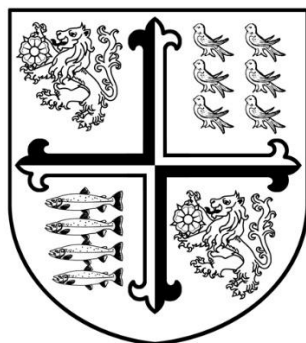




A-level Economics Assessment Preparation

Year 12

Exam Board: AQA



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Year 12 Economics Assessment Schedule

Half Term 1

- TAQ 1 – EAD: Week 4 – 28/9
- Assessment 1 – EAD: Week 6 – 5/10
- Assessment Type: MCQs

<u>Micro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.1.1.1 Economic methodology	- Economics as a social science - The difference between positive and normative statements - How value judgements influence economic decision making			
4.1.1.2 The nature and purpose of economic activity	- The central purpose of economic activity is the production of goods and services to satisfy needs and wants - The key economic decisions are: what to produce, how to produce and who is to benefit from the goods and services produced			
4.1.1.3 Economic resources	- Classification of economic resources into land, labour, capital and enterprise, which are the factors of production - The environment is a scarce resource			
4.1.1.4 Scarcity, choice and the allocation of resources	- The fundamental economic problem is scarcity and that it results from limited resources and unlimited wants - Scarcity means that choices have to be made about how scarce resources are allocated between different uses - Choices have an opportunity cost			
4.1.1.5 Production possibility diagrams	Production possibility diagrams illustrate different features of the fundamental economic problem, such as: resource allocation, opportunity cost and trade-offs, unemployment of economic resources, economic growth			
4.1.4.2 Specialisation, division of labour and exchange	- The benefits of specialisation and division of labour - Why specialisation necessitates an efficient means of exchanging goods and services, such as the use of money as a medium of exchange			

<u>Macro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.2.1.1 The objectives of government economic policy	- The main objectives of government macroeconomic policy: economic growth, price stability, minimising unemployment and a stable balance of payments on current account - The possibility of conflict arising, at least in the short run, when attempting to achieve these objectives			
4.2.1.2 Macroeconomic indicators	Data which is commonly used to measure the performance of an economy, such as: real GDP, real GDP per capita, Consumer Prices and Retail Prices Indices (CPI/RPI), measures of unemployment			
4.2.1.3 Uses of index numbers	How index numbers are calculated and interpreted, including the base year and the use of weights			
4.2.3.1 Economic growth and the economic cycle	- The concept of the economic cycle and the use of a range of economic indicators, such as real GDP, the rate of inflation, unemployment and investment, to identify the various phases of the economic cycle - The difference between positive and negative output gaps			

Half Term 1 Revision Questions

Microeconomics

1. What is a social science?
2. Is Economics a social or natural science?
3. Define a positive statement
4. Write an example of a normative statement
5. What type of judgement do all normative statements include?
6. What factors influence people's views concerning the best option?
7. What is the economