

- Outlining the three uses of ratios – analyse, compare and regulate
- Definition of a ratio
- Definition of the dependency ratio
- Definition of the leverage ratio
- Definition of the liquidity coverage ratio
- Comparison of the main characteristics of the leverage ratio against the liquidity coverage ratio
- Identifying the main uses of the liquidity coverage ratio
- Numerical example of how to calculate the liquidity coverage ratio
- Identifying the concept of a liquidity crisis at a bank in terms of the rise in the divergence between short-run assets and liabilities
- Explanation of what is meant by the minimum liquidity coverage ratio
- Numerical example to show the liquidity coverage ratio can be converted from percentage form to the standard ratio format
- Numerically evaluating the regulatory impact of capital restraints being imposed on a bank's balance sheet

#### ASSESSMENT

| Question | Learning Target          | Task  | Style         |
|----------|--------------------------|---|---------------|
| 1        | Ratios                   | Fill in the blanks to complete the statement    | Fillblank     |
| 2        | Dependency Ratio         | Identify the correct ratio                      | Multichoice   |
| 3        | Dependency Ratio         | Using the numbers calculate the correct answer  | Multichoice   |
| 4        | Leverage Ratio           | Identify the correct ratio                      | Multichoice   |
| 5        | Simplifying ratios       | Simplify the ratio to its lowest form           | Multichoice   |
| 6        | Ratios                   | Match the ratios with their correct percentages | Matchdropdown |
| 7        | Liquidity Coverage Ratio | Identify the correct ratio                      | Multichoice   |
| 8        | Liquidity Coverage Ratio | Using the numbers calculate the correct answer  | Multichoice   |
| 9        | Liquidity Coverage Ratio | Using the numbers calculate the correct answer  | Fillblank     |
| 10       | Liquidity Coverage Ratio | Using the numbers calculate the correct answer  | Fillblank     |

**MODULE 1**

Economic Activity

**MODULE 2**

Quantitative Skills

**MODULE 3**Economic Growth  
and Cycles**MODULE 4**Aggregate Demand and  
Aggregate Supply Analysis**MODULE 5**Economic  
Performance

|     |                      |
|-----|----------------------|
| 2.1 | Big Numbers          |
| 2.2 | Percentages          |
| 2.3 | Index Numbers        |
| 2.4 | Composite Indices    |
| 2.5 | Interpreting Graphs  |
| 2.6 | Averages             |
| 2.7 | Variation and Spread |
| 2.8 | Ratios and Fractions |

**LEARNING  
OBJECTIVE**

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 2 surrounding the basic quantitative skills required for a-level economics.

**QUESTIONS COVER:**

- **UNIT 1:**  
Big Numbers

- **UNIT 2:**  
Percentages

- **UNIT 3:**  
Index Numbers

- **UNIT 4:**  
Composite Indices

- **UNIT 5:**  
Graphs

- **UNIT 6:**  
Averages

- **UNIT 7:**  
Variation and Spread

- **UNIT 8:**  
Ratios and Fractions



MODULE 2  
**EMA**

### ASSESSMENT

| Question | Learning Target        | Task   | Style         |
|----------|------------------------|--|---------------|
| 1        | Interpretating graphs  | Identify the accurate statement                                | Multichoice   |
| 2        | Percentage changes     | Using the numbers calculate the correct answer                 | Multichoice   |
| 3        | Index numbers          | Identify the accurate statements                               | Multiresponse |
| 4        | Index value            | Using the numbers calculate the correct answer                 | Multichoice   |
| 5        | Index value            | Using the numbers calculate the correct answer                 | Multichoice   |
| 6        | Interpretating graphs  | Identify the accurate statement                                | Multichoice   |
| 7        | Percentage changes     | Using the numbers calculate the correct answer                 | Multichoice   |
| 8        | Base year              | Using the numbers calculate the correct answer                 | Multichoice   |
| 9        | Percentage changes     | Using the numbers calculate the correct answer                 | Multichoice   |
| 10       | Big numbers conversion | Convert the answer from millions to billions                   | Multichoice   |
| 11       | Interpretating graphs  | Identify the accurate statement                                | Multichoice   |
| 12       | Interpretating graphs  | Identify the inaccurate statement                              | Multichoice   |
| 13       | Index numbers          | Identify the correct answer                                    | Multichoice   |
| 14       | Percentage increases   | Using the numbers calculate the correct answer                 | Multichoice   |
| 15       | Interpretating graphs  | Identify the accurate statement                                | Multichoice   |
| 16       | Percentage changes     | Complete the step by step process                              | Matchdropdown |
| 17       | Interpretating graphs  | Match the statements to the correct data items                 | Matchdropdown |
| 18       | Interpretating graphs  | Match the statements to the correct data items                 | Matchdropdown |
| 19       | Interpretating graphs  | Match the phases of the graph with the correct statements      | Matchdropdown |
| 20       | Interpretating graphs  | Match the descriptions to the correct data item                | Matchdropdown |
| 21       | Base years             | Use the data in the table to match the statements up correctly | Matchdropdown |
| 22       | Interpretating graphs  | Match the descriptions to the correct part of the graph        | Matchdropdown |
| 23       | Interpretating graphs  | Match the descriptions to the correct data item                | Matchdropdown |
| 24       | Interpretating graphs  | Match the phases of the graph with the correct statements      | Matchdropdown |
| 25       | Interpretating graphs  | Complete the step by step process                              | Matchdropdown |

3.1 Economic Growth

3.2 Economic Cycles

**Unit 1: Economic Growth****Economic Growth - Basics**

Candidates should understand how we measure economic growth, the significance of different measurement periods and how to evaluate the reliability of this indicator.

**LEARNING OBJECTIVE****DEFINITIONS COVERED:**

Economic growth  
Annual growth  
Quarterly growth  
Data revision  
Real GDP

**CONTENT:**

- Definition of economic activity
- Definition of gross domestic product
- Definition of economic growth
- A graph to show the change in level of UK real GDP since 1984
- Numerical example of how to calculate the percentage change in UK real GDP
- A graph to show the real GDP annual growth rate for the UK economy
- Evaluation points regarding the measurement of economic growth

**Economic Growth - Advanced**

Candidates should understand how we measure economic growth, the significance of different measurement periods and how to evaluate the reliability of this indicator.

**LEARNING OBJECTIVE****DEFINITIONS COVERED:**

Economic growth  
Annual growth  
Quarterly growth  
Data revision  
Real GDP

**CONTENT:**

- A graph to show the real GDP annual growth rate for the UK economy
- Evaluation points regarding the measurement of economic growth
- A graph to show real GDP growth broken down in quarterly values
- Explanation of the benefit of using quarterly growth figures
- Explanation of how to interpret quarterly growth figures
- Evaluation points regarding the reliability of GDP data
- Outlining the issues of using GDP data

**ASSESSMENT**

| Question | Learning Target        | Task  | Style           |
|----------|------------------------|---|-----------------|
| 1        | Nominal GDP growth     | Using the data calculate the correct answer     | Multiple choice |
| 2        | ONS                    | Identify the correct statement                  | Multiple choice |
| 3        | GDP                    | Assess whether the statement is true or false   | True/false      |
| 4        | Quarterly growth       | Assess whether the statement is true or false   | True/false      |
| 5        | Measurement approaches | Identify the correct measurement approaches     | Multiresponse   |
| 6        | ONS                    | Identify the correct statement                  | Multiple choice |
| 7        | ONS                    | Identify the correct statement                  | Multiple choice |
| 8        | Quarterly growth rate  | Using the table calculate the correct answer    | Multiple choice |
| 9        | UK real GDP            | Match the descriptions to the correct data item | Matchdropdown   |
| 10       | Real GDP growth        | Match the descriptions to the correct data item | Matchdropdown   |

## Unit 2: Economic Cycles

### Economic Cycles

Candidates should understand the concept of the economic cycle, the various phases of it, long term trend growth and how to identify positive and negative output gaps.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Economic cycle

Long term trend growth

Output gaps

Recession

Growth

Boom

Bust

Peak

Trough

Macroeconomic equilibrium

#### CONTENT:

- Reinforcing the concept of a macroeconomic equilibrium
- Definition of economic cycles
- Explanation of what is meant by a country's long-term trend growth rate
- Explanation of what is meant by an output gap
- Graphical representation of the theoretical trend of a country's business cycle
- Explanation of the economic cycle and how specifically it repeats on itself
- Breaking the economic cycle down into four main phases – Boom, Recession, Trough and Growth
- Defining what is meant by those four economic cycle phases
- Identifying the main economic characteristics of the four economic cycle phases
- Identifying and evaluating the predictability that exists in a country's business cycle

#### ASSESSMENT

| Question | Learning Target       | Task   | Style         |
|----------|-----------------------|--|---------------|
| 1        | Injections/Leakages   | Identify the correct answer                  | Multichoice   |
| 2        | Output gap            | Identify the correct form of output gap      | Multichoice   |
| 3        | Economic cycle phases | Identify the correct point on the graph      | Multichoice   |
| 4        | Economic cycle phases | Identify the correct point on the graph      | Multichoice   |
| 5        | Economic cycle phases | Identify the correct point on the graph      | Multichoice   |
| 6        | Economic cycle phases | Identify the correct point on the graph      | Multichoice   |
| 7        | Recession             | Identify the correct characteristics         | Multiresponse |
| 8        | Economic cycle        | Label the economic cycle diagram correctly   | Matchdropdown |
| 9        | Economic cycle phases | Match the terms to the correct descriptions  | Matchdropdown |
| 10       | Economic cycles       | Match the correct statements with each other | Matchdropdown |

**MODULE 1**

Economic Activity

**MODULE 2**

Quantitative Skills

**MODULE 3**Economic Growth  
and Cycles**MODULE 4**Aggregate Demand and  
Aggregate Supply Analysis**MODULE 5**Economic  
Performance

3.1 Economic Growth

3.2 Economic Cycles

**LEARNING  
OBJECTIVE**

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 3 surrounding economic growth and the phases of the economic cycle.

**QUESTIONS COVER:**

- **UNIT 1:**  
Economic Growth

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- **UNIT 2:**  
Economic Cycles

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MODULE 3  
**EMA**

### ASSESSMENT

| Question | Learning Target             | Task   | Style         |
|----------|-----------------------------|--|---------------|
| 1        | Economic growth             | Identify the correct statements                            | Multiresponse |
| 2        | Economic cycle phases       | Identify the correct phase of the economic cycle           | Multichoice   |
| 3        | Economic cycle phases       | Identify the correct statement                             | Multichoice   |
| 4        | Economic growth rate        | Using the table calculate the correct answer               | Multichoice   |
| 5        | Trend growth rate           | Identify the correct variables                             | Multiresponse |
| 6        | Economic cycle phases       | Identify the correct statement                             | Multichoice   |
| 7        | Economic cycle phases       | Identify the correct phase of the economic cycle           | Multichoice   |
| 8        | Economic cycle phases       | Identify the correct phase of the economic cycle           | Multichoice   |
| 9        | Economic cycle phases       | Identify the correct phase of the economic cycle           | Multichoice   |
| 10       | Economic cycle phases       | Identify the correct statement                             | Multichoice   |
| 11       | Economic growth rate        | Using the table calculate the correct answer               | Multichoice   |
| 12       | Real GDP                    | Using the table calculate the correct answer               | Multichoice   |
| 13       | Real GDP                    | Using the table calculate the correct answer               | Multichoice   |
| 14       | Economic cycle phases       | Match the phases to the correct part of the economic cycle | Matchdropdown |
| 15       | Quarterly growth            | Identify the benefits of using quarterly growth figures    | Multiresponse |
| 16       | Quarterly growth            | Identify the issues of using quarterly growth figures      | Multiresponse |
| 17       | Nominal GDP growth          | Identify the accurate statement                            | Multichoice   |
| 18       | Quarterly figures           | Identify the inaccurate statements                         | Multiresponse |
| 19       | Quarterly GDP data          | Select the correct answer from the table                   | Multichoice   |
| 20       | Quarterly GDP data          | Select the correct answer from the table                   | Multichoice   |
| 21       | Quarterly GDP data          | Select the correct answer from the table                   | Multichoice   |
| 22       | Sustainable economic growth | Identify the correct factor                                | Multichoice   |
| 23       | Quarterly GDP data          | Using the table calculate the correct answer               | Multichoice   |
| 24       | Economic Cycle              | Match the phases to the correct part of the economic cycle | Matchdropdown |
| 25       | Economic Cycle              | Match the phases to the correct part of the economic cycle | Matchdropdown |

|     |   |
|-----|---|
|     | Introduction to Aggregate Demand/Aggregate Supply |
| 4.1 | Determinants of Aggregate Demand                  |
| 4.2 | Aggregate Demand Shifts                           |
| 4.3 | Multiplier Effect                                 |
| 4.4 | Aggregate Supply                                  |
| 4.5 | AD/AS Equilibrium                                 |
| 4.6 | Sustainable and Unsustainable Growth              |
| 4.7 | AD/AS – Big Picture                               |

## Introduction to AD/AS

### Introduction to AD/AS

Candidates should understand the basic framework of an AD/AS diagram as well as being able to interpret these diagrams.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Aggregate demand  
Aggregate supply  
Output gaps  
Macroeconomic variables  
Long-run AS  
Full employment  
Short-run AS  
Price level  
Real output

#### CONTENT:

- Defining and distinguishing between aggregate demand and aggregate supply
- Graphical representation of a macroeconomic equilibrium in an AD/AS framework
- Introducing the concept of the long-run aggregate supply curve
- Showing that the LRAS curve is fixed vertical at the full employment level of output
- Definition of the short-run aggregate supply and price level
- Definition of real output
- Identifying the labels for the vertical and horizontal axis of an AD/AS diagram
- Graphically representing a negative and positive output gap using an AD/AS diagram
- Graphically representing a negative and positive output gap
- Defining and distinguishing between a negative and positive output gap
- Establishing the impact that changes in the price level and real output have on the wider economy
- Breakdown of the content for Module 4: Aggregate Demand and Supply Analysis
- Introducing the main components of the aggregate demand curve

## Unit 1: Determinants of Aggregate Demand

### Consumption - Part 1

Candidates should understand how to define and understand the impact of the main determinants of consumption.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Consumption  
Disposable income  
Goods  
Services  
Durable goods  
Non-durable goods  
Savings  
Expectations  
Average propensity to consume/save  
Marginal propensity to consume/save  
Savings ratio

#### CONTENT:

- Definition of consumption
- Definition of disposable income
- Outlining and defining the different items that consumers buy – goods, services, durable goods and non-durable goods
- Explanation of what is meant by the term 'propensity to consume'
- Distinguishing between the average and marginal propensity to consume and showing how to calculate these items
- Detailed numerical example of how to calculate the average and marginal propensity to consume
- Showing the channels at which consumers receive income for consumption – disposable income, savings and wealth
- Defining and graphically representing the consumption function

- Explanation of how to interpret the intercept for the consumption function (autonomous consumption)
- Explanation of how to interpret the area under the consumption function (discretionary consumption)
- A chart to show the impact of savings on consumption
- A graph to show the quarterly change in the savings ratio over the past 30 years
- Numerical example of how to calculate an individual's wealth
- A graph to show the UK household wealth survey from 2008 to 2012

## Consumption - Part 2

Candidates should understand how to define and understand the impact of the main determinants of consumption.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Consumption

Disposable income

Goods

Services

Durable goods

Non-durable goods

Savings

Expectations

Average propensity to consume/save

Marginal propensity to consume/save

Savings ratio

Inflation

Deflation

Disinflation

#### CONTENT:

- Reinforcing the logic behind the channels at which consumers receive income for consumption – disposable income, savings and wealth
- Evaluating the impact that credit availability has on consumption patterns of agents
- Establishing the link between changes in the interest rate on the savings and consumption plans of individuals
- Graphically representing the link between interest rates, inflation and the savings rate
- Highlighting that expectations impact consumer confidence
- A diagram to show the demographic impact on spending, saving and borrowing plans of individuals

#### ASSESSMENT

| Question | Learning Target               | Task  | Style         |
|----------|-------------------------------|---|---------------|
| 1        | Durable goods                 | Identify the correct definition                                       | Multichoice   |
| 2        | Average propensity to consume | Identify the correct definition                                       | Multichoice   |
| 3        | Savings                       | Identify the correct definition                                       | Multichoice   |
| 4        | Savings factors               | Identify the factor that would not lead to a rise in the savings rate | Multichoice   |
| 5        | Consumption factors           | Identify the factors that lead to an increase in consumption          | Multiresponse |
| 6        | Consumption factors           | Identify which factor would lead to an increase in consumption        | Multichoice   |
| 7        | Immigration                   | Identify the impact of immigration on consumption in the UK           | Multichoice   |
| 8        | Autonomous consumption        | Identify the impact of disposable income rising                       | Multichoice   |
| 9        | Consumption                   | Complete the table  | Matchdropdown |
| 10       | Consumption function          | Complete the graph by identifying the correct labels                  | Matchdropdown |

## Introduction to Aggregate Demand/Aggregate Supply

4.1 Determinants of Aggregate Demand

4.2 Aggregate Demand Shifts

4.3 Multiplier Effect

4.4 Aggregate Supply

4.5 AD/AS Equilibrium

4.6 Sustainable and Unsustainable Growth

4.7 AD/AS – Big Picture

**Unit 1: Determinants of Aggregate Demand****Investment****LEARNING  
OBJECTIVE**

Candidates should be able to define and understand types of investment and the factors that determine the amount of investment

**DEFINITIONS  
COVERED:**

Investment

Fixed capital

Working capital

Depreciation

Net investment

Marginal efficiency  
of capital

Accelerator effect

**CONTENT:**

- Definition of investment
- Defining and distinguishing between working and fixed capital
- Explanation of the logical chain of reasoning behind how investment leads to higher economic growth
- Identifying that investment only leads to increases in the productive capacity if the right type of growth is achieved
- Introducing the concept of capital depreciation
- Defining net investment as gross investment less depreciation
- Outlining the main benefit of investment (marginal efficiency of capital) and the main cost of investment (rate of interest)
- Graphically representing the investment function
- Graphically representing investment points which are profitable and not profitable
- Evaluating the impact on investment as a result of changes in the marginal efficiency of capital and interest rate changes
- Outlining the factors which determine the rate of interest – capacity and confidence
- Outlining the factors which determine the marginal efficiency of capital – profits and taxation
- Defining and illustrating the concept of the accelerator effect

**ASSESSMENT**

| Question | Learning Target                | Task  | Style         |
|----------|--------------------------------|---|---------------|
| 1        | Investment                     | Identify the inaccurate statement                               | Multichoice   |
| 2        | Net investment                 | Using the numbers calculate the correct answer                  | Multichoice   |
| 3        | Marginal efficiency of capital | Identify the correct answer                                     | Multichoice   |
| 4        | Net investment                 | Identify the correct statement                                  | Multichoice   |
| 5        | Investment function            | Identify the factors which caused the curve to shift            | Multiresponse |
| 6        | Investment factors             | Identify the factors that have a positive impact on investment  | Multiresponse |
| 7        | Accelerator effect             | Identify the accurate statement                                 | Multichoice   |
| 8        | Working capital                | Identify the correct answer                                     | Multichoice   |
| 9        | Fixed capital                  | Identify the correct examples                                   | Multiresponse |
| 10       | Investment function            | Match the labels to the correct letters to complete the diagram | Matchdropdown |

## Government Spending

### LEARNING OBJECTIVE

Candidates should be able to understand government spending in the context of AD, the determinants of government spending and government budgets.

#### DEFINITIONS COVERED:

Budget deficit  
 Budget surplus  
 Balanced budget  
 Public goods  
 Merit goods  
 Transfer payments

#### CONTENT:

- Definition of transfer payments
- Definition and examples of the main government provided goods – public goods, merit goods and quasi-public goods
- Breaking down the components of each of the government spending channels
- A graph to show the level of real government spending from 1999 to 2012 for the UK
- Outlining the main determinants of government spending – politics, economic performance, demographics and finances
- Definition of the government budget
- Explanation that the government can run up a deficit, surplus or balanced budget depending on the spending levels relative to tax revenue
- A pie chart to show the breakdown of government spending in the 2013 budget
- A pie chart to show the breakdown of tax revenue accruing to the government in the 2013 budget
- A diagram to show the budget position in 2013 (budget deficit)
- Introducing the concept of analysing large government figures as a percentage of GDP rather than raw numbers to make it conceptually easier to analyse

#### ASSESSMENT

| Question | Learning Target             | Task  | Style         |
|----------|-----------------------------|---|---------------|
| 1        | Government spending factors | Identify the factor which does not influence Government spending      | Multichoice   |
| 2        | Government provision        | Identify the state provided goods                                     | Multiresponse |
| 3        | Government budget           | Identify the definition   | Multichoice   |
| 4        | Government spending         | Identify the components that do not contribute to Government spending | Multichoice   |
| 5        | Investment                  | Identify the factors which contribute to investment                   | Multichoice   |
| 6        | Government spending factors | Identify the factor that causes Government spending to increase       | Multichoice   |
| 7        | Tax revenue                 | Identify the answer that does lead to tax revenue                     | Multichoice   |
| 8        | Government spending         | Match the terms to the correct descriptions                           | Matchdropdown |
| 9        | Government spending         | Match the measures to the correct numbers                             | Matchdropdown |
| 10       | Government budget           | Match the changes to the budget to the following events               | Matchdropdown |

Introduction to Aggregate Demand/Aggregate Supply

4.1 Determinants of Aggregate Demand

4.2 Aggregate Demand Shifts

4.3 Multiplier Effect

4.4 Aggregate Supply

4.5 AD/AS Equilibrium

4.6 Sustainable and Unsustainable Growth

4.7 AD/AS – Big Picture

## Unit 1: Determinants of Aggregate Demand

### International Trade

### LEARNING OBJECTIVE

Candidates should be able to understand why trade is important to the UK and other countries, how exports and imports impact AD and identify and explain the factors that influence trade volumes.

#### DEFINITIONS COVERED:

Imports

Exports

Current account deficit

Current account surplus

Net trade

Exchange rate

Foreign currency

Leakage

Injection

Exchange rate

#### CONTENT:

- Definition of an import and an export
- Explanation that an export is a credit (injection)
- Explanation that an import is a debit (leakage)
- Identifying what is meant by a country running up a current account deficit and surplus
- Outlining the main benefits of trade – specialisation, economies of scale, broad range of goods and services and access to capital markets
- A graph to show the composition of UK international trade
- A graph to show the impact of the net trade deficit on the UK economy
- Outlining and explaining the main determinants for export and import demand
- Establishing the link between international trade flows and exchange rate movements
- Numerical example of the effect of exchange rate changes on exports and imports value

#### ASSESSMENT

| Question | Learning Target     | Task   | Style         |
|----------|---------------------|--|---------------|
| 1        | Imports             | Identify the factors which relate to imports         | Multiresponse |
| 2        | Exports             | Identify the factors which relate to exports         | Multiresponse |
| 3        | International trade | Identify the non credible statement regarding growth | Multichoice   |
| 4        | AD impact           | Using the numbers calculate the correct answer       | Multichoice   |
| 5        | AD impact           | Using the numbers calculate the correct answer       | Multichoice   |
| 6        | UK trade position   | Identify the correct statements                      | Multiresponse |
| 7        | Exchange rates      | Using the numbers calculate the correct answer       | Multichoice   |
| 8        | Exchange rates      | Using the numbers calculate the correct answer       | Multichoice   |
| 9        | UK exports          | Identify the correct statement                       | Multichoice   |
| 10       | International trade | Match the terms to the correct trading definitions   | Matchdropdown |

**Unit 2: Aggregate Demand Shifts**

**Aggregate Demand Shifts**

Candidates should understand why the AD curve is downward sloping and the various factors that cause it to shift.



**LEARNING OBJECTIVE**

**DEFINITIONS COVERED:**

- Trade effect
- Wealth effect
- Rate of interest effect
- Aggregate demand
- AD shifts

**CONTENT:**

- Illustration of how to derive the aggregate demand curve
- Explanation of the inverse relationship between the price level and real output
- Identifying the link between the trade, wealth and rate of interest effect
- Graphically representing inwards and outwards AD shifts
- Summary table of the components of AD that are affected when the aggregate demand curve shifts
- Identifying the main factors that cause the AD curve to shift
- Evaluation points regarding AD shifts – Net effect, size of the difference and length of effect

**ASSESSMENT**

| Question | Learning Target | Task  | Style         |
|----------|-----------------|---|---------------|
| 1        | AD expansion    | Identify the factors that would outwardly shift the AD curve    | Multiresponse |
| 2        | AD curve        | Identify the factors that cause the AD curve to slope downwards | Multiresponse |
| 3        | Wealth effect   | Identify the correct statement                                  | Multichoice   |
| 4        | AD contraction  | Identify the factors that would inwardly shift the AD curve     | Multiresponse |
| 5        | AD expansion    | Identify the correct diagram                                    | Multichoice   |
| 6        | AD expansion    | Identify the factor that would outwardly shift the AD curve     | Multichoice   |
| 7        | AD expansion    | Identify the factors that could offset the expansion            | Multiresponse |
| 8        | AD expansion    | Identify the factor that could offset the expansion             | Multichoice   |
| 9        | AD components   | Identify the components of AD population growth would impact    | Multiresponse |
| 10       | AD shifts       | Match the descriptions to the appropriate steps                 | Matchdropdown |

**Unit 3: Multiplier Effect**

**Multiplier Effect**

Candidates should be able to define, understand and calculate the multiplier effect (using the marginal propensity to consume) and to understand why the size of the MPC determines the size of the multiplier effect.



**LEARNING OBJECTIVE**

**DEFINITIONS COVERED:**

- Multiplier effect
- Circular flow of income
- Injections
- Leakages
- Marginal propensity to consume
- Average propensity to consume
- Marginal propensity to save
- Aggregate demand
- Marginal propensity to withdraw
- Average propensity to withdraw

**CONTENT:**

- Definition of the multiplier effect
- Graphical representation of the circular flow of income with the corresponding leakages and injections
- Explanation of why the withdrawals progressively diminish circulating over the time
- Explanation of the link between the size of the multiplier effect with the value of the marginal propensity to consume
- A graph to show the multiplier effect for an economy with an MPC of 0.6
- Graphically representing the impact of the multiplier effect on the aggregate demand curve over time
- Defining and distinguishing between the marginal and average propensity to consume
- Introducing the formula for the multiplier effect
- Three numerical examples of how to calculate the multiplier effect when given the marginal propensity to consume

**ASSESSMENT**

| Question | Learning Target                 | Task   | Style       |
|----------|---------------------------------|--|-------------|
| 1        | MPC                             | Assess whether the statement is true or false  | True/false  |
| 2        | MPC calculation                 | Using the numbers calculate the correct answer | Multichoice |
| 3        | MPC calculation                 | Using the numbers calculate the correct answer | Multichoice |
| 4        | MPS calculation                 | Using the numbers calculate the correct answer | Multichoice |
| 5        | MPS calculation                 | Using the numbers calculate the correct answer | Multichoice |
| 6        | MPC calculation                 | Using the numbers calculate the correct answer | Multichoice |
| 7        | Marginal propensity to withdraw | Fill in the blanks to complete the sentence    | Fillblank   |
| 8        | Average propensity to withdraw  | Using the numbers calculate the correct answer | Multichoice |
| 9        | Marginal propensity to withdraw | Assess whether the statement is true or false  | True/false  |
| 10       | Multiplier effect               | Using the numbers calculate the correct answer | Multichoice |

|     |   |
|-----|---|
|     | Introduction to Aggregate Demand/Aggregate Supply |
| 4.1 | Determinants of Aggregate Demand                  |
| 4.2 | Aggregate Demand Shifts                           |
| 4.3 | Multiplier Effect                                 |
| 4.4 | Aggregate Supply                                  |
| 4.5 | AD/AS Equilibrium                                 |
| 4.6 | Sustainable and Unsustainable Growth              |
| 4.7 | AD/AS – Big Picture                               |

## Unit 4: Aggregate Supply

### Short-Run Aggregate Supply

Candidates should understand how to distinguish clearly the factors which affect long-run AS from those which affect short-run AS and understand the various factors that shift the SRAS and LRAS curves.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Aggregate supply

Aggregate supply curve

Short-run

Full employment output

Supply side shock

Classical view

Keynesian view

#### CONTENT:

- Definition of aggregate supply
- Identifying the two opposing economic views towards the aggregate supply curve – Classical view and Keynesian view
- Graphical explanation of the Classical view on real output – upward sloping AS curve
- Graphical explanation of outward and inward shifts in the AS curve
- Identifying the main factors which cause the AS curve to shift
- Definition of a supply-side shock
- Explanation of how a supply-side shock affects the aggregate supply curve

### Long-Run Aggregate Supply

Candidates should understand how to distinguish clearly the factors which affect long-run AS from those which affect short-run AS and understand the various factors that shift the SRAS and LRAS curves.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Aggregate supply

LRAS curve

Long-run

Full employment output

Supply side shock

Classical view

Keynesian view

PPF

Productive capacity

#### CONTENT:

- Explanation of why long-run aggregate supply differs from short-run aggregate supply
- Graphical representation of the Long-run aggregate supply curve
- Explanation of why the LRAS curve is fixed vertical at a specific level of output/employment
- Explanation of the term full employment, in the context of the LRAS curve
- Showing the three ways that full employment can be graphically represented for an economy – LRAS curve, PPF and Economic Cycle
- Graphically showing shifts in the LRAS curve
- Interpreting the meaning of LRAS curve shifts
- Explanation that the PPF diagram can be used to illustrate the same increase in the productive capacity
- A summary table of the factors that can shift the LRAS curve

## Keynesian Aggregate Supply

Candidates should understand how to distinguish clearly the factors which affect long-run AS from those which affect short-run AS and understand the various factors that shift the SRAS and LRAS curves.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Aggregate supply

LRAS curve

Short-run

Long-run

Full employment output

Supply side shock

Classical view

Keynesian view

PPF

Productive capacity

Wage stickiness

Output gaps

#### CONTENT:

- Deriving the Keynesian aggregate supply curve
- Illustrating that the Keynesian aggregate supply curve has different phases of elasticity along it
- Identifying the main characteristics of the Keynesian AS curve
- Showing that for low levels of output this corresponds to elastic supply
- Showing that for medium levels of output this corresponds to intermediate elasticity
- Showing that for high levels of output this corresponds to inelastic supply
- Explanation that a change of anything other than the price level will lead to a shift in the entire AS curve
- Outlining the issues of the Keynesian AS curve – wage stickiness and output gaps

#### ASSESSMENT

| Question | Learning Target    | Task   | Style         |
|----------|--------------------|--|---------------|
| 1        | Short-run AS curve | Identify the factors that cause the curve to slope upwards           | Multiresponse |
| 2        | SRAS curve shifts  | Identify the factor that does not lead to a SRAS curve shift         | Multichoice   |
| 3        | Production costs   | Identify the correct direction of the SRAS shift                     | Multichoice   |
| 4        | Supply-side shock  | Identify the correct statement                                       | Multichoice   |
| 5        | LRAS curve         | Identify the correct statement                                       | Multiresponse |
| 6        | LRAS curve shifts  | Identify the causes of an LRAS outwards shift                        | Multiresponse |
| 7        | Keynesian AS curve | Identify the statement that does not describe the Keynesian AS curve | Multichoice   |
| 8        | Aggregate supply   | Match the terms to the correct descriptions                          | Matchdropdown |
| 9        | Aggregate supply   | Match the terms to the correct descriptions                          | Matchdropdown |
| 10       | Aggregate supply   | Match the changes to the relevant AS changes                         | Matchdropdown |

Introduction to Aggregate Demand/Aggregate Supply

4.1 Determinants of Aggregate Demand

4.2 Aggregate Demand Shifts

4.3 Multiplier Effect

4.4 Aggregate Supply

4.5 AD/AS Equilibrium

4.6 Sustainable and Unsustainable Growth

4.7 AD/AS – Big Picture

## Unit 5: AD/AS Equilibrium

### AD/AS Equilibrium

Candidates should understand how to use AS/AD graphs to illustrate short and long run equilibrium and positive/negative output gaps.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Short-run

Long-run

Price level

Real output

Full employment

Derived demand

Negative output gap

Positive output gap

#### CONTENT:

- Introducing a step by step process to analysing AD/AS diagrams
- Graphical representation of the long-run macroeconomic equilibrium
- Definitions of price level, real output and full employment
- Graphically representing a short-run macroeconomic equilibrium in which output lies below the full employment level (negative output gap)
- Graphically representing a short-run macroeconomic equilibrium in which output lies above the full employment level (positive output gap)
- Definition of a positive and negative output gap
- Definition of derived demand
- Explanation of the positive relationship between real output and employment
- Explanation of the negative relationship between real output and unemployment
- Graphically representing the inverse relationship between real output and unemployment

#### ASSESSMENT

| Question | Learning Target       | Task  | Style         |
|----------|-----------------------|---|---------------|
| 1        | AD/AS Equilibrium     | Using the graph identify the correct statements                   | Multiresponse |
| 2        | Real output           | Identify the correct relationship with employment                 | Multichoice   |
| 3        | Real output           | Identify the correct relationship with unemployment               | Multichoice   |
| 4        | Real output           | Identify the correct diagrams                                     | Multiresponse |
| 5        | Negative output gap   | Identify the correct diagrams                                     | Multiresponse |
| 6        | Output gaps           | Identify the correct diagrams                                     | Multiresponse |
| 7        | Full employment       | Identify the correct diagrams                                     | Multiresponse |
| 8        | AD/AS Equilibrium     | Match the terms to the correct descriptions                       | Matchdropdown |
| 9        | Long-run equilibrium  | Using the diagram match the statements with the correct variables | Matchdropdown |
| 10       | Short-run equilibrium | Using the diagram match the statements with the correct variables | Matchdropdown |

## Demand and Supply Side Shifts

Candidates should understand how to use AS/AD graphs to analyse the impact that demand and supply side shocks have on price level, real output and unemployment and to recognise the difference between shifts in and movements along AS/AD curves.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Demand side shock

Supply side shock

Movements

Shift

Shock

Secondary effects

Inflation

Disinflation

Deflation

#### CONTENT:

- Introducing a step by step process to analysing AD/AS diagrams
- Establishing the difference between a shift and a shock
- Graphical representation of a positive demand side shock in an AD/AS framework
- Graphical representation of a negative demand side shock in an AD/AS framework
- Graphical representation of a negative supply side shock in an AD/AS framework
- Graphical representation of a positive supply side shock in an AD/AS framework
- Explanation that a fall in the price level normally signifies disinflation rather than deflation
- Introducing the concept of secondary effects when evaluating demand and supply shifts such as the competitiveness or equality impact

#### ASSESSMENT

| Question | Learning Target   | Task  | Style         |
|----------|-------------------|---|---------------|
| 1        | Demand side shock | Using the diagram identify the correct shock      | Multiresponse |
| 2        | Demand side shock | Using the diagram identify the correct shock      | Multiresponse |
| 3        | Supply side shock | Using the diagram identify the correct shock      | Multiresponse |
| 4        | Supply side shock | Using the diagram identify the correct shock      | Multiresponse |
| 5        | Secondary effects | Identify the correct answer                       | Multiresponse |
| 6        | Real output       | Identify the factor which does impact real output | Multichoice   |
| 7        | Demand side shock | Assess whether the statement is true or false     | True/false    |
| 8        | Shifts            | Match the statements to the correct diagrams      | Matchdropdown |
| 9        | Demand side shock | Match the description to the graph                | Matchdropdown |
| 10       | AD/AS diagram     | Complete the labelling of the diagram             | Matchdropdown |

|     |   |
|-----|---|
|     | Introduction to Aggregate Demand/Aggregate Supply |
| 4.1 | Determinants of Aggregate Demand                  |
| 4.2 | Aggregate Demand Shifts                           |
| 4.3 | Multiplier Effect                                 |
| 4.4 | Aggregate Supply                                  |
| 4.5 | AD/AS Equilibrium                                 |
| 4.6 | Sustainable and Unsustainable Growth              |
| 4.7 | AD/AS – Big Picture                               |

## Unit 6: Sustainable and Unsustainable Growth

### Unsustainable Growth

#### LEARNING OBJECTIVE

Candidates should understand that permanent changes in real output are only achieved by shifts in the Long Run Aggregate Supply Curve.

#### DEFINITIONS COVERED:

Aggregate demand  
Aggregate supply  
Shifts  
Output gaps  
Demand side shock  
Supply side shock  
Unsustainable growth  
Sustainable growth  
Full employment

#### CONTENT:

- Reinforcing the step by step process to analysing AD/AS diagrams
- Graphical representation of a positive demand side shock
- Graphical explanation that this only creates short-term growth (unsustainable growth)
- A graph to show how the economy moves back to full employment in reaction to an inward AD curve shift
- Explanation that all growth is short-term unless productivity of the economy improves
- Graphical representation of a negative demand side shock
- Graphical explanation that this only creates short-term growth problems (unsustainable growth)
- A graph to show how the economy moves back to full employment in reaction to an outwards AD curve shift
- Explanation that all growth is short-term unless productivity of the economy improves
- Graphical representation that supply side shocks also lead to unsustainable growth without shifts in the LRAS curve
- A graph to show unsustainable growth in terms of the business cycle
- A graph to show sustainable growth in terms of the business cycle

## Sustainable Growth

Candidates should understand that permanent changes in real output are only achieved by shifts in the Long Run Aggregate Supply Curve.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Aggregate demand  
Aggregate supply  
Shifts  
Output gaps  
Demand side shock  
Supply side shock  
Unsustainable growth  
Sustainable growth  
Full employment

#### CONTENT:

- A graph to show unsustainable growth in terms of the business cycle
- A graph to show sustainable growth in terms of the business cycle
- Highlighting the two ways in which an economy can achieve sustainable growth
- Outlining the factors that can cause the LRAS curve to shift
- Graphical representation of sustainable growth
- Graphical representation of sustainable growth which expands the productive capacity of the economy whilst at the same time not introducing inflationary problems

#### ASSESSMENT

| Question | Learning Target      | Task  | Style         |
|----------|----------------------|---|---------------|
| 1        | Stagflation          | Assess whether the statement is true or false               | True/false    |
| 2        | Negative output gap  | Assess whether the statement is true or false               | True/false    |
| 3        | Sustainable growth   | Identify the correct events                                 | Multiresponse |
| 4        | Positive output gap  | Identify the correct statement                              | Multichoice   |
| 5        | Long-run equilibrium | Identify the correct points on the graph                    | Multiresponse |
| 6        | LRAS shifts          | Identify the correct curve shift                            | Multichoice   |
| 7        | Sustainable growth   | Match the terms to the correct definitions                  | Matchdropdown |
| 8        | Economic growth      | Match the terms to the correct diagrams                     | Matchdropdown |
| 9        | Sustainable growth   | Put the series of events in chronological order             | Matchdropdown |
| 10       | Sustainable growth   | Complete the diagram by identifying the points on the graph | Matchdropdown |

## Sustainable Growth: Keynesian AS

Candidates should understand that the Keynesian AS curve produces different outcomes to the classical approach and can be used to develop deeper analysis and evaluation

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Aggregate demand  
Aggregate supply  
Keynesian AS curve  
Elastic  
Inelastic  
Spare capacity  
Shifts  
Full employment

#### CONTENT:

- Deriving the Keynesian aggregate supply curve
- Illustrating that the Keynesian aggregate supply curve has different phases of elasticity along it
- Identifying the main characteristics of the Keynesian AS curve
- Showing that for low levels of output this corresponds to elastic supply
- Showing that for medium levels of output this corresponds to intermediate elasticity
- Showing that for high levels of output this corresponds to inelastic supply
- Graphical representation of an AD curve shift when there is significant spare capacity
- Graphical representation of an AD curve shift when there is diminishing spare capacity
- Graphical representation of an AD curve shift when there is minimal spare capacity
- Graphically representing sustainable growth in a Keynesian AS framework

#### ASSESSMENT

| Question | Learning Target            | Task   | Style         |
|----------|----------------------------|--|---------------|
| 1        | AS contraction             | Identify the correct statement                                       | Multichoice   |
| 2        | Keynesian AS curve         | Identify the false characteristic of the Keynesian AS curve          | Multichoice   |
| 3        | Inelastic points           | Identify the two points on the AS curve that are inelastic           | Multiresponse |
| 4        | Inelastic points           | Identify the correct explanation                                     | Multichoice   |
| 5        | Elastic points             | Identify the correct explanation                                     | Multichoice   |
| 6        | Spare capacity             | Assess whether the statement is true or false                        | True/false    |
| 7        | Limited spare capacity     | Identify the effects of an AD contraction                            | Multiresponse |
| 8        | Significant spare capacity | Identify the effect of an AD expansion                               | Multichoice   |
| 9        | AS expansion               | Identify the correct statement                                       | Multichoice   |
| 10       | Keynesian AS curve         | Identify the diagram that would lead to the biggest change in output | Multichoice   |

|     |   |
|-----|---|
|     | Introduction to Aggregate Demand/Aggregate Supply |
| 4.1 | Determinants of Aggregate Demand                  |
| 4.2 | Aggregate Demand Shifts                           |
| 4.3 | Multiplier Effect                                 |
| 4.4 | Aggregate Supply                                  |
| 4.5 | AD/AS Equilibrium                                 |
| 4.6 | Sustainable and Unsustainable Growth              |
| 4.7 | AD/AS – Big Picture                               |

## Unit 7: AD/AS – The Big Picture

### AD/AS – Big Picture

Candidates should understand how to merge together all of the aspects of AD/AS analysis to analyse wider issues in the economy.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Aggregate demand

Aggregate supply

AD curve

SRAS curve

LRAS curve

Negative output gap

Positive output gap

Inward shift

Outward shift

Demand deficient (cyclical) unemployment

Stagflation

#### CONTENT:

- Summary of the effects of both inward and outward shifts for the AD curve
- Summary of the effects of both inward and outward shifts for the SRAS curve
- Definition of demand deficient unemployment
- Graphical representation of an inward AD shift which causes demand deficient unemployment
- Definition of stagflation
- Graphical representation of an inward SRAS shift which creates stagflation
- Showing that all growth is short-term unless productivity of the economy improves
- Graphical representation of how an economy can achieve sustainable growth
- Graphical representation to show unsustainable growth for an economy

#### QUESTIONS COVER:

- **UNIT 1:**  
Determinants of Aggregate Demand
- **UNIT 2:**  
Aggregate Demand Shifts
- **UNIT 3:**  
Multiplier Effects
- **UNIT 4:**  
Aggregate Supply
- **UNIT 5:**  
AD/AS Equilibrium
- **UNIT 6:**  
Sustainable and Unsustainable Growth
- **UNIT 7:**  
AD/AS – The Big Picture

LEARNING  
OBJECTIVE

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 4 surrounding the analysis of AD/AS diagrams.

MODULE 4  
EMA

## ASSESSMENT

| Question | Learning Target      | Task   | Style         |
|----------|----------------------|--|---------------|
| 1        | SRAS shifts          | Identify the factors that cause the SRAS curve to shift                | Multiresponse |
| 2        | AD expansion         | Identify the factors that cause the AD curve to expand                 | Multiresponse |
| 3        | Economic growth      | Identify the correct graph   | Multichoice   |
| 4        | Demand side shock    | Identify the correct change in unemployment                            | Multichoice   |
| 5        | Shocks               | Identify the graph with highest rate of inflation                      | Multichoice   |
| 6        | Aggregate demand     | Identify the correct definition  | Multichoice   |
| 7        | Consumption          | Identify the factors which determine consumption                       | Multiresponse |
| 8        | Investment function  | Identify the factor shifting the investment function inwards           | Multichoice   |
| 9        | Government spending  | Identify the components that contribute to government spending         | Multiresponse |
| 10       | Imports              | Identify the factor that does not affect the level of imports          | Multichoice   |
| 11       | Accelerator effect   | Identify the correct definition  | Multichoice   |
| 12       | Saving               | Identify the factors that would encourage savings                      | Multiresponse |
| 13       | Investment           | Identify which of the options could be classed as a form of investment | Multiresponse |
| 14       | Multiplier effect    | Identify the correct statement   | Multichoice   |
| 15       | SRAS shifts          | Identify the factor that has led to the following SRAS curve shift     | Multichoice   |
| 16       | SRAS shifts          | Identify the factor that has led to the following SRAS curve shift     | Multichoice   |
| 17       | Shocks               | Identify the graph with highest rate of unemployment                   | Multichoice   |
| 18       | Full employment      | Identify the correct diagrams  | Multiresponse |
| 19       | Long-run equilibrium | Identify the correct point on the graph                                | Multiresponse |
| 20       | Keynesian AS curve   | Identify the correct point on the graph                                | Multiresponse |
| 21       | Saving               | Identify which of the options is not classed as a form of saving       | Multiresponse |
| 22       | Shocks               | Identify the graph with highest rate of employment                     | Multichoice   |
| 23       | Shocks               | Match the shifts with the correct movements                            | Matchdropdown |
| 24       | Shocks               | Match the terms to the correct graphs                                  | Matchdropdown |
| 25       | Shocks               | Identify the shifts that correspond to the economic variables          | Matchdropdown |

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

**Unit 1: Macroeconomic Objectives**

**Macroeconomic Objectives**

Candidates should understand the main economic variables, how they are reflected in government policy and understand the conflicts that exist between variables/objectives.

**LEARNING OBJECTIVE**

**DEFINITIONS COVERED:**

- Macroeconomics
- Economic objectives
- Economic variables
- Time lags
- Interventionist policies
- Free market policies

**CONTENT:**

- Identifying the importance of economic variables to economic agents
- Identifying the main economic variables – Economic growth, unemployment, prices, trade and equality
- Stating the objectives of each of the main economic variables
- Breaking down the different policy approaches for a government to help achieve these economic objectives
- Defining and distinguishing between interventionist and free market policies
- The economic impact of the government issuing policies to reign in a boom and curb a recession
- Evaluating the effectiveness of policies by raising the issue that time lags can lead to fluctuating growth and formation of cycles

**ASSESSMENT**

| Question | Learning Target           | Task  | Style         |
|----------|---------------------------|---|---------------|
| 1        | Economic growth objective | Identify the correct objective                | Multichoice   |
| 2        | Inflation objective       | Identify the correct objective                | Multichoice   |
| 3        | Interventionist policies  | Identify the correct policies                 | Multiresponse |
| 4        | Free market policies      | Identify the correct policies                 | Multiresponse |
| 5        | Interventionist approach  | Identify the correct policies                 | Multiresponse |
| 6        | Government policies       | Assess whether the statement is true or false | True/false    |
| 7        | Conflicting objectives    | Identify the correct statements               | Multiresponse |
| 8        | BoP objectives            | Identify the correct objective                | Multichoice   |
| 9        | Economic growth objective | Identify the correct figure                   | Multichoice   |
| 10       | Economic objectives       | Identify the correct objectives               | Multiresponse |

**Unit 2: Economic Growth**

**Economic Growth - Part 1**

Candidates should understand the financial benefits and limitations of achieving economic growth.

**LEARNING OBJECTIVE**

**DEFINITIONS COVERED:**

- Economic growth
- Economic agents
- Environmental degradation
- Time lags

**CONTENT:**

- A tree diagram to show the benefit channels of higher economic growth to various economic agents – Government, households and businesses
- Introducing the logical chain of reasoning behind the analytical and evaluative process of the effectiveness, impact and sustainability of economic growth
- Evaluating the impact of economic growth on the quality of life of economic agents
- Definition of economic growth
- A graph to show the annual economic growth from 1972 to 2013 in terms of real GDP for the UK economy
- Applying knowledge from Module 2 to interpret and analyse the graph
- Assessing the inverse relationship between economic growth and environmental quality
- Assessing whether growth today can be sustained to transform into growth tomorrow

## Economic Growth - Part 2

### LEARNING OBJECTIVE

Candidates should understand the financial benefits and limitations of achieving economic growth.

#### DEFINITIONS COVERED:

Economic growth

Recession

Gross domestic product

GDP per capita

Income distribution

Quality of life

#### CONTENT:

- Definition of economic growth and a recession
- A graph to show UK economic growth in quarterly figures since 2008 to highlight the periods of recession for the UK economy
- Definition of GDP and GDP per capita
- A graph to show the annual economic growth from 1972 to 2013 in terms of real GDP for the UK economy
- A graph to compare real GDP with real GDP per capita from 1972 to 2013 to show whether the economic growth in real GDP has created significant increase in living standards
- A graph to show the income distribution in the UK amongst the percentiles of income groups
- A comparison of the distribution of income against the distribution of wealth in the UK amongst the percentiles of income groups
- Assessing the link between economic growth and the quality of life
- Outlining the factors that affect the quality of life for an individual i.e. health, security and shelter

#### ASSESSMENT

| Question | Learning Target            | Task  | Style         |
|----------|----------------------------|---|---------------|
| 1        | Economic cycle phases      | Identify the correct phases of the economic cycle | Multichoice   |
| 2        | Economic growth            | Match the terms to the correct descriptions       | Matchdropdown |
| 3        | Real GDP                   | Using the graph identify the recessionary periods | Multiresponse |
| 4        | Living standards           | Identify the correct statements                   | Multiresponse |
| 5        | Economic growth            | Assess whether the statement is true or false     | True/false    |
| 6        | Income distribution        | Using the graph identify the correct statement    | Multichoice   |
| 7        | Income/Wealth distribution | Using the graph identify the correct statement    | Multichoice   |
| 8        | Sustainable growth         | Identify the correct answers                      | Multiresponse |
| 9        | Sustainable growth         | Identify the correct answers                      | Multiresponse |
| 10       | Recession                  | Identify the correct answer                       | Multichoice   |

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 3: Inflation and Deflation

### Inflation

Candidates should understand some key inflation terms, that inflation varies and this has differential impacts on economic behaviour.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Inflation

Deflation

Price level

Consumer Price Index

Rate of inflation

Hyperinflation

#### CONTENT:

- Definitions of inflation, deflation, price level, CPI and rate of inflation
- Showing the different types of inflation rates that an economy can achieve – rising and volatile, modest and consistent, low and deflationary
- A graph to show the RPI percentage change over 12 months from 1968-1983
- Definition of hyperinflation
- Examples of countries that have experienced cases of hyperinflation throughout history – Zimbabwe, Germany and Hungary
- Explanation of the impact of falling prices on consumer behaviour
- A graph to show the CPI percentage change over 12 months from 1993-2007
- Explanation of why the UK economy has switched the main inflation measure from RPI to CPI
- Explanation of the impact that different forms of inflation have on consumer behaviour

### Measuring Inflation

Candidates should understand how we measure inflation, the difference between key inflation indices and how personal inflation experiences may be different.

#### DEFINITIONS COVERED:

Inflation

Deflation

Price level

Consumer Price Index

Rate of inflation

Hyper inflation

Household expenditure survey

#### CONTENT:

- Definitions of inflation, deflation, price level, CPI and rate of inflation
- Breakdown of how the CPI index is calculated using the household expenditure survey
- An illustration of the breakdown of the weightings that are applied to different forms of goods to determine the price level
- An illustration of the breakdown of the price changes in each expenditure category
- A graph to show the weighted and un-weighted % CPI change for 12 months to the end of 2014
- A summary table to compare the difference between the CPI measure and the RPI measure
- Graphical representation of the annual change in RPI from 1949 to 2012
- A graph to compare RPI to CPI from 1989 to 2014, outlining the periods in which CPI exceeded RPI
- A table to show the percentage change in the CPI and RPI values from the year 1989 to 2014

## LEARNING OBJECTIVE

## Costs and Benefits of Inflation - Part 1

## LEARNING OBJECTIVE

Candidates should understand the costs and benefits associated with inflation.

## DEFINITIONS COVERED:

Fiscal drag

Real cost of debt

Real wage costs

Shoe leather costs

Menu costs

Real rate of return

Money illusion

## CONTENT:

- Explanation of the impact that different forms of inflation have on consumer behaviour
- Outlining the main costs and benefits of inflation
- Graphical representation to show higher prices incentivise more production due to profit incentives – upward sloping SRAS curve
- Numerical example to show that real wage costs reduce when inflation is higher
- Numerical example to show the debt burden reduces if there is higher inflation
- Detailed numerical example to evaluate the damaging effects that inflation can have on the real value of assets
- Evaluating the economic impact of reduced asset values on the economy i.e. reduction in purchasing power for consumers

## ASSESSMENT

| Question | Learning Target         | Task   | Style         |
|----------|-------------------------|--|---------------|
| 1        | Inflation               | Match the terms to the correct descriptions  | Matchdropdown |
| 2        | Inflation rates         | Identify the correct statement               | Multichoice   |
| 3        | Hyperinflation          | Identify the correct figure                  | Multichoice   |
| 4        | Hyperinflation episodes | Identify the correct country                 | Multichoice   |
| 5        | CPI                     | Identify the correct answer                  | Multichoice   |
| 6        | CPI basket              | Identify the correct figure                  | Multichoice   |
| 7        | CPI                     | Identify the accurate statement              | Multiresponse |
| 8        | CPI                     | Identify the correct definition              | Multichoice   |
| 9        | CPI calculation         | Using the table calculate the correct answer | Multichoice   |
| 10       | Measuring inflation     | Identify the inaccurate statement            | Multichoice   |

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 3: Inflation and Deflation

### Costs and Benefits of Inflation - Part 2

Candidates should understand the costs and benefits associated with inflation.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Fiscal drag  
Real cost of debt  
Real wage costs  
Shoe leather costs  
Menu costs  
Real rate of return  
Money illusion

#### CONTENT:

- Reinforcing the main costs and benefits of inflation
- Numerical example to show the impact inflation has on the competitiveness of a country relative to others
- Explanation that the negative impact of inflation on international competitiveness all depends on the relative inflation rates of other countries
- Defining and explaining what is meant by the term fiscal drag
- Numerical example to show how inflation can lead to fiscal drag effects for consumers
- Definition of money illusion
- Numerical example to show how inflation can create money illusion amongst economic agents
- Explanation that borrowers benefit from inflation and savers are made worse-off
- Evaluating the impact of inflation on the distribution of income by analysing the redistribution effects of inflation insulated transfer payments
- Assessing the beneficial impact that inflation can have on the position of the government budget

### Types of Inflation

Candidates should understand the different influences on the price level and use AD/AS analysis to illustrate and differentiate demand-pull and cost-push inflation.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Price level  
Consumer price index  
Inflation  
Cost-push inflation  
Demand-pull inflation

#### CONTENT:

- Definition of inflation, price level and CPI
- Explanation of the two main forms of inflation – Demand-pull inflation and Cost-push inflation
- Definition of cost-push inflation
- Graphical representation of cost-push inflation to show that it is created by a negative supply side shock to firms i.e. oil price shock
- Definition of demand-pull inflation
- Graphical representation of demand-pull inflation to show that it is created by a positive demand side shock i.e. boost to investment
- A summary of the changes and movements in the main economic variables that occur when the economy experiences either cost-push or demand-pull inflation

#### ASSESSMENT

| Question | Learning Target       | Task  | Style         |
|----------|-----------------------|---|---------------|
| 1        | Inflation             | Match the terms to the correct descriptions             | Matchdropdown |
| 2        | Inflation             | Match the terms to the correct descriptions             | Matchdropdown |
| 3        | Consumer confidence   | Identify the correct statements                         | Multiresponse |
| 4        | Benefits of inflation | Identify the benefits of inflation                      | Multiresponse |
| 5        | Real value of assets  | Identify the correct answer                             | Multichoice   |
| 6        | Consumer debt         | Identify the inaccurate statement                       | Multichoice   |
| 7        | Cost-push inflation   | Using the graph complete the logical chain of reasoning | Matchdropdown |
| 8        | Demand-pull inflation | Using the graph complete the logical chain of reasoning | Matchdropdown |
| 9        | Demand-pull inflation | Identify the correct factor                             | Multichoice   |
| 10       | Cost-push inflation   | Identify the correct factor                             | Multichoice   |

## Unit 4: Theories of Inflation

### Quantity Theory of Money

Candidates should be able to explain and analyse why the quantity theory of money is important in the context of inflation and to effectively evaluate the theory.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Fisher Equation

$MV = PT$

Velocity of circulation

Reverse causation

Transmission mechanism

#### CONTENT:

- Explanation of the origins of the quantity theory of money
- Highlighting the formula for the QTM and defining what each variable means (Fisher Equation)
- Explanation of how to simplify the Fisher Equation from  $MV=PT$  to  $M=P$
- The use of graphs to show a permanent change in the money supply leads to a permanent change in the price level
- Two numerical examples to show how changes in the money supply effect the price level
- Linking the theory of the QTM to the transmission mechanism and how central banks use the money supply to affect the price level
- Graphical representation of how a reduction in the base rate increases the money supply
- Graphical representation of how the increase in the money supply feeds into higher prices in an AD/AS framework
- Raising four evaluative points to assess the effectiveness of the policy – productivity changes, confidence, spare capacity and reverse causation
- Two numerical examples to show that the money supply may accommodate rather than cause inflation

#### ASSESSMENT

| Question | Learning Target       | Task   | Style         |
|----------|-----------------------|--|---------------|
| 1        | QTM calculation       | Using the numbers calculate the correct answer | Fillblank     |
| 2        | QTM calculation       | Using the numbers calculate the correct answer | Multichoice   |
| 3        | QTM graphs            | Identify the correct graph                     | Multiresponse |
| 4        | Money supply          | Fill in the blanks to complete the statement   | Multichoice   |
| 5        | Interest rate changes | Identify the correct statement                 | Multichoice   |
| 6        | Money supply          | Identify the correct point on the graph        | Multichoice   |
| 7        | Money supply          | Fill in the blanks to complete the statement   | Multichoice   |
| 8        | Productivity increase | Assess whether the statement is true or false  | True/false    |
| 9        | QTM criticisms        | Identify the correct point on the graph        | Multichoice   |
| 10       | Reverse causation     | Complete the sentence                          | Matchdropdown |

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 4: Theories of Inflation

### Inflation Expectations

Candidates should be able to effectively differentiate between adaptive and rational expectations and apply this understanding to evaluate key economic phenomena.

#### LEARNING OBJECTIVE

### External Inflation

Candidates should be able to understand and analyse how commodity prices and inflation in other countries can influence the UK's macro-economic performance.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Adaptive expectations

Rational expectations

Static expectations

Phillips curve

Natural rate of unemployment

#### CONTENT:

- Explanation of the importance of inflation expectations for the performance of the economy
- Defining static, adaptive and rational expectations
- Outlining the factors that affect individuals rational expectations
- Illustration of the difference between rational and adaptive expectations, in an AD/AS framework
- Using expectations to help build the logic of the long-run Phillips curve by introducing the inflation-unemployment trade-off
- A chart to show an example of inflation surveys carried out to gauge the perception of inflation expectations from the general public

#### DEFINITIONS COVERED:

External inflation

Inflation

Sustainability

Competitiveness

#### CONTENT:

- Identifying the two factors that can create external inflation – factor costs and competitiveness
- A graph to show the change in Brent crude oil prices from 2007 to 2015
- A series of graphs to show the price changes in some of the major commodity markets – Copper, Coal, Iron Ore, Wheat, Rice and Soybeans
- Graphical representation of the impact of a factor price rise and fall in an AD/AS framework
- Explanation that a factor price rise leads to the economy becoming less competitive as export prices surge
- Explanation that a factor price fall leads to an economy becoming more competitive as export prices fall

### ASSESSMENT

| Question | Learning Target        | Task   | Style         |
|----------|------------------------|--|---------------|
| 1        | Inflation expectations | Match the expectations with the correct descriptions | Matchdropdown |
| 2        | Adaptive expectations  | Identify the correct statement                       | Multichoice   |
| 3        | Rational expectations  | Identify the correct statement                       | Multichoice   |
| 4        | Inflation expectations | Fill in the blanks to complete the sentence          | Multichoice   |
| 5        | Adaptive expectations  | Identify the correct statement for the diagram       | Multichoice   |
| 6        | Rational expectations  | Identify the correct statement for the diagram       | Multichoice   |
| 7        | Adaptive expectations  | Identify the correct statement                       | Multichoice   |
| 8        | Adaptive expectations  | Assess whether the statement is true or false        | True/false    |
| 9        | Rational expectations  | Identify the incorrect statement                     | Multichoice   |
| 10       | Phillips curve         | Identify the correct shift in the phillips curve     | Multichoice   |

- Evaluating the impact of a factor price change on factor importers and factor exporters in an AD/AS framework
- A graph to show UK prices relative to other major countries from 2004 to 2014 to highlight the competitiveness of UK goods
- Two graphs to show the price competitiveness of UK domestic goods compared to foreign goods after taking into account inflation and exchange rate changes
- Graphical representation of the economic impact of the UK inflation rate being lower than foreign countries prices using an AD/AS diagram
- Graphical representation of the economic impact of the UK inflation rate being higher than foreign countries prices using an AD/AS diagram
- Evaluating the relative price differences amongst countries

## ASSESSMENT

| Question | Learning Target            | Task  | Style         |
|----------|----------------------------|---|---------------|
| 1        | Relative price differences | Using the table identify the correct answer             | Multichoice   |
| 2        | Factor costs               | Identify the correct curve shift                        | Multichoice   |
| 3        | Oil prices                 | Identify the correct curve shift                        | Multichoice   |
| 4        | UK price competitiveness   | Match the figures to the correct countries              | Matchdropdown |
| 5        | UK price competitiveness   | Identify the correct country                            | Multichoice   |
| 6        | UK price competitiveness   | Identify the correct country                            | Multichoice   |
| 7        | Relative price differences | Identify the impact on the UK's AD curve                | Multichoice   |
| 8        | UK price competitiveness   | Complete the summary of relative inflation rate changes | Matchdropdown |
| 9        | Relative price differences | Assess whether the statement is true or false           | True/false    |
| 10       | Relative price differences | Assess whether the statement is true or false           | True/false    |

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 5: Employment and Unemployment

### Introduction to Unemployment

Candidates should understand how unemployment is a flow concept, why it is important and there are different types of unemployment.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Work force

Employment

Unemployment

Claimant Count

Unemployment rate

Economic activity

Economic inactivity

#### CONTENT:

- Explanation of why it is important to analyse employment and unemployment patterns
- Defining what is meant by the work force and which agents are included in the work force
- Definition of the unemployment rate, claimant count, unemployed, employed, economically active and economically inactive
- Breakdown of the UK labour market statistics from June to August 2014 – employed, inactive and unemployed
- A graph to show the levels of inactivity amongst 16-64 year olds
- A graph to show the change in the unemployment rate in the UK over time to emphasise the level of cyclical unemployment
- A graph to show the level of short-term unemployment (frictional/seasonal) from June to August 2014
- A graph to compare the level of unemployment across each of the regions in the UK
- A chart to show the industries that have witnessed the greatest structural change and therefore have produced the most structural unemployment

#### ASSESSMENT

| Question | Learning Target         | Task   | Style         |
|----------|-------------------------|--|---------------|
| 1        | Size of work force      | Identify the factors that would increase the work force      | Multiresponse |
| 2        | Unemployment            | Match the terms to the correct descriptions                  | Matchdropdown |
| 3        | Economically inactive   | Identify the type of people that are not classed as inactive | Multichoice   |
| 4        | Unemployment rate       | Identify the economy with the highest unemployment rate      | Multichoice   |
| 5        | Structural change       | Identify the correct type of unemployment                    | Multichoice   |
| 6        | Short-term unemployment | Identify the correct type of unemployment                    | Multichoice   |
| 7        | Unemployment            | Identify the correct type of unemployment                    | Multichoice   |
| 8        | Claimant count          | Assess whether the statement is true or false                | True/false    |
| 9        | UK labour force         | Match the figures with the correct descriptions              | Matchdropdown |
| 10       | Unemployment            | Identify the inaccurate statement                            | Multichoice   |

## Measuring Unemployment

Candidates should understand how unemployment is measured, the difference between the unemployment and claimant count measures and why data may be unreliable in the short run.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Work force

Employment

Unemployment

Claimant Count

Unemployment rate

Economic activity

Economic inactivity

#### CONTENT:

- Explanation of why it is important to analyse employment and unemployment patterns
- Definitions of unemployed and the claimant count
- Explanation to highlight that unemployment statistics include unemployed individuals which do not claim benefits
- A graph to show the incidence of job seeker's allowance among the unemployed
- A graph to show the change in the claimant count from 1971 to 2014
- A graph to compare the difference between the unemployment level and the amount of people claiming job seeker's allowance
- A summary table to show the difference between unemployed and the individuals measured on the claimant count
- Explanation that data reliability needs to be taken into account before drawing any concrete conclusions about the unemployment levels in the economy

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 5: Employment and Unemployment

### Explaining Unemployment

Candidates should understand how to use different forms of analysis to explain the difference between the different types of unemployment.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Seasonal unemployment

Frictional unemployment

Demand deficient unemployment

Structural unemployment

#### CONTENT:

- Establishing the negative relationship between unemployment and real output
- Outlining the four main types of unemployment – Seasonal, Frictional, Cyclical and Structural
- Using a PPF to show that if an economy lies on the frontier the level of unemployment is equal to the natural rate
- Graphical representation of the effect of demand deficient unemployment on the economy using an AD/AS diagram
- A graph to show the change in the level of cyclical unemployment by analysing the unemployment rate for the UK from 1971 to 2014
- Analysing the impact of cyclical unemployment during certain phases of the business cycle i.e. a negative output gap leads to higher levels of cyclical unemployment
- A graph to show that cyclical unemployment is a short-run problem
- Graphical representation of the effect of short-term unemployment (Frictional and Seasonal) on the economy using an AD/AS diagram
- Graphical representation of the effect of structural unemployment on the economy using an AD/AS diagram i.e. an inward LRAS curve shift

#### ASSESSMENT

| Question | Learning Target         | Task   | Style         |
|----------|-------------------------|--|---------------|
| 1        | Claimant count          | Identify the correct factors                               | Multiresponse |
| 2        | UK unemployment rate    | Identify the correct figure                                | Multichoice   |
| 3        | Claimant count          | Identify the correct date                                  | Multichoice   |
| 4        | Claimant count          | Identify the correct answer                                | Multichoice   |
| 5        | UK work force           | Assess whether the statement is true or false              | True/false    |
| 6        | Unemployment types      | Identify the form of unemployment represented by the graph | Multichoice   |
| 7        | Cyclical unemployment   | Complete the logical chain of reasoning                    | Matchdropdown |
| 8        | Unemployment types      | Identify the form of unemployment represented by the graph | Multichoice   |
| 9        | Short-term unemployment | Complete the logical chain of reasoning                    | Matchdropdown |
| 10       | Unemployment            | Identify the correct graphs                                | Multiresponse |

## Unit 6: Causes, Effects and Solutions of Unemployment

### Real Wage and Natural Unemployment

#### LEARNING OBJECTIVE

Candidates should understand and be able to analyse and distinguish between real wage and natural unemployment.

#### DEFINITIONS COVERED:

Demand/Supply of labour

Real wage rate

Employment

Real wage unemployment

Labour force

Natural unemployment

Sticky wages

#### CONTENT:

- Introducing the concept of the natural rate of unemployment
- Explanation that the natural rate of unemployment is only achieved when the labour market is in equilibrium
- Introducing the concept of real wage unemployment
- Explanation that the real wage unemployment occurs when the labour market is in disequilibrium
- Graphical representation of the labour market in equilibrium i.e. where demand and supply for labour intersect at a prevailing wage rate
- Illustrating that the difference between the aggregate supply of labour curve and the labour force curve measures the level of unemployment at every given wage rate
- Outlining three factors which create this level of unemployment – welfare issues, location issues and a skills mismatch
- Graphical representation of the labour market in disequilibrium
- Graphical representation of real wage unemployment and how it creates a divergence between the aggregate demand and supply of labour curves
- Outlining the causes of real wage unemployment – sticky wages, trade unions, minimum wage and welfare benefits

#### ASSESSMENT

| Question | Learning Target        | Task  | Style         |
|----------|------------------------|---|---------------|
| 1        | Real wage              | Assess whether the statement is true or false         | True/false    |
| 2        | Real wage changes      | Identify the correct statement                        | Multichoice   |
| 3        | Real wage calculation  | Using the numbers calculate the correct answer        | Multichoice   |
| 4        | Real wage calculation  | Using the numbers calculate the correct answer        | Multichoice   |
| 5        | Labour market          | Match the terms to the correct letters                | Matchdropdown |
| 6        | Real wage              | Assess whether the statement is true or false         | True/false    |
| 7        | Real wage unemployment | Identify the correct causes of real wage unemployment | Multiresponse |
| 8        | Real wage unemployment | Identify the correct statement                        | Multichoice   |
| 9        | Minimum wage           | Identify the correct statements                       | Multiresponse |
| 10       | Real wage changes      | Assess whether the statement is true or false         | True/false    |

Unit 6 : Causes, Effects and Solutions of Unemployment - CONTINUED >

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 6: Causes, Effects and Solutions of Unemployment

### Employment Patterns

### LEARNING OBJECTIVE

Candidates should understand the factors that influence employment patterns, the major historical changes in the UK and the impact on unemployment.

#### DEFINITIONS COVERED:

Employment  
Employment patterns  
Work force  
Gender distribution  
Regional distribution

#### CONTENT:

- Defining what is meant by employment patterns
- Outlining the factors that influence employment patterns
- A timeline to show the major product/industry developments since 1801
- A graph to show the change in UK employment from 1841 to 2011 for different sectors of the economy – highlighting the services industry employment figures have boomed, whilst manufacturing has contracted
- A graph to compare the percentage of the UK workforce operating in each sector of the economy in 1841 with 2011
- A graph to show the gender distribution of the workforce in different sectors of the economy
- A graph to show the regional distribution of workers in different sectors of the economy
- Showing the impact that these employment patterns have had on the UK economy

#### ASSESSMENT

| Question | Learning Target              | Task  | Style         |
|----------|------------------------------|---|---------------|
| 1        | Natural rate of unemployment | Identify the correct definition                                     | Multichoice   |
| 2        | Natural rate of unemployment | Identify the type of unemployment that does not contribute to NRU   | Multichoice   |
| 3        | Hysteresis effects           | Assess whether the statement is true or false                       | True/false    |
| 4        | Natural rate of unemployment | Which of the following leads to a reduction in the NRU              | Multichoice   |
| 5        | Natural rate of unemployment | Identify the correct figure   | Multichoice   |
| 6        | Unemployment rate            | Using the numbers calculate the correct answer                      | Multichoice   |
| 7        | Structural unemployment      | Identify the correct answer   | Multichoice   |
| 8        | Structural unemployment      | Identify the factor that will cause structural unemployment to rise | Multichoice   |
| 9        | NAIRU                        | Assess whether the statement is true or false                       | True/false    |
| 10       | NAIRU                        | Complete the logical chain of reasoning                             | Matchdropdown |
| 11       | Employment patterns          | Using the graph identify the correct answer                         | Multichoice   |
| 12       | Gender distribution          | Identify the industry with fairest gender distribution              | Multichoice   |
| 13       | Gender distribution          | Identify the industry with fairest gender distribution              | Multichoice   |
| 14       | Gender distribution          | Identify the industry with the worst gender distribution            | Multichoice   |
| 15       | Unemployment rates           | Match the unemployment rates with the correct countries             | Matchdropdown |

## Unemployment Policies

### LEARNING OBJECTIVE

Candidates should be able to identify appropriate unemployment policies, analyse the expected economic impacts and outline all the possible outcomes.

#### DEFINITIONS COVERED:

Employment

Employment patterns

Demand deficient unemployment

Natural unemployment

Real wage unemployment

Fiscal policy

Monetary policy

Supply side policy

#### CONTENT:

- Graphical representation of the impact cyclical unemployment has on the economy using an AD/AS diagram
- Outlining the appropriate policy solutions to reduce cyclical unemployment – Expansionary fiscal and monetary policy
- Graphical representation of real wage unemployment in the labour market
- Outlining the appropriate policy solutions to reduce real wage unemployment
- Evaluating the issues of policies targeted to combat real wage unemployment – trade union resistance and worsening distribution for income
- Graphical representation of the impact seasonal and frictional unemployment has on the economy using an AD/AS diagram
- Outlining the appropriate policy solutions to deal with short-term unemployment
- Graphical representation of the impact structural unemployment has on the economy using an AD/AS diagram
- Outlining the appropriate policy solutions to reduce structural unemployment
- Evaluating the issues of policies targeted to combat structural unemployment – limited short-run impact and opportunity costs

#### ASSESSMENT

| Question | Learning Target         | Task   | Style         |
|----------|-------------------------|--|---------------|
| 1        | Cyclical unemployment   | Identify the correct policy to reduce cyclical unemployment              | Multichoice   |
| 2        | Cyclical unemployment   | Identify the correct monetary policy to reduce cyclical unemployment     | Multichoice   |
| 3        | Real wage unemployment  | Identify the correct policies to reduce real wage unemployment           | Multiresponse |
| 4        | Trade union power       | Assess whether the statement is true or false                            | True/false    |
| 5        | Real wage unemployment  | Assess whether the statement is true or false                            | True/false    |
| 6        | Structural unemployment | Identify the factor that leads to an increase in structural unemployment | Multichoice   |
| 7        | Frictional unemployment | Identify the correct policy to reduce frictional unemployment            | Multichoice   |
| 8        | Structural unemployment | Identify the correct policy to reduce structural unemployment            | Multichoice   |
| 9        | UK workfare programme   | Assess whether the statement is true or false                            | True/false    |
| 10       | Structural unemployment | Identify the problems with structural unemployment policies              | Multichoice   |

Unit 6 : Causes, Effects and Solutions of Unemployment - CONTINUED >

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 6: Causes, Effects and Solutions of Unemployment

### Distribution and Consequences of Unemployment

#### LEARNING OBJECTIVE

Candidates should be able to identify the main characteristics of unemployment within the UK compared to other nations and the main consequences associated with it.

#### DEFINITIONS COVERED:

Employment

Employment patterns

Age distribution

Gender distribution

#### CONTENT:

- Outlining the distributional issues in terms of employment – countries, regions, age groups, ethnic groups and gender
- A graph to compare the UK unemployment rate against some of the other OECD countries in 2015
- A graph to show the regional distribution of UK unemployment in 2013
- A graph to show the UK unemployment rate based on gender and age in 2015
- Outlining the impact of unemployment on society – poverty, homelessness and crime levels
- Outlining the impact of unemployment on unemployed people – loss of income, motivation, mental health and skill degradation
- Outlining the impact of unemployment on the economy – reduced output, welfare costs, reduced tax revenue and social problems

#### ASSESSMENT

| Question | Learning Target           | Task   | Style         |
|----------|---------------------------|--|---------------|
| 1        | UK regional unemployment  | Identify the region with highest unemployment rate   | Multichoice   |
| 2        | Unemployment consequences | Assess whether the statement is true or false        | True/false    |
| 3        | UK gender unemployment    | Identify the correct figure                          | Multichoice   |
| 4        | Unemployment rates        | Match the figures to the correct part of the diagram | Matchdropdown |
| 5        | Unemployment consequences | Identify the unemployment consequence                | Multichoice   |
| 6        | Unemployment consequences | Identify the correct statement                       | Multichoice   |
| 7        | Unemployment consequences | Complete the following tree diagram                  | Matchdropdown |
| 8        | Unemployment consequences | Assess whether the statement is true or false        | True/false    |
| 9        | Social problems           | Identify the correct answers                         | Multiresponse |
| 10       | Unemployment consequences | Identify the correct curve shift                     | Multichoice   |

## Under-employment, hoarding and migration

### LEARNING OBJECTIVE

Candidates should understand that there is not a perfect relationship between output and employment and be able to identify behaviours that account for this imperfection.

#### DEFINITIONS COVERED:

Marginally attached workers

Discouraged workers

Hidden unemployment

Over qualification

Hoarding

Under employment

#### CONTENT:

- Reinforcing the relationship between real output and unemployment
- Introducing the concept of the employment chain
- Evaluating the impact that real output rising has on the employment levels
- Definition of marginally attached workers, discouraged workers and hidden unemployment
- A graph to show how the UK unemployment rate is affected by the inclusion of marginally attached workers to this measure
- Definition of over qualification

- Definition of under employed
- A graph to show the level of UK under-employment from 2000 to 2014
- Definition of labour hoarding
- Explanation of why firms wish to hold staff even when not currently being used
- Evaluating the economic impact of under-employment, hoarding, discouraged workers and over-qualified workers on the unemployment rate

#### ASSESSMENT

| Question | Learning Target          | Task  | Style         |
|----------|--------------------------|---|---------------|
| 1        | Labour hoarding          | Assess whether the statement is true or false | True/false    |
| 2        | Labour productivity      | Identify the correct productivity factors     | Multichoice   |
| 3        | Part-time workers        | Identify the correct answer                   | Multiresponse |
| 4        | Hidden unemployment      | Assess whether the statement is true or false | True/false    |
| 5        | Involuntary unemployment | Identify the true statement                   | Multichoice   |
| 6        | Labour Force Survey      | Identify the correct answer                   | Multichoice   |
| 7        | Immigration              | Identify the correct figure                   | Multichoice   |
| 8        | Migration                | Identify the false statement                  | Multichoice   |
| 9        | Migrant push factors     | Identify the correct factors                  | Multichoice   |
| 10       | Under-employment         | Identify the correct figure                   | Multichoice   |

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 7: Balance of Payments

### Balance of Payments

Candidates should understand how the balancing mechanism works and why this means there are several parts to the balance of payments.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Current account

Financial account

Balance of Payments

Exports

Imports

Injections

Leakages

#### CONTENT:

- Definition of the balance of payments
- Defining and distinguishing between the current account and the financial account
- A graph to show the breakdown of the UK current account in 2013
- Explanation that imports are leakages out of the circular flow of income
- Explanation that exports are injections into the circular flow of income
- Identifying the conditions required for a country to run a current account deficit
- Identifying the conditions required for a country to run a current account surplus
- Identifying the conditions required for a country to run a balanced current account
- Numerical example to show that a current account deficit must be financed by a financial account surplus i.e. borrowed funds

### UK Trade Experience

Candidates should be able to understand recent trends in the UK's current account experience, what the benefits of a deficit are and understand when a deficit could become a problem.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Current account

Financial account

Balance of Payments

Exports

Imports

Injections

Leakages

#### CONTENT:

- Definition of the balance of payments
- Defining and distinguishing between the current account and the financial account
- Numerical example to show that a current account deficit must be financed by a financial account surplus i.e. borrowed funds
- A graph to show the relationship between the current account deficit and the financial account surplus for the UK economy from 1946 to 2010
- A graph to show the impact of the 2008/09 financial crisis on the recent trade experience of the UK
- Evaluating whether in fact running a current account deficit is problematic for a country
- Using figures to show the impact that a growing current account deficit is having on the debt burden belonging to the UK
- A graph to show the accumulation of the current account deficits that the UK has run as a percentage of GDP

#### ASSESSMENT

| Question | Learning Target         | Task   | Style         |
|----------|-------------------------|--|---------------|
| 1        | Balance of payments     | Match the terms to the correct descriptions    | Matchdropdown |
| 2        | Current account         | Complete the table of trade flows              | Matchdropdown |
| 3        | Value of exports        | Identify the correct statements                | Multiresponse |
| 4        | Financial account       | Identify the correct value                     | Multichoice   |
| 5        | UK current account      | Identify the correct answer                    | Multichoice   |
| 6        | Current account balance | Using the numbers calculate the correct answer | Multichoice   |
| 7        | Deficit benefits        | Identify the benefits of running a deficit     | Multiresponse |
| 8        | Current account deficit | Identify the correct statement                 | Multichoice   |
| 9        | Current account flows   | Identify the correct components                | Multiresponse |
| 10       | Current account deficit | Assess whether the statement is true or false  | True/false    |

## Price Level, Real Output and Trade

Candidates should be able to effectively interpret the impact of changes in price level and real output on trade and differentiate the trade impact of different combinations of AD/AS shifts.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Price level

Real output

Net exports

Productivity

Cost-push inflation

AD curve

SRAS curve

LRAS curve

#### CONTENT:

- A flowchart to show the interrelationships between all the components of AD
- Graphical representation of an expansion in the AD curve
- Outlining the possible factors which can cause this outwards shift
- Explanation that if there is a positive AD shock this causes net exports to fall
- Graphical representation of a contraction in the AD curve
- Outlining the possible factors which can cause this inwards shift
- Explanation that if there is a negative AD shock this causes net exports to rise
- Graphical representation of cost-push inflation
- Outlining the possible factors which can cause cost-push inflation
- Explanation that if there is cost-push inflation this creates an ambiguous effect on net exports
- Graphical representation of a productivity increase
- Outlining the possible factors which can cause productivity increases
- Explanation that if there is an increase in productivity this causes net exports to rise

## Purchasing Power Parity

Candidates should be able to understand that PPP theory predicts that exchange rates change to reflect price changes and will reduce the impact of price differentials on trade levels in the long run.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Inflation

Exchange rate

Purchasing power parity

Price competitiveness

Trade deficit/surplus

Currency strength/weakness

#### CONTENT:

- A graph to show UK prices relative to other countries for 10 years until 2014
- Evaluating the link between inflation and the strength of a country's currency (exchange rate)
- Explanation that in the long-run exchange rates reflect price changes so that price differentials are not sustained (PPP theory)
- Outlining some of the other factors which affect the UK's competitiveness other than prices

### ASSESSMENT

| Question | Learning Target              | Task  | Style         |
|----------|------------------------------|---|---------------|
| 1        | Exchange rates               | Assess whether the statement is true or false         | True/false    |
| 2        | Price changes                | Match the figures to the correct countries            | Matchdropdown |
| 3        | Inflation/exchange rate link | Complete the logical chain of reasoning               | Matchdropdown |
| 4        | Standardising prices         | Assess whether the statement is true or false         | True/false    |
| 5        | Cost-push inflation          | Assess whether the statement is true or false         | True/false    |
| 6        | Cost-push inflation effects  | Identify the correct curve shift                      | Multichoice   |
| 7        | Cost-push inflation causes   | Identify the correct causes of this type of inflation | Multiresponse |
| 8        | Net exports                  | Identify the correct answer                           | Multichoice   |
| 9        | Net exports                  | Identify the correct answer                           | Multichoice   |
| 10       | Net exports                  | Identify the correct answer                           | Multichoice   |

Unit 7 : Balance of Payments - CONTINUED >

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 7: Balance of Payments

### Correcting Deficits

Candidates should be able to understand, analyse and evaluate trade deficits and the policies that may be used to correct them.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Protectionism

Tariffs

Quotas

Embargos

Subsidies

Expenditure reducing

Productivity enhancing

#### CONTENT:

- A graph to show the UK current account as a percentage of GDP from 1948 to 2014 to evaluate the impact of the Big Bang in 1986 on their trade position
- Explanation of the impact of economic growth on the trade position of the UK
- Outlining the potential problems of consistently running up a current account deficit in terms of the balance of the economy
- Explanation of some of the possible current account deficit solutions – reduce expenditure, encourage productivity, protectionism and weaken exchange rate
- Graphically representing the effect of expenditure reduction policies on the economy using an AD/AS diagram
- Graphically representing the effect of productivity enhancing policies on the economy using an AD/AS diagram
- Outlining the methods that a country can implement to encourage exporting
- Explanation of the different methods of protectionism put in place to reduce consumption of imports
- Outlining the issues of implementing trade diversion policies – prohibited by WTO, makes industries less competitive and risk of country retaliation

## Correcting Deficits: Devaluations and External Influences

### LEARNING OBJECTIVE

Candidates should be able to understand, analyse and evaluate trade deficits and the policies that may be used to correct them.

#### DEFINITIONS COVERED:

Floating exchange rate

Fixed exchange rate

Depreciation

Devaluation

Marshall Lerner Condition

J-Curve Effect

#### CONTENT:

- Defining and distinguishing between a fixed and floating exchange rate
- Identifying that depreciations occur in a floating exchange rate and devaluations occur in a fixed exchange rate
- Numerical example to show how a devaluation in a currency works
- Explanation of the impact of a devaluation on export and import prices and their respective quantities
- Definition of the Marshall-Lerner Condition
- Showing the formula for the Marshall-Lerner condition
- Explanation of the conditions required for a devaluation to improve the current account deficit
- Definition of the J-Curve effect
- Graphical representation of the timeline of the J-Curve Effect
- Figures to compare the respective current account positions of some of the major countries in the world
- Outlining the unilateral deficit reduction constraints

#### ASSESSMENT

| Question | Learning Target            | Task   | Style         |
|----------|----------------------------|--|---------------|
| 1        | UK current account deficit | Match the statements to the correct figures    | Matchdropdown |
| 2        | Deficit solutions          | Identify the correct solution                  | Multichoice   |
| 3        | Deficit solutions          | Identify the correct solution                  | Multichoice   |
| 4        | Balance of payments        | Using the table identify the correct answer    | Multichoice   |
| 5        | Current account deficit    | Assess whether the statement is true or false  | True/false    |
| 6        | Expenditure reduction      | Identify the correct forms of policy           | Multiresponse |
| 7        | Productivity enhancing     | Identify the correct forms of policy           | Multiresponse |
| 8        | Deficit solutions          | Complete the table                             | Matchdropdown |
| 9        | J-Curve effect             | Identify the correct definition                | Multichoice   |
| 10       | Current account surplus    | Identify the correct reasons                   | Multiresponse |
| 11       | J-Curve effect             | Label the correct stages of the J-Curve effect | Matchdropdown |
| 12       | Protectionism issues       | Identify the issues with using protectionism   | Multiresponse |
| 13       | Marshall-Lerner condition  | Identify the purpose of the condition          | Multichoice   |
| 14       | Marshall-Lerner condition  | Using the numbers calculate the correct answer | Multichoice   |
| 15       | Marshall-Lerner condition  | Using the numbers calculate the correct answer | Multichoice   |

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

## Unit 8: Phillips Curve

### Short-Run Phillips Curve

Candidates should be able to effectively analyse the trade-off between inflation and unemployment using the Phillips curve and recognise the short term nature of this trade-off.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Phillips Curve

Rate of inflation

Rate of unemployment

Natural unemployment

A.W Phillips

SRPC

LRPC

#### CONTENT:

- Explanation of the origins of the Phillips curve using wage inflation data with reference to A.W Phillips
- Introducing the exploitable trade-off between unemployment and inflation the Phillips curve shows
- Applying AD/AS analysis to illustrate that unemployment falls when inflation rises
- Applying AD/AS analysis to illustrate that unemployment rises when inflation falls
- Graphical representation of the inverse relationship between the rate of inflation and the rate of unemployment
- Using data to show the breakdown of the statistically stable relationship shown by the Phillips curve i.e. the exploitable policy trade-off started to disappear
- Linking the breakdown of the Phillips curve with the establishment of the inflation targeting era
- Outlining the issues of the Phillips curve
- Introducing the concept of the Short-run Phillips curve and the Long-run Phillips curve

### Long-Run Phillips Curve

Candidates should be able to analyse and explain the formation of the LRPC and to demonstrate awareness of its theoretical limitations.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Phillips Curve

Rate of inflation

Rate of unemployment

Natural unemployment

A.W Phillips

SRPC

LRPC

Money illusion

Adaptive expectations

Rational expectations

Hyperinflation

#### CONTENT:

- Graphical representation of both the short-run Phillips curve and the long-run Phillips curve
- Using an AD/AS diagram and theory from the aggregate labour market to show the Long-run Phillips curve is formed
- Explanation of the importance of money illusion in the formation of the LRPC
- Explanation of why the LRPC is centred at the natural rate of unemployment – Perfectly vertical at this point
- Outlining the factors that cause the SRPC curve to shift
- Outlining the factors that cause the LRPC curve to shift
- Explanation of the role of individuals inflation expectations in the formation of the Phillips curve
- Explanation that the natural rate of unemployment can only be changed through specific and effective supply side policies
- Explanation that demand side policies are unsustainable and lead to problems such as hyperinflation

#### ASSESSMENT

| Question | Learning Target       | Task  | Style          |
|----------|-----------------------|---|----------------|
| 1        | Trade-off             | Identify the correct answer                 | Multiplechoice |
| 2        | LRPC                  | Identify the relationship shown by the LRPC | Multiplechoice |
| 3        | Rational expectations | Identify the correct definition             | Multiplechoice |
| 4        | SRPC formation        | Compete the logical chain of reasoning      | Matchdropdown  |
| 5        | Phillips curve        | Using the data calculate the correct answer | Multiplechoice |
| 6        | LRPC                  | Identify the correct answer                 | Multiplechoice |
| 7        | LRPC formation        | Compete the logical chain of reasoning      | Matchdropdown  |
| 8        | SRPC                  | Identify the correct impact on unemployment | Multiplechoice |
| 9        | LRPC                  | Identify the correct statement              | Multiplechoice |
| 10       | Money illusion        | Using the data identify the correct answer  | Multiplechoice |

## Unit 9: Productivity

### Productivity

Candidates should be able to understand how productivity is achieved and how it contributes to economic growth.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Productivity

Living standards

LRAS curve

Paul Krugman

#### CONTENT:

- Definition of productivity
- Explanation of why it is important to evaluate a country's productivity
- Numerical example to show how productivity can increase
- Numerical example to show how productivity can remain constant
- Graphical representation of the impact of productivity changes on the LRAS curve
- Outlining the main sources of UK productivity improvements
- Explanation that time lags ensure that productivity cannot be increased instantaneously

### Measuring Productivity

Candidates should be able to understand how productivity is measured in a domestic and international context.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Productivity

Output per worker/hour/job

GVA

GDP per hour worked

PPP

Output measure

Input measure

#### CONTENT:

- Reinforcing the context of productivity
- Outlining the main variables used to measure labour productivity
- Defining and distinguishing between an output measure and an input measure
- Definition of Gross Value Added (GVA)
- Numerical example to show changes in GVA per hour worked
- A graph to show the developments in UK output per hour worked from 1971 to 2014
- A graph to show regional productivity for the UK in 2012 in terms of GVA per hour worked
- A graph to show labour productivity changes for different sectors of the economy from 2011 to 2015
- Explanation of how to adjust the labour productivity measures for the purpose of international comparisons (PPP)
- A graph to compare labour productivity of the UK against some of the other main OECD countries

#### ASSESSMENT

| Question | Learning Target               | Task  | Style          |
|----------|-------------------------------|---|----------------|
| 1        | Productivity                  | Identify the correct answer                 | True/false     |
| 2        | Average costs                 | Identify the relationship shown by the LRPC | Multichoice    |
| 3        | Productivity increase         | Identify the correct definition             | Match/dropdown |
| 4        | UK productivity               | Complete the logical chain of reasoning     | Multiresponse  |
| 5        | Deregulation                  | Using the data calculate the correct answer | True/false     |
| 6        | Output per worker             | Identify the correct answer                 | Multichoice    |
| 7        | Gross value added             | Complete the logical chain of reasoning     | Multichoice    |
| 8        | International competitiveness | Identify the correct impact on unemployment | Multichoice    |
| 9        | Gross value added             | Identify the correct statement              | Multichoice    |
| 10       | GVA per hour worked           | Using the data identify the correct answer  | Multichoice    |

**MODULE 1**

Economic Activity

**MODULE 2**

Quantitative Skills

**MODULE 3**

Economic Growth and Cycles

**MODULE 4**

Aggregate Demand and Aggregate Supply Analysis

**MODULE 5**

Economic Performance

|     |   |
|-----|---|
| 5.1 | Macroeconomic Objectives                      |
| 5.2 | Economic Growth                               |
| 5.3 | Inflation and Deflation                       |
| 5.4 | Theories of Inflation                         |
| 5.5 | Employment and Unemployment                   |
| 5.6 | Causes, Effects and Solutions of Unemployment |
| 5.7 | Balance of Payments                           |
| 5.8 | Phillips Curve                                |
| 5.9 | Productivity                                  |

**LEARNING OBJECTIVE**

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 5 surrounding economic performance.

**QUESTIONS COVER:**

- **UNIT 1:**  
Macroeconomic Objectives

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- **UNIT 2:**  
Economic Growth

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- **UNIT 3:**  
Inflation and Deflation

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- **UNIT 4:**  
Theories of Inflation

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- **UNIT 5:**  
Employment and Unemployment

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- **UNIT 6:**  
Causes, Effects and Solutions of Unemployment

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- **UNIT 7:**  
Balance of Payments

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- **UNIT 8:**  
Phillips Curve

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- **UNIT 9:**  
Productivity

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MODULE 5  
**EMA**

### ASSESSMENT

| Question | Learning Target           | Task  | Style         |
|----------|---------------------------|---|---------------|
| 1        | Marshall-Lerner condition | Identify the correct answer                                 | Multichoice   |
| 2        | Economic performance      | Match the terms to the descriptions                         | Matchdropdown |
| 3        | Economic performance      | Match the terms to the descriptions                         | Matchdropdown |
| 4        | Economic performance      | Match the terms to the descriptions                         | Matchdropdown |
| 5        | Economic performance      | Match the terms to the descriptions                         | Matchdropdown |
| 6        | Economic performance      | Match the terms to the descriptions                         | Matchdropdown |
| 7        | Economic performance      | Match the terms to the descriptions                         | Matchdropdown |
| 8        | Cost-push inflation       | Identify the correct shift                                  | Multichoice   |
| 9        | Demand-pull inflation     | Identify the correct cause of demand-pull inflation         | Multichoice   |
| 10       | Economic objectives       | Identify the correct set of objectives                      | Multiresponse |
| 11       | Net exports               | Identify the correct impact of net exports                  | Multichoice   |
| 12       | Economic objectives       | Identify the objectives that have been achieved             | Multiresponse |
| 13       | Conflicting objectives    | Identify the conflicting economic objectives                | Multiresponse |
| 14       | Economic growth           | Identify the correct statements                             | Multiresponse |
| 15       | Economic performance      | Match the graphs to the correct descriptions                | Matchdropdown |
| 16       | Economic performance      | Match the graphs to the correct descriptions                | Matchdropdown |
| 17       | Unemployment              | Identify the correct answers                                | Multiresponse |
| 18       | Current account           | Identify the factors which will improve the current account | Multiresponse |
| 19       | Economic growth           | Identify the impact of a monetary policy                    | Multichoice   |
| 20       | Current account           | Identify the correct answer                                 | Multichoice   |
| 21       | Inflation                 | Identify the benefits of inflation for the government       | Multiresponse |
| 22       | Sustainable growth        | Identify the correct diagram                                | Multichoice   |
| 23       | Phillips curve            | Identify the correct answer                                 | Multichoice   |
| 24       | Phillips curve            | Identify the correct statement                              | Multichoice   |
| 25       | Supply side shock         |   | Multichoice   |

## Introduction to Economic Policy

### Introduction to Economic Policy

Candidates should be able to understand the relationship between economic activity, economic performance, economic objectives and economic policy.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Economic policies  
Aggregate demand  
Aggregate supply  
Fiscal policy  
Monetary policy  
Supply-side policy  
Productive capacity

#### CONTENT:

- Definition of economic policies
- Identifying that economic policies are used to correct market outcomes
- A series of graphs to show the economic performance of the UK economy – CPI inflation rate, unemployment rate, GDP and current account deficit
- Table summary of the main macroeconomic objectives and the respective economic policies which would be effective in ensuring these objectives are met
- A table to show the main forms of economic policies – fiscal policy, monetary policy and supply-side policy
- An illustration of the theoretical structure of the economic cycle

## Unit 1: Fiscal Policy

### Introduction to Fiscal Policy

Candidates should be able to understand the nature and types of fiscal policy and how it can be used to expand or contract an economy.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Fiscal policy  
Expansionary fiscal policy  
Contractionary fiscal policy  
Taxes  
Expenditure  
Government budget

#### CONTENT:

- Definition of fiscal policy
- Identifying the micro and macro-economic importance of the use of a fiscal policy
- Introducing the concept of a balanced budget
- Introducing the conditions required for a budget deficit to be run
- Introducing the conditions required for a budget surplus to be run
- Definition of an expansionary fiscal policy
- Explanation that this type of policy can only be implemented if the government runs up a budget deficit
- Definition of a contractionary fiscal policy
- Explanation that this type of policy can only be implemented if the government runs up a budget surplus
- Diagram to show when it is feasible to run an expansionary or contractionary fiscal policy in terms of the economic cycle to manage output gaps

|     |  |
|-----|--|
|     | Introduction to Economic Policy                  |
| 6.1 | Fiscal Policy                                    |
| 6.2 | Income Inequality and Tax                        |
| 6.3 | Government Finances and Evaluating Fiscal Policy |
| 6.4 | Monetary Policy                                  |
| 6.5 | Bank Rates and the Transmission Mechanism        |
| 6.6 | Alternative Monetary Policy Tools                |
| 6.7 | Demand-Side Policy in Context                    |
| 6.8 | Supply-Side Policy                               |
| 6.9 | Supply-Side Improvements                         |

## Fiscal Policy Expansion and Contraction

Candidates should be able to understand the fiscal policy impact on economic performance in the short and in the long run and the differentials between types of fiscal policy.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

- Fiscal policy
- Expansionary fiscal policy
- Multiplier effect
- Contractionary fiscal policy
- Taxes
- Expenditure
- Government budget

#### CONTENT:

- Introducing the concept of an expansionary fiscal policy
- Explanation that this type of policy can only be implemented if the government runs up a budget deficit
- Graphical explanation of how an expansionary fiscal policy affects the aggregate demand curve over time
- Introducing the concept of a contractionary fiscal policy
- Explanation that this type of policy can only be implemented if the government runs up a budget surplus
- Graphical explanation of how a contractionary fiscal policy affects the aggregate demand curve over time
- A series of graphs to show an unsustainable expansionary fiscal policy i.e. one which had no supply side impacts
- Comparison of the Keynesian view and classical view on the economic impact of an expansionary fiscal policy
- A series of graphs to show an expansionary fiscal policy can only generate sustainable economic growth if there is an LRAS curve shift (or Keynesian AS curve shift)
- Evaluating the best spending channels for the government

## Automatic Stabilisers

Candidates should be able to understand how automatic stabilisers adjust to the phase of an economic cycle by adjusting the level of fiscal stimulus.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

- Active Fiscal policy
- Automatic stabiliser
- Multiplier effect

#### CONTENT:

- Establishing the impact of fiscal policies on GDP using the concepts from the circular flow of income
- Definition of an active fiscal policy
- Definition of automatic stabilisers
- Evaluating how automatic stabilisers reduce the increase in GDP from a fiscal policy
- Evaluating how automatic stabilisers reduce the decrease in GDP from a fiscal policy
- An AD/AS diagram to show the upside of any growth in output, employment and price level will be constrained by the operation of automatic stabilisers
- An AD/AS diagram to show the downside of any reduction in output, employment and price level will be constrained by the operation of automatic stabilisers
- Evaluating the importance of automatic stabilisers in terms of how large the multiplier effects are
- An AD/AS diagram to show the positive multiplier effects will be diluted by the operation of automatic stabilisers
- An AD/AS diagram to show the negative multiplier effects will be diluted by the operation of automatic stabilisers

## Unit 1: Fiscal Policy

### Government Spending

Candidates should be able to understand the different types and determinants of government spending.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Transfer payments  
Current government spending  
Capital spending  
Public goods  
Quasi-public goods  
Merit goods

#### CONTENT:

- Definition of transfer payments
- Definition of current government spending
- Definition of capital spending
- Definition of public goods
- Definition of quasi-public goods
- Definition of merit goods
- A pie chart to show the breakdown of UK government spending in the year 2014/15
- Evaluating the spending channels available to the government in order to increase productivity
- Explanation of the determinants of government spending – politics, economic performance, demographics and finances

## Unit 2: Income Inequality and Tax

### Income Inequality

Candidates should be able to understand how to measure and assess income inequality using a Lorenz curve and the Gini index.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Lorenz curve  
Line of equality  
Gini index

#### CONTENT:

- Introducing the concept of the Lorenz Curve
- Numerically deriving the Lorenz curve and the accompanying line of equality
- Graphically representing the Lorenz curve
- Graphically representing shifts in the Lorenz curve and interpreting the economic impact of this
- Definition of the Gini coefficient
- Graphically showing how to calculate the Gini coefficient using the Lorenz curve
- Interpreting the meaning of the values of the Gini coefficient

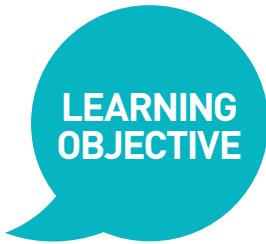
## ASSESSMENT

| Question | Learning Target              | Task                                    | Style         |
|----------|------------------------------|---|---------------|
| 1        | Budget surplus               | Identify the correct statements         | Multichoice   |
| 2        | Fiscal policy consequences   | Identify the correct consequences       | Multichoice   |
| 3        | Expansionary fiscal policy   | Identify the correct impact             | Multichoice   |
| 4        | Expansionary fiscal policy   | Complete the logical chain of reasoning | Multichoice   |
| 5        | Expansionary fiscal policy   | Complete the logical chain of reasoning | Multichoice   |
| 6        | Contractionary fiscal policy | Complete the logical chain of reasoning | Multichoice   |
| 7        | Fiscal policy effects        | Identify the correct diagrams           | Multichoice   |
| 8        | Short-run economic growth    | Identify the correct statement          | Multichoice   |
| 9        | Long-run economic growth     | Identify the correct statement          | Multiresponse |
| 10       | Long-run economic growth     | Identify the correct statements         | Multiresponse |

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|     | Introduction to Economic Policy                  |
| 6.1 | Fiscal Policy                                    |
| 6.2 | Income Inequality and Tax                        |
| 6.3 | Government Finances and Evaluating Fiscal Policy |
| 6.4 | Monetary Policy                                  |
| 6.5 | Bank Rates and the Transmission Mechanism        |
| 6.6 | Alternative Monetary Policy Tools                |
| 6.7 | Demand-Side Policy in Context                    |
| 6.8 | Supply-Side Policy                               |
| 6.9 | Supply-Side Improvements                         |

**Taxation**

Candidates should be able to understand the basis of taxation systems, different approaches to raising taxes and to accurately categorise key UK taxes.



**DEFINITIONS COVERED:**

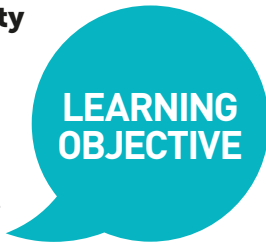
- Direct tax
- Indirect tax
- Proportionate tax
- Progressive tax
- Regressive tax

**CONTENT:**

- Explanation of the importance of taxes for the economy
- Outlining the basic principles behind taxation
- Numerical example to highlight the different varieties of tax structure
- Defining and distinguishing between a progressive, regressive and proportionate tax system
- Analysis of an indirect tax assumed to equal 66% of cost – figures monthly
- A graph to show the UK government tax revenue for 2014/15
- An outline of the UK tax structure in terms of evaluating the different forms of taxes used i.e. progressive, regressive and proportionate

**Addressing Income Inequality**

Candidates should be able to understand how to apply fiscal policies to address income inequality.



**DEFINITIONS COVERED:**

- Income inequality
- Lorenz Curve
- Line of Equality
- Gini Index

**CONTENT:**

- Reinforcing the logic of the line of equality, Lorenz curve and the Gini index
- Graphical explanation to show the Lorenz curve shifts inwards when income inequality is reduced
- Identifying policies that can achieve real growth and employment can tackle income inequality – progressive taxes, employment regulation, public sector pay, free services, state benefits and indirect taxes
- Evaluation behind how to make indirect taxes more equitable

**ASSESSMENT**

| Question | Learning Target              | Task   | Style          |
|----------|------------------------------|--|----------------|
| 1        | Lorenz curve                 | Identify the correct description of the Lorenz curve               | Multiplechoice |
| 2        | Gini coefficient             | Identify the correct definition                                    | Multiplechoice |
| 3        | Gini coefficient changes     | Identify the correct statement                                     | Multiplechoice |
| 4        | Income inequality            | Identify the correct statement                                     | Multiplechoice |
| 5        | UK gini coefficient          | Identify the correct value   | Multiplechoice |
| 6        | Income inequality policies   | Identify the policies that would reduce inequality                 | Multiplechoice |
| 7        | Lorenz curve                 | Identify the curve which represents the lowest level of inequality | Multiplechoice |
| 8        | Gini coefficient calculation | Identify the correct approach to calculating the GC                | Multiplechoice |
| 9        | Indirect tax                 | Identify the correct statement                                     | Multiresponse  |
| 10       | Income inequality policies   | Identify the policies that would reduce inequality                 | Multiresponse  |

## Unit 3: Government Finances and Evaluating Fiscal Policy

### Budgets and Deficit Measurement

Candidates should be able to understand the various ways of measuring, calculating and assessing UK fiscal performance.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Deficit  
Surplus  
Budget  
Annual deficit  
National debt  
Cyclical/Structural deficit  
OBR

#### CONTENT:

- Definition of the government budget
- Highlighting the three different positions of the government budget – budget deficit, budget surplus and balanced budget
- A pie chart to show the breakdown of UK government spending in the year 2014/15
- A pie chart to show the breakdown of UK tax revenue in the year 2014/15
- A graph to show the UK government budget position in the year 2014/15
- Definition of annual deficit
- Definition of national debt
- Explanation of the formula used to calculate the annual deficit/surplus as a percentage of GDP
- Explanation of the formula used to calculate national debt as a percentage of GDP
- Defining and distinguishing between the structural deficit and the cyclical deficit

### Measuring and Monitoring Fiscal Finances

Candidates should be able to understand the various ways of measuring, calculating and assessing UK fiscal performance.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Deficit  
Surplus  
Budget  
Annual deficit  
National debt  
Cyclical/Structural deficit  
OBR  
ONS

#### CONTENT:

- Defining and distinguishing between the roles of the ONS and the OBR
- A graph to show the annual UK budget balance as a percentage of GDP
- A graph to show the accumulation of UK national debt
- A graph to show the change in the level of UK national debt as a percentage of GDP
- A graph to show the change in the level of UK national debt as a percentage of GDP since 1993, to evaluate the impact of the financial crisis on national debt
- Identifying the roles of the Office of Budget Responsibility
- A series of graphs to show some examples of forecasts the OBR have produced

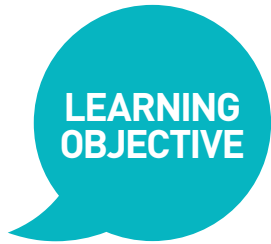
#### ASSESSMENT

| Question | Learning Target           | Task  | Style          |
|----------|---------------------------|---|----------------|
| 1        | Budget deficits           | Identify the event which would cause the budget deficit to grow | Multiplechoice |
| 2        | Government budget         | Assess whether the statement is true or false                   | True/false     |
| 3        | UK government spending    | Identify the correct figure                                     | Multiplechoice |
| 4        | UK government revenue     | Identify the correct figure                                     | Multiplechoice |
| 5        | National debt             | Identify the correct description                                | Multiplechoice |
| 6        | Annual deficit            | Using the numbers calculate the correct answer                  | Multiplechoice |
| 7        | National debt calculation | Using the numbers calculate the correct answer                  | Multiplechoice |
| 8        | Structural deficit        | Assess whether the statement is true or false                   | True/false     |
| 9        | OBR/ONS                   | Match the descriptions to the correct terms                     | Matchdropdown  |
| 10       | OBR                       | Identify the role of the OBR                                    | Multiplechoice |

|     |  |
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| 6.4 | Monetary Policy                                  |
| 6.5 | Bank Rates and the Transmission Mechanism        |
| 6.6 | Alternative Monetary Policy Tools                |
| 6.7 | Demand-Side Policy in Context                    |
| 6.8 | Supply-Side Policy                               |
| 6.9 | Supply-Side Improvements                         |

**Fiscal Re-Balancing and Austerity**

Candidates should be able to understand the purpose of fiscal re-balancing and austerity, why this may be considered necessary and what it entails.



**DEFINITIONS COVERED:**

Fiscal re-balancing

Austerity

**CONTENT:**

- Identifying the factors that can lead to a fiscal rebalance
- A graph to show the levels of UK consumption and investment from 1970 to 2013
- A series of graphs to show the trade balance and fiscal balance of the UK economy as a percentage of GDP from 1986 to 2013
- A graph to show UK national debt as a percentage of GDP from 1993 to 2014 to show the years when the national debt has risen above 60% of GDP
- A graph to show the total managed government expenditure as a percentage of GDP from 1970 to 2014
- Evaluating the conditions that are required for fiscal re-balancing
- Introducing the concept of austerity
- Identifying the three types of policies that can be classed under austerity – contractionary fiscal policy, expansionary monetary policy and expansionary supply-side policy
- Graphically evaluating the Keynesian and free market view of austerity

## Unit 3: Government Finances and Evaluating Fiscal Policy

### Fiscal Rules

### LEARNING OBJECTIVE

Candidates should be able to understand how fiscal rules may be imposed to regulate fiscal policy.

#### DEFINITIONS COVERED:

Golden rule

Sustainability rule

Stability and  
Growth Pact

#### CONTENT:

- Definition of a fiscal rule
- Explanation that fiscal rules aim at correcting distorted incentives and containing pressures to overspend, particularly in good times, so as to ensure fiscal responsibility and debt sustainability.
- Explanation of the 1997 Golden Rule
- Explanation of the Sustainable Investment Rule
- A graph to show UK national debt as a percentage of GDP, to assess how successful the Sustainable Investment Rule has been
- Explanation of the 2010 Coalition objectives
- Explanation of the 2015 George Osborne Budget Surplus Rule
- Explanation of the Stability and Growth Pact relating to the European Union
- A table to show the countries that have not complied with the Stability and Growth Pact
- Explanation of the issues with fiscal rules

#### ASSESSMENT

| Question | Learning Target           | Task   | Style         |
|----------|---------------------------|--|---------------|
| 1        | Fiscal re-balancing       | Complete the logical chain of reasoning                      | Matchdropdown |
| 2        | UK national debt          | Identify the correct figure                                  | Multichoice   |
| 3        | Austerity measures        | Assess whether the statement is true or false                | True/false    |
| 4        | Golden Rule               | Identify the purpose of the 1997 Golden Rule                 | Multichoice   |
| 5        | Fiscal rules              | Match the fiscal rules to the correct descriptions           | Matchdropdown |
| 6        | Stability and Growth Pact | Assess whether the statement is true or false                | True/false    |
| 7        | Stability and Growth Pact | Identify the correct figure                                  | Multichoice   |
| 8        | National debt             | Identify the country with the highest level of national debt | Multichoice   |
| 9        | Budget deficit            | Identify the country with the largest budget deficit         | Multichoice   |
| 10       | Stability and Growth Pact | Assess whether the statement is true or false                | True/false    |

|     |  |
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|     | Introduction to Economic Policy                  |
| 6.1 | Fiscal Policy                                    |
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| 6.4 | Monetary Policy                                  |
| 6.5 | Bank Rates and the Transmission Mechanism        |
| 6.6 | Alternative Monetary Policy Tools                |
| 6.7 | Demand-Side Policy in Context                    |
| 6.8 | Supply-Side Policy                               |
| 6.9 | Supply-Side Improvements                         |

## Crowding-Out and the Laffer Curve



Candidates should be able to understand crowding-out and the Laffer curve and how to use them to evaluate aspects of fiscal policy.

### DEFINITIONS COVERED:

- Crowding-out
- Crowding-in
- Laffer curve

### CONTENT:

- Definition of the concepts of crowding-out and the Laffer curve
- Using a PPF to illustrate the classical view of crowding-out and crowding-in
- Explanation that a large public sector brings more safety and security but at the expense of efficiency
- Distinguishing between crowding-out and crowding-in effects
- Using a PPF to illustrate the Keynesian view of crowding-out and crowding-in
- Introducing the concept of the Laffer curve
- Graphical representation of the Laffer curve
- Identifying that the optimum tax rate is situated at the maximum point of the Laffer curve
- Explanation that if an economy is situated on the positive side of the curve, a tax increase will lead to higher tax revenues
- Explanation that if an economy is situated on the negative side of the curve, a tax increase will lead to lower tax revenues
- Evaluating the reasons why increasing taxes will not necessarily lead to higher revenues

### ASSESSMENT

| Question | Learning Target         | Task   | Style          |
|----------|-------------------------|--|----------------|
| 1        | The Laffer curve        | Assess whether the statement is true or false    | True/false     |
| 2        | The Laffer curve        | Complete the logical chain of reasoning          | Matchdropdown  |
| 3        | Tax rate changes        | Identify the correct statement                   | Multiplechoice |
| 4        | Tax rate changes        | Identify the correct statement                   | Multiplechoice |
| 5        | Crowding-out effects    | Assess whether the statement is true or false    | True/false     |
| 6        | Laffer curve criticisms | Identify the valid criticism of the laffer curve | Multiplechoice |
| 7        | Crowding-out effects    | Fill in the blanks to complete the statement     | Multiplechoice |
| 8        | Crowding-out effects    | Identify the variable that is affected           | Multiplechoice |
| 9        | Crowding-out effects    | Identify the correct statement                   | Multiplechoice |
| 10       | Classical economists    | Identify the correct answer                      | Multiplechoice |

## Unit 4: Monetary Policy

### Money and Monetary Policy

Candidates should be able to understand the meaning of monetary policy, what it involves and how it is executed.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Monetary policy  
Central Bank  
Lender of last resort  
Money supply  
Interest rate  
Bank rate  
Monetary Policy Committee

#### CONTENT:

- Identifying the three functions of money – medium of exchange, store of value and unit of account
- Distinction between a function and characteristic of money
- Identifying the main characteristics of money – acceptable, durable, portable, divisible and scarce
- Definition of monetary policy, central bank and lender of last resort
- Explanation that the main aims of the monetary policy is to achieve macroeconomic and financial stability
- Establishing the link between money supply changes and price changes with reference to the Quantity Theory of Money
- Explanation of how a decision to change the money supply leads to changes in the bank rate, interest rate and exchange rate

### Role of the Central Bank

Candidates should be able to understand the role of the Bank of England and the tools they use to manage the monetary system.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

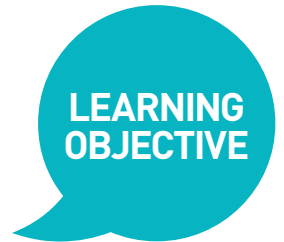
Monetary policy  
Central Bank  
Lender of last resort  
Money supply  
Interest rate  
Bank rate  
Monetary Policy Committee  
Forward guidance

#### CONTENT:

- Re-cap of the main aims of the monetary policy set by the central bank
- Explanation of the composition of the MPC and the roles for each individual member
- Identifying the main tools of the MPC – bank rate changes, quantitative easing, liquidity for banks, regulate lending and forward guidance

|     |  |
|-----|--|
|     | Introduction to Economic Policy                  |
| 6.1 | Fiscal Policy                                    |
| 6.2 | Income Inequality and Tax                        |
| 6.3 | Government Finances and Evaluating Fiscal Policy |
| 6.4 | Monetary Policy                                  |
| 6.5 | Bank Rates and the Transmission Mechanism        |
| 6.6 | Alternative Monetary Policy Tools                |
| 6.7 | Demand-Side Policy in Context                    |
| 6.8 | Supply-Side Policy                               |
| 6.9 | Supply-Side Improvements                         |

## Money Demand and Supply



Candidates should be able to understand the difference between wealth and money, the different components of money supply and how it accommodates the demand for money.

### DEFINITIONS COVERED:

- Liquidity
- Narrow money
- Broad money
- Near money
- Non-money
- Money
- Liquidity preference

### CONTENT:

- A graph to show the UK Household Wealth Survey between 2006 and 2012
- Distinction between wealth and money in terms of liquidity of assets
- Distinction between broad and narrow money
- Distinction between money, near money and non-money
- Definition of liquidity preference
- Graphical explanation of the negative relationship between interest rates and the quantity of money
- Graphical explanation of the impact of a change in income/prices/risk on the demand for money curve
- Graphical depiction of the money supply curve
- Graphically explaining the factors that cause the money supply curve to shift

### ASSESSMENT

| Question | Learning Target                | Task  | Style          |
|----------|--------------------------------|---|----------------|
| 1        | Functions of money             | Match the functions of money with their definitions           | Matchdropdown  |
| 2        | Monetary aggregates            | Match the aggregates to their correct descriptions            | Matchdragdrop  |
| 3        | Monetary policy                | Match the terms to the correct definitions                    | Matchdropdown  |
| 4        | M4                             | Identify the correct statement for the M4 monetary aggregate  | Multiplechoice |
| 5        | Functions of money             | Identify the correct statements                               | Multiresponse  |
| 6        | Functions of money             | Identify the three functions of money                         | Multiresponse  |
| 7        | Lender of last resort          | Identify the correct statement                                | Multiplechoice |
| 8        | Liquidity                      | Match the terms to the correct letters                        | Matchdropdown  |
| 9        | Inflation rate target          | Identify the correct figure                                   | Multiplechoice |
| 10       | M4                             | Identify the correct figure                                   | Multiplechoice |
| 11       | Money supply                   | Identify the correct row of the table                         | Multiplechoice |
| 12       | Near money                     | Assess whether the statement is true or false                 | True/false     |
| 13       | Bank rate changes              | Complete the logical chain of reasoning                       | Matchdropdown  |
| 14       | Non-money                      | Identify the correct answer                                   | Multiplechoice |
| 15       | Bank rate                      | Assess whether the statement is true or false                 | True/false     |
| 16       | Money                          | Identify which of the following is a form of money            | Multiplechoice |
| 17       | Central banks                  | Identify the correct diagrams                                 | Multiresponse  |
| 18       | Near money assets              | Assess whether the statement is true or false                 | True/false     |
| 19       | Bank rate changes              | Identify the likely effects of a bank rate cut                | Multiresponse  |
| 20       | Liquid assets                  | Identify the types of assets that are likely to be liquid     | Multiplechoice |
| 21       | Monetary policies              | Identify the correct row of the table                         | Multiplechoice |
| 22       | Bank rate changes              | Identify the impact on the exchange rate of bank rate changes | Matchdropdown  |
| 23       | Expansionary monetary policy   | Identify the correct statement                                | Multiplechoice |
| 24       | Expansionary monetary policy   | Identify the impact of an expansionary monetary policy        | Multiplechoice |
| 25       | Contractionary monetary policy | Assess whether the statement is true or false                 | True/false     |

## Unit 5: Bank Rates and the Transmission Mechanism

### Bank Rates and the Transmission Mechanism

#### LEARNING OBJECTIVE

Candidates should be able to understand how the Bank of England uses the bank rate to achieve price stability.

#### DEFINITIONS COVERED:

Bank rate

Transmission  
mechanism

Market rates

Asset values

Exchange Rates

Confidence

#### CONTENT:

- Introducing the concept of the monetary transmission mechanism
- Explanation of the importance of bank rate changes in influencing the overall economy
- Breakdown of the transmission mechanism to show the impact on each of the individual components of AD
- Identifying that the bank rate is only one of several interest rates in the economy to reflect assets that have differing credit risks and liquidity
- Explanation to show that bank rate changes do not always signal other interest rate changes
- Concise summary of the impact of bank rate changes on AD
- Establishing the relationship between bank rate changes and confidence in the economy
- Establishing the relationship between the bank rate and exchange rates
- Graphical representation of how the MPC counteract a negative and positive output gap

#### ASSESSMENT

| Question | Learning Target              | Task   | Style         |
|----------|------------------------------|--|---------------|
| 1        | Transmission mechanism       | Assess whether the statement is true or false                            | True/false    |
| 2        | Transmission mechanism       | Complete the logical chain of reasoning                                  | Matchdropdown |
| 3        | Bank rate changes            | Complete the logical chain of reasoning                                  | Matchdropdown |
| 4        | Wealth effect                | Identify the correct statement   | Multichoice   |
| 5        | Expansionary monetary policy | Identify the correct statement   | Multichoice   |
| 6        | Transmission mechanism       | Identify the channel which does not relate to the transmission mechanism | Multichoice   |
| 7        | Transmission mechanism       | Identify the correct transmission mechanism channel                      | Multichoice   |
| 8        | Bank rate changes            | Identify the correct policy response                                     | Multichoice   |
| 9        | Bank rate changes            | Identify the correct policy response                                     | Multichoice   |
| 10       | Bank rate changes            | Assess whether the statement is true or false                            | True/false    |

Introduction to Economic Policy

6.1 Fiscal Policy

6.2 Income Inequality and Tax

6.3 Government Finances and Evaluating Fiscal Policy

6.4 Monetary Policy

6.5 Bank Rates and the Transmission Mechanism

6.6 Alternative Monetary Policy Tools

6.7 Demand-Side Policy in Context

6.8 Supply-Side Policy

6.9 Supply-Side Improvements

**Unit 6: Alternative Monetary Policy Tools****Alternative Monetary Policy Tools**

Candidates should be able to understand the tools that might be used by a central bank when bank rates fall to a very low level and to analyse and evaluate the economic impacts that might be associated with them.

**LEARNING  
OBJECTIVE****DEFINITIONS  
COVERED:**

Quantitative easing

Par value

Coupon

Yield

Funding for lending

Forward guidance

**CONTENT:**

- A graph to show the change in the UK bank rate from 1975 to 2015 to indicate the bank rate has been fixed at 0.5% for six years
- A series of graphs to show the impact of a bank rate cut on GDP and unemployment
- A list of the main tools for the MPC – bank rate changes, quantitative easing, funding for lending and forward guidance
- A timeline to show the specific dates of the introduction of alternative monetary policy tools

## Unit 6: Alternative Monetary Policy Tools

### Quantitative Easing

### LEARNING OBJECTIVE

Candidates should be able to understand the tools that might be used by a central bank when bank rates fall to a very low level and to analyse and evaluate the economic impacts that might be associated with them.

#### DEFINITIONS COVERED:

Quantitative easing

Par value

Coupon

Yield

Funding for lending

Forward guidance

#### CONTENT:

- Explanation of the origins of quantitative easing
- Numerical example to show the impact of quantitative easing on the economy
- Explanation of the outcomes of quantitative easing on the economy – money supply increase, asset prices rise and internalising government debt
- Graphical representation of the classical view of the impact of quantitative easing on an AD/AS diagram
- Explanation of why the process of quantitative easing leads to an outward expansion of the AD curve
- Graphical explanation of how quantitative easing leads to a currency depreciation
- Describing the impact of a weaker currency on the economy
- Graphical explanation of how quantitative easing has increased the demand for UK gilts
- Explanation of the negative relationship between the price and yields of gilts
- Definition of the key terms relating to gilts - par value, coupon and yield
- Numerical example to show how to calculate the yield of a bond
- Numerical example to illustrate the negative relationship between the market value and yield of a yield
- A series of graphs to show the change in the market price and market yield for UK treasury gilts
- Explanation that rising gilt prices drives down the yield and influences the cost of borrowing across the economy
- A graph to show the change in the composition of the ownership of UK government debt from 2005 to 2011
- Explanation of the relationship between the government and the Bank of England

Introduction to Economic Policy

6.1 Fiscal Policy

6.2 Income Inequality and Tax

6.3 Government Finances and Evaluating Fiscal Policy

6.4 Monetary Policy

6.5 Bank Rates and the Transmission Mechanism

6.6 Alternative Monetary Policy Tools

6.7 Demand-Side Policy in Context

6.8 Supply-Side Policy

6.9 Supply-Side Improvements

## Alternative Monetary Policy Tools

Candidates should be able to understand the tools that might be used by a central bank when bank rates fall to a very low level and to analyse and evaluate the economic impacts that might be associated with them.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Quantitative easing

Par value

Coupon

Yield

Funding for lending

Forward guidance

Transmission mechanism

#### CONTENT:

- Definition of the Bank of England's funding for lending scheme
- Explanation of how the funding for lending scheme affects the economy through the transmission mechanism
- Definition of forward guidance
- Breakdown of the different forms of forward guidance – specific and implied
- Outlining the aims and objectives of specific forward guidance

#### ASSESSMENT

| Question | Learning Target        | Task  | Style         |
|----------|------------------------|---|---------------|
| 1        | Bond yields            | Using the table calculate the correct answer  | Matchdropdown |
| 2        | UK Quantitative easing | Identify the correct figure                   | Multichoice   |
| 3        | QE process             | Complete the logical chain of reasoning       | Matchdropdown |
| 4        | QE impact              | Assess whether the statement is true or false | True/false    |
| 5        | Forward guidance       | Identify the correct statement                | Multichoice   |
| 6        | Monetary policy tools  | Match the terms to the correct definitions    | Matchdropdown |
| 7        | QE impact              | Assess whether the statement is true or false | True/false    |
| 8        | QE bonds impact        | Identify the correct answer                   | Multichoice   |
| 9        | Forward guidance       | Identify the correct figure                   | Multichoice   |
| 10       | Debt internalisation   | Assess whether the statement is true or false | True/false    |

## Unit 7: Demand-Side Policy in Context

### The Great Depression

Candidates should be able to appreciate the economic characteristics of the great depression and the different theoretical perspectives regarding the cause and solutions for this type of economic situation.

#### LEARNING OBJECTIVE

### The Global Financial Crisis

Candidates should be able to understand the chain of events that led to the financial crisis and to analyse the policy response to the crisis and the recovery from it.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Recession  
Depression

#### CONTENT:

- Defining and distinguishing between a recession and a depression
- A graph to show the Dow Jones Industrial Average from 1910 to 2014
- Explanation that during the great depression the Dow Jones took 30 years to recover its pre-crisis value
- Explanation that between 1924 and 1987 the Dow Jones value had not changed to highlight the impact that prolonged depressions can have on the economic cycle
- Outlining the main figures that summarise the dramatic impact of the Great depression on the US economy
- A series of graphs to show the impact of the great depression on US GDP and unemployment
- A graph to show the less severe impacts of the great depression on the UK economy
- Comparison between the Monetarists and Keynesian theoretical explanations of the great depression
- An AD/AS diagram to highlight the Monetarist view of the great depression
- An AD/AS diagram to highlight the Keynesian view of the great depression
- Evaluating which view's theoretical explanation appear to be valid and robust

#### DEFINITIONS COVERED:

Recession  
Depression  
Financial crisis  
Hysteresis effects  
Monetary policy  
Fiscal policy  
Supply-side policy

#### CONTENT:

- Definition of a financial crisis
- Identifying the main characteristics of the global financial crisis
- Defining and distinguishing between a recession and a depression
- Breakdown of the policy responses available to the government to tackle an economic slowdown
- Graphical explanation of the Classical approach to dealing with a financial crisis i.e. monetary and supply-side support whilst maintaining fiscal discipline
- Graphical explanation of the Keynesian approach to dealing with a financial crisis i.e. monetary support with substantial fiscal stimulus

**MODULE 6**

## Macroeconomic Policy

**MODULE 7**

## Financial Markets

**MODULE 8**

## Globalisation, Trade and Exchange Rates

**MODULE 9**

## Economic Growth and Development

**MODULE 10**

## The Distribution of Income and Wealth

## Introduction to Economic Policy

|     |  |
|-----|--|
| 6.1 | Fiscal Policy                                    |
| 6.2 | Income Inequality and Tax                        |
| 6.3 | Government Finances and Evaluating Fiscal Policy |
| 6.4 | Monetary Policy                                  |
| 6.5 | Bank Rates and the Transmission Mechanism        |
| 6.6 | Alternative Monetary Policy Tools                |
| 6.7 | Demand-Side Policy in Context                    |
| 6.8 | Supply-Side Policy                               |
| 6.9 | Supply-Side Improvements                         |

- A graph to show the annual UK budget balance as a percentage of GDP to evaluate the impact of austerity measures on the budget
- A graph to show the UK national debt as a percentage of GDP, which highlights that since the financial crisis - despite austerity measures - national debt as doubled
- Outlining the factors behind the UK economic recovery
- A series of graphs to evaluate the UK recovery based on the change in real GDP and real GDP per capita
- Identifying what is meant by the term 'hysteresis'

**ASSESSMENT**

| Question | Learning Target          | Task   | Style         |
|----------|--------------------------|--|---------------|
| 1        | Iceland financial crisis | Identify the correct figure  | Multichoice   |
| 2        | Recession/Depression     | Match the terms to the correct definitions                               | Matchdropdown |
| 3        | The Great Depression     | Identify the correct figure  | Multichoice   |
| 4        | Financial crisis         | Assess whether the statement is true or false                            | True/false    |
| 5        | Policy responses         | Match the policy responses to the correct descriptions                   | Matchdropdown |
| 6        | 2008 financial crisis    | Assess whether the statement is true or false                            | True/false    |
| 7        | 2008 financial crisis    | Identify the correct statement   | Multichoice   |
| 8        | National debt            | Assess whether the statement is true or false                            | True/false    |
| 9        | Classical view           | Assess whether the statement is true or false                            | True/false    |
| 10       | Keynesian view           | Identify the Keynesian view towards the reasons for the great depression | Multichoice   |

## Unit 8: Supply-Side Policy

### Introduction to Supply Side Policy

Candidates should be able to define and understand the basic distinction between supply side and fiscal policy, be aware of some common mistakes and the political aspects of supply side policy.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Supply-side policy  
Interventionist policy  
Free market policy

#### CONTENT:

- Graphically evaluating the difference between the Classical view and Keynesian view on the economic impact of supply-side policies in an AD/AS framework
- Definition of a supply-side policy
- Explanation of the important economic benefits that supply-side policies help to facilitate – availability and use of labour and capital and the more efficient use of inputs
- Distinguishing between the different characteristics of an interventionist policy and free market policy
- Introducing the issues of supply-side policies compared to conventional economic policies such as fiscal and monetary policies
- Identifying the markets that supply-side policies can impact – Goods, Labour and Financial markets

### Supply-Side Policies: Market Structure

To understand the different categories of supply-side policy, the detail of specific types of supply-side policy and how they translate into LRAS growth.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Privatisation  
Nationalisation  
Unemployment trap  
Poverty trap

#### CONTENT:

- Definition of a supply-side policy
- Evaluating the impact that supply-side policies have on the market structure in terms of competition, regulation and ownership
- Explanation that supply-side policies can help encourage foreign competition to end any dominance in the market
- Explanation that supply-side policies can introduce regulation in terms of how things are made and sold
- Explanation that supply-side policies can lead to a change in the ownership of firms – nationalisation and privatisation
- Definitions of nationalisation and privatisation
- Introducing the concept of re-nationalisation
- A table to compare the features of a state owned firm to a privately owned firm
- Evaluating the net benefits of privatisation to an economy

Introduction to Economic Policy

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6.4 Monetary Policy

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6.8 Supply-Side Policy

6.9 Supply-Side Improvements

## Supply-Side Policies: Labour and Financial Markets

### LEARNING OBJECTIVE

Candidates should be able to understand the different categories of supply-side policy, the detail of specific types of supply-side policy and how they translate into LRAS growth.

#### DEFINITIONS COVERED:

Privatisation

Nationalisation

Unemployment trap

Poverty trap

#### CONTENT:

- Reinforcing the concept of a supply-side policy
- Explanation that supply-side policies can positively impact the labour market through increasing the attractiveness of work and employment
- Explanation that supply-side policies targeting the labour market must be balanced to prevent workers' rights becoming restricted
- Defining and distinguishing between the unemployment trap and the poverty trap
- Identifying some of the policy solutions to reduce the prevalence of individuals in these traps
- Explanation of the importance of supply-side policies in financial markets i.e. ensure availability and use of capital
- Identifying the types of policies which improve the efficiency of financial markets
- Evaluating the importance of an efficient financial system for the future health of the economy

#### ASSESSMENT

| Question | Learning Target           | Task   | Style         |
|----------|---------------------------|--|---------------|
| 1        | Supply-side policies      | Match the terms to the correct definitions                                 | Matchdropdown |
| 2        | Supply-side policies      | Identify the correct graph   | Multichoice   |
| 3        | Labour market flexibility | Identify the correct graph   | Multichoice   |
| 4        | Supply-side policies      | Identify the policy that can be classed as a supply-side policy            | Multichoice   |
| 5        | LRAS curve                | Identify the policy that would outwardly shift the LRAS curve              | Multichoice   |
| 6        | Government spending       | Identify the correct graph   | Multichoice   |
| 7        | Privatisation             | Complete the logical chain of reasoning                                    | Matchdropdown |
| 8        | Supply-side policies      | Assess whether the statement is true or false                              | True/false    |
| 9        | Supply-side policy impact | Match the supply-side policies with the factor of production it impacts    | Matchdropdown |
| 10       | Supply-side policy impact | Identify the correct row of the table                                      | Multichoice   |
| 11       | Supply-side policies      | Identify the correct policy  | Multichoice   |
| 12       | Poverty trap              | Identify the policy which will correct the poverty trap                    | Multichoice   |
| 13       | SRAS curve                | Identify the factors that would shift the SRAS curve to the right          | Multichoice   |
| 14       | LRAS curve                | Identify the policy that would outwardly shift the LRAS curve              | Multichoice   |
| 15       | Classical economics       | Identify the correct statement regarding the classical view on SS policies | Multichoice   |

## Unit 9: Supply-Side Improvements

### Supply-Side Improvements

Candidates should be able to understand the meaning of SS improvements, to distinguish them from SSP, recognise they can be achieved by the private sector and evaluate approaches to achieving them.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Fiscal policy

Supply-side policies

Independent initiatives

Productive capacity

#### CONTENT:

- Definition of a supply-side policy
- Graphically evaluating the impact of supply-side policies using an AD/AS diagram – Fiscal policy, supply-side policy and independent initiatives
- Evaluating the effectiveness of supply-side improvements i.e. achievement and timescale of supply side improvements is uncertain
- Identifying some of the main supply-side policy issues
- Evaluating the impact and effectiveness of supply-side policies

#### QUESTIONS COVER:

- **UNIT 1:**  
Fiscal Policy
- **UNIT 2:**  
Income Inequality and Tax
- **UNIT 3:**  
Government Finances and Evaluating Fiscal Policy
- **UNIT 4:**  
Monetary Policy
- **UNIT 5:**  
Bank Rates and the Transmission Mechanism
- **UNIT 6:**  
Alternative Monetary Policy Tools
- **UNIT 7:**  
Demand-Side Policy in Context
- **UNIT 8:**  
Supply-Side Policy
- **UNIT 9:**  
Supply-Side Improvements

#### ASSESSMENT

| Question | Learning Target        | Task   | Style         |
|----------|------------------------|--|---------------|
| 1        | Unemployment trap      | Assess whether the statement is true or false                    | True/false    |
| 2        | Poverty trap           | Identify the correct policy to reduce the prevalence of poverty  | Multichoice   |
| 3        | Classical economics    | Identify the correct policy                                      | Multichoice   |
| 4        | Supply-side policies   | Assess whether the statement is true or false                    | True/false    |
| 5        | Education policies     | Assess whether the statement is true or false                    | True/false    |
| 6        | Privatisation          | Identify the argument against privatisation                      | Multiresponse |
| 7        | Productive capacity    | Identify the correct policy                                      | Multichoice   |
| 8        | UK SS improvements     | Identify the policies that would increase UK productive capacity | Multichoice   |
| 9        | Negative externalities | Assess whether the statement is true or false                    | True/false    |
| 10       | SS improvements        | Identify the correct statement                                   | Multichoice   |

Introduction to Economic Policy

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|-----|--|
| 6.1 | Fiscal Policy                                    |
| 6.2 | Income Inequality and Tax                        |
| 6.3 | Government Finances and Evaluating Fiscal Policy |
| 6.4 | Monetary Policy                                  |
| 6.5 | Bank Rates and the Transmission Mechanism        |
| 6.6 | Alternative Monetary Policy Tools                |
| 6.7 | Demand-Side Policy in Context                    |
| 6.8 | Supply-Side Policy                               |
| 6.9 | Supply-Side Improvements                         |

**LEARNING OBJECTIVE**

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 6 surrounding Economic Policy.

**MODULE 6  
EMA**

**ASSESSMENT**

| Question | Learning Target              | Task   | Style         |
|----------|------------------------------|--|---------------|
| 1        | Austerity measures           | Assess whether the statement is true or false                      | True/false    |
| 2        | Fiscal rules                 | Match the fiscal rules to the correct descriptions                 | Matchdropdown |
| 3        | Indirect taxes               | Identify the indirect forms of tax                                 | Multiresponse |
| 4        | Income inequality            | Identify the policies which will reduce income inequality          | Multiresponse |
| 5        | Optimal tax rate             | Identify the correct statement                                     | Multichoice   |
| 6        | Crowding-out effect          | Fill in the blanks to complete the statement                       | Multichoice   |
| 7        | Monetary aggregates          | Match the aggregates to the correct descriptions                   | Matchdragdrop |
| 8        | Shares                       | Assess whether the statement is true or false                      | True/false    |
| 9        | Supply-side policies         | Assess whether the statement is true or false                      | True/false    |
| 10       | Supply-side policies         | Assess whether the statement is true or false                      | True/false    |
| 11       | Supply-side policies         | Identify the correct statement                                     | Multichoice   |
| 12       | Supply-side policies         | Identify the correct statement                                     | Multichoice   |
| 13       | Bank rate changes            | Identify the correct impacts of a bank rate change                 | Multiresponse |
| 14       | Fiscal policy                | Identify the correct statement                                     | Multichoice   |
| 15       | Contractionary fiscal policy | Identify the correct statement                                     | Multiresponse |
| 16       | Monetary policy              | Using the diagram identify the correct point on the economic cycle | Multiresponse |
| 17       | Supply-side policies         | Identify the correct diagram                                       | Multichoice   |
| 18       | Contractionary fiscal policy | Identify the correct statement                                     | Multichoice   |
| 19       | Base rate rise               | Identify the correct AD curve                                      | Multiresponse |
| 20       | Expansionary monetary policy | Identify the correct statement                                     | Multichoice   |
| 21       | Inflation policies           | Using the table identify the correct set of policies               | Multichoice   |
| 22       | Supply-side reforms          | Using the diagram identify the correct answer                      | Multichoice   |
| 23       | Expansionary fiscal policy   | Identify the correct reason for the trade-off                      | Multichoice   |
| 24       | Supply-side reforms          | Identify the correct row of the table                              | Multichoice   |
| 25       | Supply-side improvements     | Identify the correct statement                                     | Multichoice   |

## Unit 1: Provision of Finance

### Money

Candidates should understand the main characteristics and functions of money and the origins and establishment of the stable monetary system used today.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Money  
 Money supply  
 Barter  
 Double coincidence of wants  
 Store of value  
 Unit of account  
 Medium of exchange

#### CONTENT:

- Definition of money
- Distinguishing money from the term money supply
- Graphical explanation of the origins of a monetary system – barter
- Introducing the concept of the double coincidence of wants
- Explanation of the advantages of a barter trading system
- Outlining the inefficiencies of barter
- Graphical explanation to show over time how barter became inefficient due to more specialisation
- Highlighting and explaining the three main functions of money – medium of exchange, store of value and unit of account
- Distinguishing between the functions and characteristics of money
- Data to show how living standards have rapidly increased since establishing an efficient monetary system
- A graph to show the increase of living standards over time

### Monetary Aggregates

Candidates should understand the different forms of monetary aggregates used and the importance of these measures to the real economy.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Monetary aggregate  
 M0  
 M1  
 M2  
 M3  
 M4  
 Money supply

#### CONTENT:

- Definition of the money supply
- Defining and distinguishing between the five main monetary aggregates used in the UK – M0, M1, M2, M3 and M4
- Evaluating the liquidity characteristics for each monetary aggregate
- A graph to show the growth of M0 for the UK and the importance of it
- A graph to show UK M4 growth and the importance of this as a measure of the underlying strength of economic activity
- A graph to show the impact of the 2008/09 financial crisis on M0
- A graph to show the impact the financial crisis has had on the United States' monetary aggregates

#### ASSESSMENT

| Question | Learning Target             | Task  | Style         |
|----------|-----------------------------|---|---------------|
| 1        | Double coincidence of wants | Assess whether the statement is true or false         | True/false    |
| 2        | Functions of money          | Identify the correct functions of money               | Multiresponse |
| 3        | Monetary aggregates         | Match the aggregates to the correct descriptions      | Matchdragdrop |
| 4        | Living standards            | Identify the correct figure                           | Multichoice   |
| 5        | Money supply                | Identify the most accurate description                | Multichoice   |
| 6        | Barter inefficiencies       | Identify an inefficiency of the barter system         | Multichoice   |
| 7        | Liquidity                   | Match the aggregates from most liquid to least liquid | Matchdragdrop |
| 8        | M4                          | Identify the correct statement                        | Multichoice   |
| 9        | Money characteristics       | Identify the characteristics of money                 | Multiresponse |
| 10       | Functions of money          | Identify the correct function of money                | Multichoice   |

|     |  |
|-----|--|
| 7.1 | Provision of Finance                     |
| 7.2 | Financial Markets                        |
| 7.3 | Calculating Bond Yields                  |
| 7.4 | Financial Institutions                   |
| 7.5 | Central Banks                            |
| 7.6 | UK Regulatory Structure                  |
| 7.7 | Bank Failures and Systemic Crises        |
| 7.8 | Financial Sector in Developing Countries |

## Unit 2: Financial Markets

### Introduction to Financial Markets

#### LEARNING OBJECTIVE

Candidates should understand the role that financial markets play in the wider economy and be able to distinguish between the different types of financial market.

#### DEFINITIONS COVERED:

Financial market

Capital market

Money market

Foreign exchange market

Secondary market

Spot contract

Forward contract

Circular flow of income

Harrod-Domar Model

#### CONTENT:

- Definition of financial markets
- Breakdown of the financial markets available to agents – money market, capital market and FX market
- Definition of a money market
- A list of the typical money market instruments available to agents
- A list of the types of economic agents who operate in the money markets
- Explanation of the typical characteristics of money market instruments
- Data to show that low risk assets yield low returns, whilst high risk assets yield high returns
- Definition of a capital market
- Explanation of the finance options available to different economic agents – businesses, government and banks
- Definition of the foreign exchange market
- Graphical representation of a spot contract
- Definition of a forward contract and its main uses
- Explanation that financial markets facilitate trade and economic growth through more efficient capital provision – circular flow of income
- Establishing the link between economic development and investment
- Introducing the concept of the Harrod-Domar Model

## Unit 2: Financial Markets

### Debt and Equity

Candidates should understand the distinction between debt and equity and be able to understand the three ways companies, banks and governments can raise finance.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Debt

Equity

Bonds

Shares

#### CONTENT:

- Defining and distinguishing between debt and equity
- Graphical explanation of the process of issuing debt
- Explanation that issuing debt never leads to sacrificing ownership of a company
- Graphical explanation of the process of issuing equity through selling shares
- A table to compare the similarities and differences between debt and equity

## Unit 3: Calculating Bond Yields

### Calculating Bond Yields

Candidates should understand in detail the purpose of a bond is issuing debt and be able to understand the inverse relationship between bond prices and interest rates and the appropriate calculations.

#### DEFINITIONS COVERED:

Bonds

Coupon payments

Maturity date

Secondary market

Bond yields

#### CONTENT:

- Definitions of a bond, coupon payment and maturity date
- Introducing the logical chain of reasoning behind how a bond works
- Explanation that bonds can be resold in a secondary market if necessary
- Example of how governments issue bonds to finance a budget deficit
- Data to show the accumulating budget deficit and national debt run by the government as a result of selling more bonds
- Explanation of the formula for calculating bond yields
- Introducing a 5 step process to calculating bond yields

## ASSESSMENT

| Question | Learning Target          | Task   | Style         |
|----------|--------------------------|--|---------------|
| 1        | Debt                     | Assess whether the statement is true or false                    | True/false    |
| 2        | Equity                   | Identify the correct definition                                  | Multichoice   |
| 3        | Financial markets        | Complete the logical chain of reasoning                          | Matchdropdown |
| 4        | Money market instruments | Identify the correct characteristics of money market instruments | Multiresponse |
| 5        | Harrod-Domar Model       | Match the terms to the correct letters to complete the model     | Matchdropdown |
| 6        | Financial markets role   | Assess whether the statement is true or false                    | True/false    |
| 7        | Risk-return trade-off    | Identify the correct figure                                      | Multichoice   |
| 8        | Financial markets        | Match the terms to the correct descriptions                      | Matchdropdown |
| 9        | Foreign exchange market  | Identify the correct figure                                      | Multichoice   |
| 10       | Forward contract         | Identify the definition  | Multichoice   |

- 7.1 Provision of Finance
- 7.2 Financial Markets
- 7.3 Calculating Bond Yields
- 7.4 Financial Institutions
- 7.5 Central Banks
- 7.6 UK Regulatory Structure
- 7.7 Bank Failures and Systemic Crises
- 7.8 Financial Sector in Developing Countries

**LEARNING OBJECTIVE**

- Numerical example to show how to calculate the current yield on a bond
- Numerical example to show how to calculate the current yield on a bond when the par value and market value of the bond differ
- Explanation that there is an inverse relationship between the market value of a bond and its yield (accompanying numerical example)
- Explanation of why bond prices have an inverse relationship with interest rates
- Numerical example to show bond prices falling when interest rates rise
- Numerical example to show bond prices rising when interest rates fall
- Numerical example to show how to calculate the market price of the bond when the market interest rates change

**ASSESSMENT**

| Question | Learning Target            | Task  | Style          |
|----------|----------------------------|---|----------------|
| 1        | Bonds                      | Match the terms to the correct descriptions               | Matchdropdown  |
| 2        | Bonds process              | Complete the logical chain of reasoning                   | Matchdropdown  |
| 3        | National debt              | Identify the correct figure                               | Multiplechoice |
| 4        | Bond yield formula         | Assess whether the statement is true or false             | True/false     |
| 5        | Bond yield calculation     | Using the numbers calculate the correct answer            | Multiplechoice |
| 6        | Bond yield calculation     | Using the numbers calculate the correct answer            | Multiplechoice |
| 7        | Bond yield calculation     | Using the numbers calculate the correct answer            | Multiplechoice |
| 8        | Bond yield calculation     | Using the numbers calculate the correct answer            | Multiplechoice |
| 9        | Bond yield calculation     | Using the numbers calculate the correct answer            | Multiplechoice |
| 10       | Bond yield calculation     | complete the 5 step process to calculating bond yields    | Matchdropdown  |
| 11       | Market value               | Assess whether the statement is true or false             | True/false     |
| 12       | Bond yield calculation     | Using the data in the table calculate the correct answers | Matchdropdown  |
| 13       | Interest rate relationship | Assess whether the statement is true or false             | True/false     |
| 14       | Bond price calculation     | Using the numbers calculate the correct answer            | Multiplechoice |
| 15       | Bond price calculation     | Using the numbers calculate the correct answer            | Multiplechoice |

**Unit 4: Financial Institutions**

**Commercial Banks**

Candidates should understand how banks operate and in particular a commercial bank, as well as the importance of equity capital for a bank.

**LEARNING OBJECTIVE**

**DEFINITIONS COVERED:**

- Bank/FI
- Commercial Bank
- Balance sheet
- Assets
- Liabilities
- Solvency
- Bank capital

**CONTENT:**

- Definition of a bank
- Graphical explanation of the main purpose of banks – to efficiently distribute funds from savers to borrowers
- Graphical explanation to show the inefficiencies of a financial system without banks – moral hazard, adverse selection and incompatible needs
- Definition of a commercial bank
- Example of a simplified commercial bank balance sheet
- Explanation of the composition of the assets and liabilities for a bank
- Explanation that total assets must equal total liabilities for a bank to be solvent
- Definition of solvency
- Definition of bank capital
- Explanation that bank capital acts a buffer stock to absorb any losses the bank makes
- Explanation that if the degree of losses exceed the bank capital the banks becomes insolvent
- Two numerical examples to show the impact of non-performing loans on the banks' balance sheet
- Analysis and breakdown of the balance sheet for Barclays Bank commercial activities

## Unit 4: Financial Institutions

### Commercial Bank Objectives

Candidates should understand the main objectives of a commercial bank and be able to analyse the conflict and trade-offs which exist between liquidity, profitability and security.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Profitability

Liquidity

Security

Secured loans

Collateral

#### CONTENT:

- List of the main objectives for commercial banks – profitability, liquidity, security and capital adequacy
- Explanation of the profitability objective from a shareholders point of view
- Break down of the costs and revenues that bank's face and earn respectively
- Explanation of the liquidity objective in terms of insulating the balance sheet from a liquidity crisis
- Evaluating the concept of a mismatched balance sheet
- Evaluating the trade-off between the profitability and liquidity objectives
- Explanation of the security objective in terms of protecting the bank from credit risk
- Definition of a secured loan and collateral
- Evaluating the trade-off between the profitability and security objectives

### Investment Banks

Candidates should understand what the purpose of an investment bank is and be able to make the clear distinction between a commercial bank and investment bank.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Investment bank

Commercial bank

Universal bank

Underwriting

#### CONTENT:

- Definition of an investment bank
- A list of the types of activities that investment banks undertake
- An example of a simplified investment bank balance sheet
- Distinction between commercial and investment banks
- Introducing the concept of the universal bank
- Evaluating the issues with the rise of universal banks
- Explanation of the ring-fenced regulations being imposed on universal banks to avoid a conflict of interest amongst banking activities
- Explanation of the benefits of investment banks
- A case study of a collapse of an investment bank in the 2008 financial crisis – Lehman Brothers

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|-----|--|
| 7.1 | Provision of Finance                     |
| 7.2 | Financial Markets                        |
| 7.3 | Calculating Bond Yields                  |
| 7.4 | Financial Institutions                   |
| 7.5 | Central Banks                            |
| 7.6 | UK Regulatory Structure                  |
| 7.7 | Bank Failures and Systemic Crises        |
| 7.8 | Financial Sector in Developing Countries |

## Other Financial Institutions

Candidates should understand the main financial institutions outside of a commercial bank and investment bank and a brief understanding of the danger of the growth in the shadow banking sector.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Insurance company

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Hedge funds

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Private Equity Company

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Pension funds

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Retail bank

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Credit union

---

Savings bank

---

Shadow banking sector

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#### CONTENT:

- Definition and explanation of an insurance company
- Definition and explanation of a hedge fund
- Definition and explanation of a private equity company
- Definition and explanation of a retail bank
- Definition and explanation of a credit union
- Definition and explanation of a savings bank
- Definition and explanation of the shadow banking sector
- Evaluating the danger of the growing shadow banking sector
- A collection of figures to evaluate the growing size of financial assets held by the shadow banking sector

## Unit 4: Financial Institutions

### Credit Creation

### LEARNING OBJECTIVE

Candidates should understand the detail behind how banks create credit in the economy and have an understanding of how liquidity ratios and capital ratios affect the credit growth.

#### DEFINITIONS COVERED:

Credit

Credit multiplier

Reserve ratio

Capital ratio

#### CONTENT:

- Explanation of how banks extend credit to their customers through loans by taking in deposits
- Numerical example to show the impact of this type of credit creation on the balance sheet of a bank
- Explanation of how banks can create credit through the purchase of government bonds
- Numerical example to show the impact of this form of credit creation on the bank's balance sheet
- Definition and formula for the credit multiplier
- Graphical explanation of how the concept of the credit multiplier works
- Explanation that the rate of credit created depends on the reserve and capital ratio of banks
- Two numerical examples to illustrate the effect of a changing reserves ratio on the rate of credit created
- Two numerical examples to illustrate the effect of changing capital ratios on the rate of credit created

#### ASSESSMENT

| Question | Learning Target            | Task   | Style         |
|----------|----------------------------|--|---------------|
| 1        | Solvency                   | Assess whether the statement is true or false  | True/false    |
| 2        | Financial institutions     | Match the terms to the correct descriptions    | Matchdropdown |
| 3        | Financial institutions     | Match the terms to the correct descriptions    | Matchdropdown |
| 4        | Commercial bank objectives | Identify the objectives of a commercial bank   | Multiresponse |
| 5        | Shadow banking sector      | Identify the correct figure                    | Multichoice   |
| 6        | Universal banks            | Identify the correct statement                 | Multichoice   |
| 7        | Financial system           | Identify the problem with the financial system | Multiresponse |
| 8        | Bank losses                | Using the table identify the correct answer    | Multichoice   |
| 9        | Bank losses                | Using the table identify the correct answer    | Multichoice   |
| 10       | Banks                      | Identify the false statement regarding banks   | Multiresponse |
| 11       | Credit creation            | Assess whether the statement is true or false  | True/false    |
| 12       | Credit creation            | Using the numbers calculate the correct answer | Multichoice   |
| 13       | Credit creation            | Using the numbers calculate the correct answer | Multichoice   |
| 14       | Credit creation            | Using the numbers calculate the correct answer | Multichoice   |
| 15       | Credit creation            | Using the numbers calculate the correct answer | Multichoice   |

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| 7.1 | Provision of Finance                     |
| 7.2 | Financial Markets                        |
| 7.3 | Calculating Bond Yields                  |
| 7.4 | Financial Institutions                   |
| 7.5 | Central Banks                            |
| 7.6 | UK Regulatory Structure                  |
| 7.7 | Bank Failures and Systemic Crises        |
| 7.8 | Financial Sector in Developing Countries |

## Unit 5: Central Banks

### Central Banks

### LEARNING OBJECTIVE

Candidates should understand the purpose and main functions of central banks in the economy.

#### DEFINITIONS COVERED:

Central bank

Lender of the last resort

Too big to fail policy

#### CONTENT:

- Definition of a central bank
- Identifying the main functions of a central bank – financial stability and macroeconomic stability
- Graphical explanation of the process of the lender of the last resort functions for a central bank
- Definition of the lender of the last resort functions
- Explanation of the three main purposes of lender of the last resort functions
- Introducing the concept of the 'Too big to Fail' Policy
- Explanation of how central banks aim to maintain macroeconomic stability
- Outlining some of the additional functions of a central bank

#### ASSESSMENT

| Question | Learning Target                | Task   | Style         |
|----------|--------------------------------|--|---------------|
| 1        | Quantitative easing            | Identify the correct figure  | Multichoice   |
| 2        | Quantitative easing            | Complete the logical chain of reasoning                                | Matchdropdown |
| 3        | Quantitative easing            | Assess whether the statement is true or false                          | True/false    |
| 4        | Central bank policies          | Identify the correct policy  | Multichoice   |
| 5        | Monetary policy instruments    | Identify the correct instrument of monetary policy                     | Multichoice   |
| 6        | UK monetary policy             | Identify the correct statement   | Multichoice   |
| 7        | Contractionary monetary policy | Identify the correct statement   | Multichoice   |
| 8        | Expansionary monetary policy   | Identify the correct statement   | Multichoice   |
| 9        | Base rate changes              | Identify the correct statement   | Multichoice   |
| 10       | UK monetary policy             | Identify the main roles and responsibilities of the UK monetary policy | Multichoice   |
| 11       | Contractionary monetary policy | Identify the correct statement   | Multichoice   |
| 12       | Inflation                      | Complete the table   | Matchdropdown |
| 13       | Lender of the last resort      | Problem of the lender of the last resort functions                     | Multichoice   |
| 14       | Lender of the last resort      | Assess whether the statement is true or false                          | True/false    |
| 15       | Open market operations         | Identify the correct statement   | Multichoice   |

## Unit 6: UK Regulatory Structure

### UK Regulatory Structure

#### LEARNING OBJECTIVE

Candidates should understand the detail of the UK regulatory structure of the financial system and the importance of these to the stability of the financial system.

#### DEFINITIONS COVERED:

Bank of England  
Prudential regulatory authority  
Financial policy committee  
Financial conduct authority  
Macro prudential regulation  
Micro prudential regulation  
Deposit insurance  
Moral Hazard

#### CONTENT:

- Explanation of the importance of ensuring the financial sector is appropriately regulated
- Outlining the targets of financial sector regulation
- Explanation of the purpose of making deposit insurance available for customers
- Historical timeline to show how the level of deposit insurance offered by financial institutions has increased over the years
- Evaluating the negative implications of greater deposit insurance in the financial sector
- Evaluating the issues of central banks offering lender of the last resort functions
- Evaluating the growing importance of capital requirements brought through by the Basel Capital Accord
- Outlining the limitations of regulation in the financial sector
- A breakdown of how the regulatory structure for the UK has changed since 1997
- Description of the current 'twin peaks' regulatory structure for the UK
- Evaluating the impact of a growing amount of regulation in the financial sector today

#### ASSESSMENT

| Question | Learning Target             | Task  | Style         |
|----------|-----------------------------|---|---------------|
| 1        | Regulation                  | Identify the correct reasons for the important of regulation        | Multiresponse |
| 2        | Moral hazard                | Identify the correct definition                                     | Multichoice   |
| 3        | Basel capital requirements  | Identify the correct figure   | Multichoice   |
| 4        | Macro prudential regulation | Assess whether the statement is true or false                       | True/false    |
| 5        | Regulatory authorities      | Match the regulatory authorities to their correct functions         | Matchdropdown |
| 6        | Twin peaks regulation       | Complete the diagram describing the current UK regulatory structure | Matchdropdown |
| 7        | Lender of the last resort   | Identify the correct use  | Multichoice   |
| 8        | Deposit insurance           | Identify the correct figure   | Multichoice   |
| 9        | Regulatory acts             | Identify the correct regulatory act                                 | Multichoice   |
| 10       | Financial Policy Committee  | Assess whether the statement is true or false                       | True/false    |

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| 7.1 | Provision of Finance                     |
| 7.2 | Financial Markets                        |
| 7.3 | Calculating Bond Yields                  |
| 7.4 | Financial Institutions                   |
| 7.5 | Central Banks                            |
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| 7.7 | Bank Failures and Systemic Crises        |
| 7.8 | Financial Sector in Developing Countries |

## Unit 7: Bank Failures and Systemic Crises

### Bank Failures and Systemic Crises

#### LEARNING OBJECTIVE

Candidates should understand the distinction between a bank failure and a banking crisis as well as the causes of a bank failure. They should also be able to analyse the systemic impacts that a bank failing has on the real economy.

#### DEFINITIONS COVERED:

|                               |
|-------------------------------|
| Bank failure                  |
| Banking crisis                |
| Systemic risk                 |
| Asset transformation function |
| Bank run                      |
| Liquidity ratios              |
| Quick Ratio                   |
| Current Ratio                 |
| Liquidity Coverage Ratio      |

#### CONTENT:

- Defining and distinguishing between a bank failure and a banking crisis
- List of the causes of bank failures
- Introducing the concept of contagion effects in the banking sector
- Explanation of how to limit bank failures
- Explanation of the importance of capital requirements to ensuring solvency and systemic stability
- Numerical example to show how to calculate the bank's capital requirement using the risk weighted assets formula
- Explanation of the importance of liquidity ratios in preventing bank runs
- List of the different liquidity ratios used by a bank
- Definition and formula of the current ratio
- Numerical example of how to calculate the current ratio
- Evaluating the validity of the current ratio
- Definition and formula of the quick ratio
- Distinction between the current and quick ratio
- Numerical example of how to calculate the quick ratio
- A case study of the Icelandic Financial Crisis from 2008-2011

#### ASSESSMENT

| Question | Learning Target          | Task   | Style         |
|----------|--------------------------|--|---------------|
| 1        | Bank failure/crisis      | Match the terms to the correct definitions         | Matchdropdown |
| 2        | Capital requirements     | Identify the correct figure                        | Multichoice   |
| 3        | Herding behaviour        | Assess whether the statement is true or false      | True/false    |
| 4        | Financial crisis         | Complete the logical chain of reasoning            | Matchdropdown |
| 5        | Asset prices             | Complete the logical chain of reasoning            | Matchdropdown |
| 6        | Minsky moment            | Identify the correct definition                    | Multichoice   |
| 7        | Iceland financial crisis | Identify the correct figure                        | Multichoice   |
| 8        | Bank failures            | Identify the correct figure                        | Multichoice   |
| 9        | Liquidity ratios         | Assess whether the statement is true or false      | True/false    |
| 10       | Regulation limitations   | Identify the correct form of regulation            | Multiresponse |
| 11       | Baning crisis            | Identify the correct answer                        | Multichoice   |
| 12       | Capital requirements     | Using the table calculate the correct answer       | Multichoice   |
| 13       | Current ratio            | Using the table calculate the correct answer       | Multichoice   |
| 14       | Basle capital accord     | Match the risk weights to the relevant bank assets | Matchdropdown |
| 15       | Quick ratio              | Using the table calculate the correct answer       | Multichoice   |

## Unit 8: Financial Sector in Developing Countries

### Financial Sector in Developing and Emerging Countries

#### LEARNING OBJECTIVE

Candidates should understand the role of the financial sector in developing and emerging economies and how it promotes economic development using the Harrod-Domar Model.

#### DEFINITIONS COVERED:

Harrod-Domar Model

Joseph Schumpeter

Public sector debt

Private sector debt

#### CONTENT:

- Reinforcing the idea behind how banks create an efficient flow of funds from savers to borrowers
- Establishing the link between economic growth and development using the Harrod-Domar Model
- Introducing the basic formula and concepts of the Harrod-Domar Model
- Explanation of the effect of a changing savings rate on a country's economic growth rate
- Definition of the capital output ratio
- Explanation of the effect of a changing capital output ratio on a country's economic growth rate
- Outlining the frictions and barriers that exist in financial systems in developing countries which prevent economic growth and development
- Introducing some of the solutions to act as injections to overcome any savings shortages that takes place in developing countries
- Evaluating the leakages associated with these injections which can ultimately diminish the level of output/income for developing countries
- Outlining the limitations of the Harrod-Domar Model for effective application
- Identifying the different forms of capital flows that can move in and out of a country – FDI, portfolio equity and private creditors
- A pie chart to show that developing countries are receiving a much bigger fraction of FDI since the 1970's
- Explanation of the advantages of developing countries acquiring finance
- Defining and distinguishing between public and private sector debt
- Evaluating the benefits of growing public sector debt
- Evaluating the costs of growing public sector debt
- A series of graphs to show the growing level of public debt in emerging markets
- Evaluating the costs of growing private sector debt

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| 7.1 | Provision of Finance                     |
| 7.2 | Financial Markets                        |
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## Microfinance

Candidates should understand what is meant by the term microfinance and evaluate the role of microfinance in supporting economic development.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Microfinance

Cycle of poverty

MFI

#### CONTENT:

- Definition of microfinance
- Graphical explanation to show how the process of microfinance works
- A graph to show the distribution of people that live on less than \$1 a day
- Explanation of the main purpose of microfinance
- Explanation of why banks do not necessarily serve poverty stricken areas in general
- Breakdown of the main form of Microfinance Institutions (MFIs) – credit unions, commercial banks and governmental organisations
- Introducing the concept of the cycle of poverty
- Graphical explanation of the cycle of poverty
- Explanation of the positive economic benefits of microfinance receiving countries – Ends cycle of poverty, job creation, empowering women, better access to healthcare and education, greater investment and increasing the level of savings
- Evaluating the effectiveness of microfinance in developing countries

## Unit 8: Financial sector in Developing Countries

### Remittances

### LEARNING OBJECTIVE

Candidates should understand what is meant by the term remittances and evaluate the impact on and importance of remittances to emerging and developing economies.

#### DEFINITIONS COVERED:

Remittances

Development finance

#### CONTENT:

- Definition of a remittance
- Graphical explanation to show the process of a remittance
- Explanation of the importance of workers' remittances as a major source of external development finance
- List of the benefits of remittances to developing countries
- Explanation of the logical chain of reasoning surrounding the economic impact of significant remittance flows into a developing country
- A table to show that developing countries have seen the most sustained increases in remittance inflows
- A graph to show the forecasted rise for remittances up until 2017
- A graph to show that large countries receive the most remittance payments (India and China) but developing countries are more dependent on these payments (Tajikistan)
- Explanation that a high dependency on remittance payments for developing countries can make them vulnerable to economic shocks
- Outlining the advantages of remittance income – Raise living standards, acquire new skills, higher tax revenue and economic growth
- List of the main disadvantages of remittance payments
- Evaluating whether foreign aid is still important given the rise in microfinance and remittance payments

#### ASSESSMENT

| Question | Learning Target     | Task  | Style         |
|----------|---------------------|---|---------------|
| 1        | Harrod-Domar Model  | Identify the correct statements                                 | Multiresponse |
| 2        | Microfinance        | Assess whether the statement is true or false                   | True/false    |
| 3        | Worker's Remittance | Assess whether the statement is true or false                   | True/false    |
| 4        | Remittances         | Complete the logical chain of reasoning                         | Matchdropdown |
| 5        | Global remittances  | Identify the correct figure                                     | Multichoice   |
| 6        | Remittance benefits | Complete the logical chain of reasoning                         | Matchdropdown |
| 7        | Microfinance        | Identify the correct figure                                     | Multichoice   |
| 8        | Cycle of poverty    | Complete the cycle of poverty diagram                           | Matchdropdown |
| 9        | Microfinance        | Identify the correct figure                                     | Multichoice   |
| 10       | Harrod-Domar Model  | Identify the correct statement                                  | Multichoice   |
| 11       | Harrod-Domar Model  | Identify the correct statements                                 | Multiresponse |
| 12       | Harrod-Domar Model  | Identify the correct statements                                 | Multiresponse |
| 13       | Harrod-Domar Model  | Identify the correct statements                                 | Multiresponse |
| 14       | Harrod-Domar Model  | Identify the correct statements                                 | Multiresponse |
| 15       | Harrod-Domar Model  | Complete the table by matching the terms to the correct letters | Matchdropdown |

|     |  |
|-----|--|
| 7.1 | Provision of Finance                     |
| 7.2 | Financial Markets                        |
| 7.3 | Calculating Bond Yields                  |
| 7.4 | Financial Institutions                   |
| 7.5 | Central Banks                            |
| 7.6 | UK Regulatory Structure                  |
| 7.7 | Bank Failures and Systemic Crises        |
| 7.8 | Financial Sector in Developing Countries |

## LEARNING OBJECTIVE

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 7 surrounding Financial Markets.

## MODULE 7 EMA

### QUESTIONS COVER:

- **UNIT 1:**  
Provision of Finance
- **UNIT 2:**  
Financial Markets
- **UNIT 3:**  
Calculating Bond Yields
- **UNIT 4:**  
Financial Institutions
- **UNIT 5:**  
Central Banks
- **UNIT 6:**  
UK Regulatory Structure
- **UNIT 7:**  
Bank Failures and Systemic Crises
- **UNIT 8:**  
Financial Sector in Developing Countries

### ASSESSMENT

| Question | Learning Target              | Task   | Style         |
|----------|------------------------------|--|---------------|
| 1        | Bond yield calculation       | Using the numbers calculate the correct answer                     | Multichoice   |
| 2        | Bond yield calculation       | Using the numbers calculate the correct answer                     | Multichoice   |
| 3        | Bond yields                  | Assess whether the statement is true or false                      | True/false    |
| 4        | Bond price calculation       | Using the numbers calculate the correct answer                     | Multichoice   |
| 5        | Specialisation               | Identify the correct statement                                     | Multichoice   |
| 6        | Monetary policy              | Identify the correct impact of an interest rate change             | Multichoice   |
| 7        | Monetary policy              | Identify the correct impact of an interest rate change             | Multichoice   |
| 8        | Monetary policy              | Identify the correct statement                                     | Multichoice   |
| 9        | Expansionary monetary policy | Identify the correct statement                                     | Multichoice   |
| 10       | Equity                       | Assess whether the statement is true or false                      | True/false    |
| 11       | Investment bank              | Assess whether the statement is true or false                      | True/false    |
| 12       | Funding for lending          | Complete the logical chain of reasoning                            | Matchdropdown |
| 13       | Monetary aggregates          | Identify the narrowest UK monetary aggregate                       | Multichoice   |
| 14       | Lender of the last resort    | Identify the problem with the lender of the last resort functions  | Multichoice   |
| 15       | Raising finance              | Identify the correct method of raising finance                     | Multiresponse |
| 16       | Universal bank               | Assess whether the statement is true or false                      | True/false    |
| 17       | Functions of money           | Identify the correct function of money                             | Multichoice   |
| 18       | Financial markets            | Identify the correct definition                                    | Multichoice   |
| 19       | Harrod-Domar Model           | Assess whether the statement is true or false                      | True/false    |
| 20       | Asymmetric information       | Identify the correct statement                                     | Multichoice   |
| 21       | Securities                   | Fill in the blanks to complete the statement                       | Multichoice   |
| 22       | Bank functions               | Assess whether the statement is true or false                      | True/false    |
| 23       | Balance sheet                | Identify the instruments that would appear on the assets side      | Multiresponse |
| 24       | Twin peaks regulation        | Identify the correct year this regulatory structure was introduced | Multichoice   |
| 25       | Public debt                  | Complete the logical chain of reasoning                            | Matchdropdown |

## Unit 1: Globalisation

### Globalisation

Candidates should be able to understand the process of globalisation and to analyse and evaluate the impact on the UK and other countries.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Globalisation

Trade liberalisation

MNCs

Interdependency risks

Specialisation

#### CONTENT:

- Definition of globalisation
- Identifying the local and global causes of globalisation
- Identifying the economic variables in which globalisation has a significant impact on
- A graph to show the sustained increases in world trade in terms of total exports
- A graph to show the change in world exports as a percentage of world GDP
- A series of graphs to show the trading position from the UK's perspective
- Graphical representation of the impact of globalisation on the economy in terms of the demand and supply side effects
- Outlining the interdependency risks associated with globalisation

### Consequences of Globalisation

Candidates should be able to understand the process of globalisation and to analyse and evaluate the impact on the UK and other countries.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Globalisation

Trade liberalisation

MNCs

Interdependency risks

Specialisation

#### CONTENT:

- Explanation of the welfare impacts to society of increased globalisation
- Establishing the link between globalisation and economic welfare
- Definition of a MNC
- Examples of MNCs
- A collection of figures to represent the growing influence of power of MNCs
- Presentation of revenue figures for the largest MNCs
- Explanation of the advantages of MNCs
- Explanation of the disadvantages of MNCs
- A series of diagrams to evaluate how equally distributed world GDP is across countries
- Evaluating the sustainability of globalisation

### ASSESSMENT

| Question | Learning Target        | Task   | Style         |
|----------|------------------------|--|---------------|
| 1        | MNC                    | Identify the correct definition                        | Multichoice   |
| 2        | Globalisation issues   | Identify the problem with globalisation                | Multichoice   |
| 3        | Globalisation          | Assess whether the statement is true or false          | True/false    |
| 4        | MNC                    | Assess whether the statement is true or false          | True/false    |
| 5        | Income distribution    | Identify the correct statement                         | Multichoice   |
| 6        | Globalisation benefits | Identify the incorrect benefit regarding globalisation | Multichoice   |
| 7        | Globalisation issues   | Assess whether the statement is true or false          | True/false    |
| 8        | Integration            | Identify the correct answers                           | Multiresponse |
| 9        | Globalisation risks    | Identify the risk of globalisation                     | Multichoice   |
| 10       | Specialisation         | Identify the correct diagram                           | Multichoice   |

|     |                  |
|-----|------------------|
| 8.1 | Globalisation    |
| 8.2 | Trade            |
| 8.3 | Trade Protection |
| 8.4 | Exchange Rates   |
| 8.5 | Currency Unions  |
| 8.6 | Terms of Trade   |

## Unit 2: Trade

### Absolute Advantage

Candidates should understand and be able to analyse how absolute and comparative advantage incentivises trade and evaluate the theoretical limitations.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Absolute advantage

Comparative advantage

Opportunity cost

Specialisation

#### CONTENT:

- Showing that country's trade because the quantity and quality of factor endowments varies between countries and this creates opportunities to specialise and trade
- Definition of absolute advantage
- Numerical example to show how to determine the reciprocal absolute advantage between two countries splitting their resources to produce two goods
- Graphical representation of a trading scenario of reciprocal absolute advantages between two countries
- Identifying the welfare benefits of countries deciding to specialise in the production of goods they hold a reciprocal absolute advantage in

**Unit 2: Trade****Absolute and Comparative Advantage****LEARNING  
OBJECTIVE**

Candidates should understand and be able to analyse how absolute and comparative advantage incentivises trade and evaluate the theoretical limitations.

**DEFINITIONS  
COVERED:**

Absolute advantage

Comparative  
advantage

Opportunity cost

Specialisation

**CONTENT:**

- Reinforcing the welfare benefits that countries receive when they increase specialise and trade in goods which they hold the absolute advantage in
- Definition of comparative advantage
- Numerical example to show how the absolute advantage between two countries can be found
- Explanation that one country can hold the absolute advantage in the production of all goods
- Numerical example to show how to use opportunity costs to calculate the comparative advantage of the production of goods
- Showing how to find the comparative advantage between two countries which are producing two goods
- Explanation that one country cannot hold the comparative advantage in the production of all goods
- Graphical representation of the PPFs for the two countries before and after specialising
- Numerical example to show that if there is no opportunity cost differential, then there is no incentive to specialise and trade
- Graphical representation of when countries have a trade incentive (reciprocal AA, AA and CA) and when they do not (AA no CA)
- Outlining the theoretical limitations of these trade theories

- |     |                  |
|-----|------------------|
| 8.1 | Globalisation    |
| 8.2 | Trade            |
| 8.3 | Trade Protection |
| 8.4 | Exchange Rates   |
| 8.5 | Currency Unions  |
| 8.6 | Terms of Trade   |

## Trade Patterns

### LEARNING OBJECTIVE

Develop awareness of global trade patterns, the factors influencing them, the costs and benefits of trade and how to analyse the impact of trade.

#### DEFINITIONS COVERED:

Inter-regional trade

Intra-regional trade

Comparative advantage

Consumer surplus

#### CONTENT:

- A graph to show the share of world exports in world GDP
- A graph to show world exports as a percentage of world GDP
- A graph to show export growth relative to GDP growth
- A figure to show product shares in world merchandise exports since 1900
- A graph to show the share of global merchandise trade in 2013 amongst countries
- A graph to show levels of intra-regional trade amongst the major parts of the world
- A pie chart to show the share of European merchandise trade in 2013 amongst countries (intra-regional trade)
- A graph to show the share of African merchandise trade in 2013 (intra-regional trade)
- A summary of the main trade patterns witnessed across the world
- Explanation of the main factors that influence trade
- Outlining the benefits and costs of international trade
- Graphical explanation that consumer surplus is higher under free trade compared with a closed economy

#### ASSESSMENT

| Question | Learning Target       | Task  | Style         |
|----------|-----------------------|---|---------------|
| 1        | Free trade            | Argument for free trade                       | Multichoice   |
| 2        | Trade flows           | Match the descriptions to the correct letter  | Matchdropdown |
| 3        | Free trade            | Assess whether the statement is true or false | True/false    |
| 4        | Absolute advantage    | Using the numbers identify the correct answer | Multichoice   |
| 5        | Comparative advantage | Using the numbers identify the correct answer | Multichoice   |
| 6        | Absolute advantage    | Using the numbers identify the correct answer | Multichoice   |
| 7        | Comparative advantage | Identify the correct statements               | Multiresponse |
| 8        | PPF                   | Using the graph calculate the correct answer  | Multichoice   |
| 9        | Trade                 | Using the table identify the true statement   | Multichoice   |
| 10       | Trade flows           | Identify the correct statement                | Multichoice   |

## Unit 3: Trade Protection

### Trade Protection

Candidates should understand and be able to analyse the impact of trade, the motivation for and consequences of trade protection and to describe the main methods of trade protection.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Free trade  
Trade protection  
Tariffs  
Quotas  
Trade barriers  
Embargos  
Dumping  
Consumer surplus  
Producer surplus

#### CONTENT:

- Definition of free trade
- Graphical representation of a closed economy
- Graphical representation of an open economy
- Evaluating the welfare impact for consumers and producers of moving from a closed to an open economy
- Definition of trade protection
- Presenting the arguments for trade protection
- Definition of dumping
- Presenting the arguments against trade protection
- Outlining the different methods of protectionism – tariffs, quotas, subsidies, embargos and trade barriers

### Analysing Trade Protection

Candidates should understand and analyse the impact of various trade protection measures.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Free trade  
Trade protection  
Tariffs  
Quotas  
Subsidies  
Welfare  
Deadweight loss

#### CONTENT:

- Definition of trade protection
- Outlining the different methods of protectionism – tariffs, quotas, subsidies, embargos and trade barriers
- Definition of a tariff
- Graphical representation of the economy before and after a tariff has been imposed
- Graphically evaluating the net welfare effects of the imposition of a tariff
- Identifying the segment of the graph which rewards the government with tax revenue
- Evaluating the position and meaning of the deadweight loss triangles created from the imposition of a tariff
- Definition of a subsidy
- Graphical representation of the economy before and after a subsidy has been imposed
- Graphically evaluating the net welfare effects of the imposition of a subsidy
- Evaluating the position and meaning of the deadweight loss triangle created from the imposition of a subsidy
- Definition of a quota
- Graphical representation of the economy before and after a quota has been imposed
- Graphically evaluating the net welfare effects of the imposition of a quota
- Evaluating the position and meaning of the deadweight loss triangles created from the imposition of a quota
- A comparison of the impacts of a tariff, subsidy and quota on the economy

|     |                  |
|-----|------------------|
| 8.1 | Globalisation    |
| 8.2 | Trade            |
| 8.3 | Trade Protection |
| 8.4 | Exchange Rates   |
| 8.5 | Currency Unions  |
| 8.6 | Terms of Trade   |

## Economic Integration

Candidates should understand the various levels of economic integration to be able to analyse trade creation and trade diversion.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Integration

Trade creation

Trade diversion

Free trade areas

Customs union

Currency union

#### CONTENT:

- Definition of economic integration
- A table to analyse the level of integration amongst different trade areas
- Comparison of the patterns of trade within a Free Trade Area and a Customs Union
- Explanation that trade creation can turn an economy from high cost producing (inefficient) to low cost producing (efficient)
- Graphical evaluation of the impact of a country deciding to join the European Union in terms of the perceived welfare changes
- Graphical evaluation of the diverted trade that can be created through joining the European Union on countries outside the EU
- Evaluating the overall trade impact of being a part of the European Union

## The EU

Candidates should be able to understand the purpose of the EU and the arguments for and against the UK's membership.

### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

European Union

European Commission

European Council

European Parliament

#### CONTENT:

- Definition of the European Union
- Identifying the main roles of the EU
- Explanation of the geographical composition of the EU
- Defining the main European institutions which make up the European Union – European Commission, European Council and European Parliament
- A table to show some of the key acts put into place by the European Union in chronological order – Treaty of Rome, Single European Act and the Maastricht Treaty
- Evaluating the main benefits of EU membership
- Evaluating the main arguments against EU membership
- Presenting the arguments for and against UK membership for the EU
- Explanation of why a country like the UK does not decide to adopt the euro despite being a part of the EU

## Unit 3: Trade Protection

### World Trade Organisation

Candidates should be able to understand the purpose of the WTO and the role it fulfils.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

WTO

GATT

Doha Round

#### CONTENT:

- Definition of the World Trade Organisation (WTO)
- Distinguishing between the WTO and the GATT
- Identifying the main roles of the WTO
- A table to show the summary of the trade rounds that have taken place since 1947

#### ASSESSMENT

| Question | Learning Target             | Task  | Style          |
|----------|-----------------------------|---|----------------|
| 1        | Quotas                      | Identify the incorrect statement                                    | Multiplechoice |
| 2        | Impact of the EU membership | Identify the correct statement                                      | Multiplechoice |
| 3        | EU benefits                 | Identify the statement which is not an EU benefit                   | Multiplechoice |
| 4        | EU institutions             | Identify the correct institution                                    | Multiplechoice |
| 5        | EU benefits                 | Identify the benefits of EU membership                              | Multiresponse  |
| 6        | Economic integration        | Identify the correct statement                                      | Multiresponse  |
| 7        | Imports                     | Using the graph identify the correct statement                      | Multiplechoice |
| 8        | Welfare changes             | Using the identify the correct welfare segments                     | Multiplechoice |
| 9        | Import diversion            | Identify the correct statement                                      | Multiplechoice |
| 10       | Trade protection            | Identify the invalid policy   | Multiplechoice |
| 11       | Trade protection            | Identify the correct statement                                      | Multiplechoice |
| 12       | Tariff                      | Match the following descriptions to the correct part of the diagram | Matchdropdown  |
| 13       | Tariff welfare impact       | Match the descriptions to the correct part of the diagram           | Matchdropdown  |
| 14       | Welfare changes             | Identify the correct part of the diagram                            | Multiresponse  |
| 15       | Trade diversion             | Identify the correct definition                                     | Multiplechoice |

## Unit 4: Exchange Rates

### Exchange Rates

Understand and analyse the derivation of the supply and demand curve for foreign currency, how exchange rates are determined and to differentiate them from effective exchange rate indices.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Exchange rate

Exchange rate equilibrium

Demand for sterling

Supply for sterling

Effective exchange rate index

Appreciation

Depreciation

#### CONTENT:

- Definition of exchange rate, demand for sterling and supply for sterling
- Numerical example to explain why the demand for sterling curve is downward sloping
- Graphical representation of the demand for sterling curve
- Numerical example to explain why the supply for sterling curve is upward sloping
- Graphical representation of the supply for sterling curve
- Graphical representation of an exchange rate equilibrium
- Explanation of how an increase in demand for sterling affects the equilibrium and the exchange rate value
- Explanation of how an increase in supply for sterling affects the equilibrium and the exchange rate value
- Introducing the concept of an exchange rate appreciation and depreciation
- Distinguishing between an exchange rate and an effective exchange rate
- A series of graphs to show changes in the exchange rates for 12 months for the Yuan, Euro, Dollar and Yen
- Numerical example to illustrate how to calculate an effective exchange rate index
- A graph to show the change in the sterling effective exchange rate index from 1996 to 2011

|     |                  |
|-----|------------------|
| 8.1 | Globalisation    |
| 8.2 | Trade            |
| 8.3 | Trade Protection |
| 8.4 | Exchange Rates   |
| 8.5 | Currency Unions  |
| 8.6 | Terms of Trade   |

## Exchange Rate Systems

### LEARNING OBJECTIVE

Understand the difference between and advantages/disadvantages of fixed and free floating exchange rates and to identify and analyse the main aspects and risks of these systems.

#### DEFINITIONS COVERED:

Free floating exchange rates

Fixed exchange rates

Pegged exchange rates

Currency run

Reserves

Speculation

Speculative attack

#### CONTENT:

- Definition of a free floating exchange rate
- Outlining the immediate benefits to an economy of a free floating exchange rate
- Explanation of how a free floating exchange rate can support monetary policy to curb inflation
- Explanation of how a free floating exchange rate aims to protect an economy from external global shocks
- Outlining the danger of currency runs
- Definition of a fixed exchange rate
- Definition of a pegged exchange rate using some real world examples
- Graphical representation of how a government intervenes in the foreign exchange market to prevent the exchange rate moving above the free floating equilibrium
- Graphical representation of how a government intervenes in the foreign exchange market to prevent the exchange rate moving below the free floating equilibrium
- A graph to show countries levels of foreign currency reserves in 2014
- A graph to show the exponential growth in China's foreign currency reserves
- Identifying the danger of low levels of foreign reserves for a country
- Introducing the concept of speculation and an explanation of how speculative attacks can break a fixed exchange rate

#### ASSESSMENT

| Question | Learning Target      | Task   | Style         |
|----------|----------------------|--|---------------|
| 1        | ER Appreciation      | Identify the correct statements                        | Multiresponse |
| 2        | ER Appreciation      | Identify the correct statements                        | Multiresponse |
| 3        | Excess demand        | Identify the correct statement regarding a floating ER | Multichoice   |
| 4        | Fixed exchange rate  | Identify the correct statement                         | Multichoice   |
| 5        | ER depreciation      | Identify the correct policy response                   | Multichoice   |
| 6        | Capital flight       | Identify the correct statement                         | Multichoice   |
| 7        | Demand for currency  | Identify the correct demand curve for sterling         | Multichoice   |
| 8        | ER Appreciation      | Identify the correct impact on exports                 | Multiresponse |
| 9        | Supply for currency  | Complete the logical chain of reasoning                | Matchdropdown |
| 10       | Pegged exchange rate | Identify the correct policy response                   | Multichoice   |

## Unit 5: Currency Unions

### Optimal Currency Area (OCA)

Candidates should understand the concept of an Optimal Currency Area and be able to use the OCA criteria to establish whether the Eurozone is an OCA.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Optimal currency area  
Single currency  
OCA criteria  
Rose effect

#### CONTENT:

- Definition of an optimal currency area
- Outlining the OCA criteria which is used to assess whether a large geographical area would benefit from adopting a single currency
- Explanation of the importance of symmetrical shocks across countries for the stabilisation of the single currency
- Two graphical examples to highlight the importance of the symmetry of shocks
- Explanation of the importance of intra-union trade for an OCA
- Definition of the Rose Effect
- Graphical representation of the economic benefits the rose effect will create for countries joining an OCA
- Explanation of the importance of labour mobility to the success of a single currency
- Explanation of the importance of a fiscal transfers system to redistribute income to the success of a single currency
- Outlining the issues of using the OCA criterion for assessing the applicability of a single currency
- Example of using the OCA criterion to assess whether the Eurozone is an OCA by carrying out a comparison with the United States

### The Euro

Candidates should be able to understand the key features of a currency union (Eurozone) and the costs and benefits of a country deciding to join a single currency.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Currency/  
Monetary union  
Fixed exchange rate  
Trilemma  
Rose effect

#### CONTENT:

- Definition of a currency/monetary union
- Outlining the main characteristics of a currency union – single currency, single central bank, fixed exchange rate and capital mobility
- Diagram to show the geographical composition of the Eurozone
- Describing the difference between a fixed exchange rate system and a currency union
- Identifying that the net benefits for a country to enter into a currency union must be higher than that when deciding to set a fixed exchange rate

### ASSESSMENT

| Question | Learning Target          | Task  | Style         |
|----------|--------------------------|---|---------------|
| 1        | Currency union           | Identify the correct answer   | Multichoice   |
| 2        | Gordon Brown EU rules    | Identify the correct rules  | Multiresponse |
| 3        | Currency union           | Assess whether the statement is true or false                       | True/false    |
| 4        | Eurozone                 | Identify the correct statements                                     | Multiresponse |
| 5        | Rose effect              | Identify the correct graph  | Multichoice   |
| 6        | Optimal currency area    | Identify the correct definition                                     | Multichoice   |
| 7        | OCA criteria             | Identify the factor which does not make up part of the OCA criteria | Multiresponse |
| 8        | Trilemma                 | Assess whether the statement is true or false                       | True/false    |
| 9        | Single currency benefits | Identify the benefits of a county deciding to be part of the Euro   | Multichoice   |
| 10       | Monetary policy autonomy | Complete the table by matching the correct terms to the letters     | Matchdropdown |

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| 8.1 | Globalisation    |
| 8.2 | Trade            |
| 8.3 | Trade Protection |
| 8.4 | Exchange Rates   |
| 8.5 | Currency Unions  |
| 8.6 | Terms of Trade   |

## Unit 6: Terms of Trade

### Terms of Trade

Candidates should be able to understand what is meant by a country's terms of trade and therefore under what conditions a country finds it advantageous to engage in trade.

### LEARNING OBJECTIVE

- Some examples of currency unions that have been unsuccessful from the past
- Introducing the concept of the trilemma
- Presenting a case study of Denmark and explanation of their decision to be a part of the EU but not the Eurozone
- Explanation of the main benefits of the euro – rose effect, lower transaction costs, price transparency and greater competition
- Evaluating whether the recent Eurozone crisis has affected the case for UK entry in both the short-term and long-term

### DEFINITIONS COVERED:

Terms of trade

Comparative advantage

Terms of Trade Index

### CONTENT:

- Definition of terms of trade
- Showing the formula for calculating the terms of trade index
- Identifying that trade will only take place if the terms of trade for a country are beneficial
- A table to show the impact that changes in export and import prices have on a country's terms of trade
- Evaluating whether a terms of trade deterioration is necessarily bad for a country
- Numerical example of how to calculate a country's terms of trade based on the comparative advantage patterns
- Explanation that trade will only take place if the terms of trade lies between the two countries
- Graphical representation of where the terms of trade need to lie in respect to the country's PPFs for mutually advantageous trade to take place
- Numerical example of how to calculate the terms of trade index for a country
- Evaluating the wider impact an improvement in the terms of trade has on a country
- Evaluating the wider impact a deterioration in the terms of trade has on a country
- A graph to show the change in the UK's terms of trade since the 1970's
- Outlining some evaluation points regarding a terms of trade improvement
- A graph to show the link between the UK terms of trade and the effective exchange rate

## Unit 6: Terms of Trade

### Heckscher-Ohlin Model

#### LEARNING OBJECTIVE

To be able to understand the trade theories put forward by the Heckscher-Ohlin Model.

#### DEFINITIONS COVERED:

Heckscher-Ohlin Model

Ricardian Model

Comparative advantage

#### CONTENT:

- Definition of the Heckscher-Ohlin Model
- Explanation of the main result of the model
- Comparison of the results of the Heckscher-Ohlin Model and other trade models
- Outlining the assumptions that are required for the results of this model to hold
- Explanation of how to derive the conclusion of the model
- Numerical example of how to derive the results of the HO Model
- Evaluating the impact of the results of the model on developed and developing countries
- Evaluating whether the assumptions are robust enough to hold in the real world

#### ASSESSMENT

| Question | Learning Target            | Task   | Style         |
|----------|----------------------------|--|---------------|
| 1        | Heckscher-Ohlin Model      | Assess whether the statement is true or false          | True/false    |
| 2        | HO Model assumptions       | Fill in the blank to complete the statement            | Multichoice   |
| 3        | Capital-labour ratio       | Using the table identify the correct answer            | Multichoice   |
| 4        | HO Model results           | Assess whether the statement is true or false          | True/false    |
| 5        | Terms of trade             | Identify the correct description of the terms of trade | Multichoice   |
| 6        | Terms of trade improvement | Identify the correct statements                        | Multiresponse |
| 7        | Terms of trade calculation | Using the data identify the correct answer             | Multichoice   |
| 8        | Terms of trade calculation | Using the data calculate the correct answer            | Multichoice   |
| 9        | Heckscher-Ohlin Model      | Identify the correct statement                         | Multichoice   |
| 10       | Current account impact     | Identify the impact on the balance of payments         | Multichoice   |

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|-----|------------------|
| 8.1 | Globalisation    |
| 8.2 | Trade            |
| 8.3 | Trade Protection |
| 8.4 | Exchange Rates   |
| 8.5 | Currency Unions  |
| 8.6 | Terms of Trade   |


**LEARNING OBJECTIVE**

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 8 surrounding Globalisation, Trade and Exchange Rates.


**MODULE 8  
EMA**
**QUESTIONS COVER:**

- **UNIT 1:**  
Globalisation

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- **UNIT 2:**  
Trade

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- **UNIT 3:**  
Trade Protection

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- **UNIT 4:**  
Exchange Rates

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- **UNIT 5:**  
Currency Unions

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- **UNIT 6:**  
Terms of Trade

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**ASSESSMENT**

| Question | Learning Target             | Task   | Style         |
|----------|-----------------------------|--|---------------|
| 1        | Golden Brown EU rules       | Identify the correct answers                                       | Multiresponse |
| 2        | Optimal currency area       | Identify the correct definition                                    | Multichoice   |
| 3        | International trade         | Identify the correct statement                                     | Multichoice   |
| 4        | Trade position              | Identify the correct statements                                    | Multiresponse |
| 5        | Exchange rate appreciation  | Identify the correct factors                                       | Multiresponse |
| 6        | Exchange rate depreciation  | Identify the correct factors                                       | Multichoice   |
| 7        | Exchange rate appreciation  | Identify the correct factors                                       | Multiresponse |
| 8        | Exchange rate rise          | Using the diagram identify the correct statements                  | Multiresponse |
| 9        | Recession                   | Identify the correct diagram                                       | Multichoice   |
| 10       | Exchange rate determination | Complete the logical chain of reasoning                            | Matchdropdown |
| 11       | Exchange rate               | Identify the effect an interest rate rise has on the exchange rate | Multichoice   |
| 12       | Globalisation               | Assess whether the statement is true or false                      | True/false    |
| 13       | Outsourcing                 | Assess whether the statement is true or false                      | True/false    |
| 14       | FDI                         | Identify the correct answer  | Multichoice   |
| 15       | Globalisation effects       | Assess whether the statement is true or false                      | True/false    |
| 16       | WTO                         | Identify the main role of the WTO                                  | Multichoice   |
| 17       | MNC                         | Identify the correct definition                                    | Multichoice   |
| 18       | Globalisation consequences  | Identify the correct consequence of globalisation                  | Multichoice   |
| 19       | Tariffs                     | Identify the correct impact of a tariff on a country               | Multiresponse |
| 20       | Trade protectionism         | Identify the argument for trade protectionism                      | Multiresponse |
| 21       | Dumping                     | Identify the trading prohibition outlined by the WTO               | Multichoice   |
| 22       | Absolute advantage          | Identify the correct definition                                    | Multichoice   |
| 23       | Opportunity costs           | Using the table calculate the correct answer                       | Multichoice   |
| 24       | Comparative advantage       | Using the table identify the correct answer                        | Multichoice   |
| 25       | Economic integration        | Identify the correct answer  | Multichoice   |

## Unit 1: Growth, Development and the HDI Index

### Growth, Development and the HDI Index

#### LEARNING OBJECTIVE

Candidates should be able to understand what the Human Development Index is and what its uses and limitations are.

#### DEFINITIONS COVERED:

HDI  
Economic  
growth  
Economic  
development

#### CONTENT:

- Defining and distinguishing between economic growth and economic development
- Definition of the Human Development Index (HDI)
- Identifying the three factors that contribute to the HDI – life expectancy, mean years in school and level of gross national income per capita
- Using figures from four different countries to calculate the HDI and compare across countries
- Showing how to interpret the values of the HDI in terms of how economically developed a country is
- Identifying the main uses of the HDI
- Introducing the limitations of the HDI as a measure of economic development
- Outlining the evaluative points regarding the HDI
- Introducing alternative versions to the HDI such as United Nations Development Diamonds
- A summary of the main alternative measures which could be used either in place or alongside the HDI i.e. literacy rates, mortality rates and levels of environmental degradation

#### ASSESSMENT

| Question | Learning Target             | Task   | Style         |
|----------|-----------------------------|--|---------------|
| 1        | HDI factors                 | Identify the correct HDI factor                  | Multichoice   |
| 2        | HDI factors                 | Identify the correct HDI factor                  | Multichoice   |
| 3        | HDI factors                 | Identify the correct HDI factor                  | Multichoice   |
| 4        | HDI factors                 | Identify the organisation that maintains the HDI | Multichoice   |
| 5        | HDI values                  | Identify the meaning of the HDI value            | Multichoice   |
| 6        | HDI factors                 | Identify the correct HDI factor                  | Multiresponse |
| 7        | Economic growth/development | Match the terms to the correct descriptions      | Matchdropdown |
| 8        | HDI score                   | Identify the correct country                     | Multichoice   |
| 9        | HDI changes                 | Identify the accurate statement                  | Multiresponse |
| 10       | HDI                         | Identify the accurate statement                  | Multiresponse |

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|-----|--|
| 9.1 | Growth, Development and the HDI Index      |
| 9.2 | Factors Influencing Growth and Development |
| 9.3 | Policy Approaches                          |

## Unit 2: Factors Influencing Growth and Development

### Factors Influencing Growth and Development

#### LEARNING OBJECTIVE

Candidates should be able to understand the defining difference between growth and development and the factors that affect these, as well as the limitations of these factors.

#### DEFINITIONS COVERED:

Economic growth

Economic development

Nominal GDP

Real GDP

GDP per capita

AD curve

LRAS curve

Living standards

Corruption

#### CONTENT:

- Defining and distinguishing between economic growth and economic development
- Comparison between the main ways of measuring economic growth and economic development
- Explanation that there is a clear objective way of measuring economic growth
- Explanation that there is a subjective way of measuring economic development
- Introducing the main factors that affect a country's economic growth rate
- Establishing the link between economic growth and economic development i.e. higher economic growth leads to higher life expectancy and a more skilled and healthy workforce
- Graphically representing sustainable and unsustainable economic growth using an AD-AS framework
- Introducing some of the factors that can prevent economic growth and in the long-term development
- Explanation that economic growth does not always transcend into economic development i.e. higher living standards

#### ASSESSMENT

| Question | Learning Target             | Task   | Style          |
|----------|-----------------------------|--|----------------|
| 1        | Economic growth/development | Complete the definitions list                          | Matchdropdown  |
| 2        | UK life expectancy          | Identify the correct figure                            | Multiplechoice |
| 3        | Economic growth limitations | Assess whether the statement is true or false          | True/false     |
| 4        | Sustainable economic growth | Identify the factor that does not contribute to growth | Multiplechoice |
| 5        | Living standards            | Identify the correct answer                            | Multiplechoice |
| 6        | Economic growth             | Identify the incorrect statement                       | Multiplechoice |
| 7        | Economic development        | Identify the correct statement                         | Multiplechoice |
| 8        | Economic growth             | Assess whether the statement is true or false          | True/false     |
| 9        | UK Education                | Identify the correct figure                            | Multiplechoice |
| 10       | Corruption                  | Assess whether the statement is true or false          | True/false     |

## Unit 3: Policy Approaches

### Policy Approaches

### LEARNING OBJECTIVE

Candidates should be able to understand the various policies that are adopted to promote economic development and growth, as well as making the distinction between market-based and interventionist strategies.

#### DEFINITIONS COVERED:

Economic growth

Sustainable economic growth

Economic development

Free-Market policy

Interventionist policy

Harrod-Domar model

Capital output ratio

FDI

Deregulation

Privatisation

Free Trade

Protectionism

IMF

World Bank

#### CONTENT:

- Explanation that economic growth only leads to economic development if sustainable growth is achieved
- Definition of the Harrod-Domar Model
- Definition of the capital output ratio
- Identifying why developing countries may experience low levels of economic development with reference to the Harrod-Domar model
- Outlining the structural frictions and problems that prevent the Harrod-Domar Model from operating properly in developing countries such as lack of savings and poor infrastructure
- Outlining three solutions to remove these problems from the model – borrowing from abroad, overseas aid and FDI
- Evaluating the problems associated with each of these solutions which could lead to accompanying leakages
- Introducing the demand-side policies for creating economic growth for a country
- Graphically representing the economic impact of these policies in an AD-AS framework
- Outlining the limitations of demand-side policies
- Introducing the supply-side policies for creating economic growth for a country
- Graphically representing the economic impact of these policies in an AD-AS framework
- Outlining the limitations of supply-side policies
- Identifying policies that lead to sustained increases in real GDP i.e. deregulation and privatisation
- Identifying the role of the World Bank and the IMF and the policies that they introduce
- Definition of free-market policies
- Definition of interventionist policies
- Identifying the types of free-market policies that a country can implement i.e. FDI and deregulation
- Identifying the types of interventionist policies that a country can implement i.e. Protectionism and exchange rate intervention
- Outlining the advantages of interventionist policies
- Outlining the criticisms of interventionist policies

#### ASSESSMENT

| Question | Learning Target          | Task   | Style         |
|----------|--------------------------|--|---------------|
| 1        | Harrod-Domar Model       | Assess whether the statement is true or false        | True/false    |
| 2        | Harrod-Domar Model       | Identify the correct factor                          | Multichoice   |
| 3        | Harrod-Domar Model       | Match the associated leakages with policy injections | Matchdropdown |
| 4        | Economic growth          | Assess whether the statement is true or false        | True/false    |
| 5        | Economic growth          | Identify the policy that would match the curve shift | Multiresponse |
| 6        | Economic growth policies | Identify the correct policies                        | Multiresponse |
| 7        | Demand-side policies     | Identify the limitation of these policies            | Multichoice   |
| 8        | Living standards         | Assess whether the statement is true or false        | True/false    |
| 9        | Interventionist policy   | Identify the correct answer                          | Multichoice   |
| 10       | IMF                      | Identify the correct answer                          | Multichoice   |

- 9.1 Growth, Development and the HDI Index
- 9.2 Factors Influencing Growth and Development
- 9.3 Policy Approaches

## LEARNING OBJECTIVE

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 9 surrounding economic growth and development.

## MODULE 9 EMA

### QUESTIONS COVER:

- **UNIT 1:**  
Growth, Development and the HDI Index
- **UNIT 2:**  
Economic Growth and Development
- **UNIT 3:**  
Policy Approaches

### ASSESSMENT

| Question | Learning Target                | Task   | Style         |
|----------|--------------------------------|--|---------------|
| 1        | Growth and development         | Complete the definitions list                                | Matchdropdown |
| 2        | Economic growth                | Identify the correct factor(s)                               | Multiresponse |
| 3        | Sustainable economic growth    | Identify the correct factor(s)                               | Multiresponse |
| 4        | Sustainable economic growth    | Identify the correct factor(s)                               | Multiresponse |
| 5        | HDI values                     | Evaluate the HDI value                                       | Multichoice   |
| 6        | Harrod-Domar Model             | Identify the correct statement(s)                            | Multiresponse |
| 7        | Harrod-Domar Model             | Identify the correct factor                                  | Multichoice   |
| 8        | Harrod-Domar Model             | Identify the correct statement(s)                            | Multiresponse |
| 9        | Harrod-Domar Model             | Identify the correct statement(s)                            | Multiresponse |
| 10       | Harrod-Domar Model             | Identify the correct statement(s)                            | Multiresponse |
| 11       | Harrod-Domar Model             | Identify the correct statement(s)                            | Multiresponse |
| 12       | World Bank                     | Identify the correct policy                                  | Multichoice   |
| 13       | Free-market policy             | Assess whether the statement is true or false                | True/false    |
| 14       | Interventionist policy         | Identify the problem with this type of policy                | Multichoice   |
| 15       | Interventionist policy         | Assess whether the statement is true or false                | True/false    |
| 16       | HDI                            | Complete the table of the HDI values                         | Matchdropdown |
| 17       | UK GNI per capita              | Identify the correct figure                                  | Multichoice   |
| 18       | HDI                            | Assess whether the statement is true or false                | True/false    |
| 19       | HDI values                     | Complete the diagram to show the breakdown of the HDI values | Matchdropdown |
| 20       | HDI use                        | Identify the correct uses of the HDI                         | Multiresponse |
| 21       | Interventionist vs Free-market | Complete the table   | Matchdropdown |
| 22       | Economic growth policies       | Identify the correct policies                                | Multiresponse |
| 23       | Demand-side policies           | Identify the limitation of these policies                    | Multichoice   |
| 24       | Economic growth                | Identify the incorrect statement                             | Multichoice   |
| 25       | Economic development           | Identify the incorrect factor                                | Multichoice   |

## Unit 1: The Distribution of Income and Wealth

### The Distribution of Income and Wealth

Candidates should be able to make the distinction between wealth and income and also be able to understand recent trends in income inequality for the UK.

#### LEARNING OBJECTIVE

#### DEFINITIONS COVERED:

Income

Wealth

Land

Capital

Labour

Entrepreneurship

Income inequality

#### CONTENT:

- Defining and distinguishing between income and wealth
- Examples of assets that make up a person's wealth (house, shares and bonds, a car and cash)
- An illustration of a measure of the change in wealth in the UK using the Household Wealth Survey
- Explaining the link between income and wealth (flow and stock)
- Explaining the theory that income is not equal to wealth using the factors of production as an example
- The main factors driving income inequality
- A graph to show the spread of incomes in the UK
- A pie chart to show the top fifth of income earners owning 40% of the income in the UK
- A graph to show the regional spread of income across the UK
- A pie chart to show the richest 10% owning 44% of the wealth in the UK
- A graph to compare the income inequality from the UK with other major countries

### Income Inequality

Candidates should be able to understand how to use the Lorenz Curve and Gini Coefficient to interpret a country's income distribution and the policies implemented to improve the distribution.

#### DEFINITIONS COVERED:

Lorenz curve

Gini coefficient

Income

Wealth

Income inequality

Progressive taxes

Welfare system

Demand-side policies

Minimum wage

Unemployment trap

Poverty trap

#### CONTENT:

- Reinforcing the causes of income inequality
- Definition of the Lorenz curve
- Numerically deriving the Lorenz curve and the accompanying line of equality
- Graphically representing shifts in the Lorenz curve and interpreting the economic impact of this
- Definition of the Gini coefficient
- Graphically showing how to calculate the Gini coefficient using the Lorenz curve
- Interpreting the meaning of the values of the Gini coefficient
- Presenting and explaining various policy solutions to reduce the problem of income inequality
- Graphical explanation of how the introduction of a minimum wage could remove income inequality
- Illustrating the effects that these successful policies could have on the Lorenz curve and Gini coefficient
- Outlining the limitations of the policy solutions

10.1 The Distribution of Income and Wealth

10.2 Poverty



## LEARNING OBJECTIVE

## ASSESSMENT

| Question | Learning Target           | Task  | Style       |
|----------|---------------------------|---|-------------|
| 1        | Lorenz curve              | Identify the correct statement                | Multichoice |
| 2        | Gini coefficient          | Identify the correct statement                | Multichoice |
| 3        | Gini coefficient changes  | Identify the correct statement                | Multichoice |
| 4        | Income distribution       | Identify the correct statement                | Multichoice |
| 5        | Line of equality          | Fill the blanks to complete the statement     | Multichoice |
| 6        | Income inequality         | Identify the correct statement                | Multichoice |
| 7        | Gini coefficient          | Identify the correct figure                   | Multichoice |
| 8        | Poverty reducing policies | Assess whether the statement is true or false | True/false  |
| 9        | Income inequality         | Identify the correct policy                   | Multichoice |
| 10       | Income distribution       | Identify the correct answer                   | Multichoice |

## Unit 2: Poverty

### Poverty

### LEARNING OBJECTIVE

Candidates should be able to make the distinction between absolute and relative poverty and their respective causes, as well as the policies implemented to reduce poverty.

#### DEFINITIONS COVERED:

Absolute poverty

Relative poverty

Cycle of poverty

Poverty line

Economic  
development

Progressive taxes

Means tested  
benefits

FDI

Millennium  
Development Goals  
2015

#### CONTENT:

- Defining and distinguishing between absolute and relative poverty
- A figure to show the changes in the absolute poverty rate in the UK since 1996 according to the IFS
- Explanation of relative poverty using the poverty line
- Causes of both absolute and relative poverty
- Outlining the financial costs to the government of poverty existing in the UK economy
- Outlining and describing the possible poverty reduction policies for both developed and developing countries
- A detailed look at the MDG's of 2015 as evidence of whether successful poverty policies have been put in place
- Highlighting the characteristics of poverty stricken areas that still persists despite poverty being reduced worldwide

#### ASSESSMENT

| Question | Learning Target            | Task   | Style         |
|----------|----------------------------|--|---------------|
| 1        | Poverty trap               | Identify the correct statement                     | Multichoice   |
| 2        | Cycle of poverty           | Complete the cycle of poverty                      | Matchdropdown |
| 3        | Absolute poverty           | Identify the correct statement                     | Multichoice   |
| 4        | Negative income tax        | Identify the correct statement                     | Multichoice   |
| 5        | Poverty line               | Assess whether the statement is true or false      | True/false    |
| 6        | Negative income tax        | Identify the correct statement                     | Multichoice   |
| 7        | UK poverty                 | Identify the correct figure                        | Multichoice   |
| 8        | Poverty rates              | Identify the country with the highest poverty rate | Multichoice   |
| 9        | Poverty reduction policies | Identify the correct answer                        | Multichoice   |
| 10       | Regressive tax system      | Assess whether the statement is true or false      | True/false    |

10.1 The Distribution of Income and Wealth

10.2 Poverty

**LEARNING  
OBJECTIVE**

A 25 question assessment to help reinforce and develop students' understanding and knowledge of the basic concepts covered in Module 10 surrounding the distribution of income and wealth.

**MODULE 10  
EMA****QUESTIONS  
COVER:**

- **UNIT 1:**  
Distribution of  
Income and Wealth
- **UNIT 2:**  
Poverty

**ASSESSMENT**

| Question | Learning Target           | Task   | Style         |
|----------|---------------------------|--|---------------|
| 1        | Income inequality         | Identify the correct statement                           | Multiresponse |
| 2        | Lorenz curve              | Identify the correct point on the Lorenz curve           | Multichoice   |
| 3        | Gini coefficient          | Using the graphs identify the correct answer             | Multichoice   |
| 4        | Average income            | Assess whether the statement is true or false            | True/false    |
| 5        | Gini coefficient          | Identify the correct statement                           | Multichoice   |
| 6        | Absolute poverty          | Identify the correct definition                          | Multichoice   |
| 7        | Income tax                | Identify the correct statement                           | Multichoice   |
| 8        | Poverty reducing policies | Identify the correct policy                              | Multichoice   |
| 9        | Relative poverty          | Identify the correct definition                          | Multichoice   |
| 10       | Poverty threshold         | Assess whether the statement is true or false            | True/false    |
| 11       | Relative poverty          | Identify the correct statement                           | Multichoice   |
| 12       | Absolute poverty          | Assess whether the statement is true or false            | True/false    |
| 13       | Gini coefficient          | Assess whether the statement is true or false            | True/false    |
| 14       | Income/Wealth             | Identify the difference between income and wealth        | Multichoice   |
| 15       | Lorenz curve              | Identify the correct statement                           | Multichoice   |
| 16       | Distribution of income    | Identify the correct statement                           | Multichoice   |
| 17       | Gini coefficient          | Identify the correct statement(s)                        | Multiresponse |
| 18       | Progressive tax           | Assess whether the statement is true or false            | True/false    |
| 19       | Government trade-off      | Assess whether the statement is true or false            | True/false    |
| 20       | Government redistribution | Assess whether the statement is true or false            | True/false    |
| 21       | Income inequality         | Identify the correct policy                              | Multichoice   |
| 22       | Income distribution       | Using the data in the table calculate the missing values | Matchdropdown |
| 23       | Gini coefficient          | Identify the correct answer                              | Multichoice   |
| 24       | Government policy         | Identify the correct policy                              | Multichoice   |
| 25       | Income inequality         | Identify the correct statement                           | Multichoice   |

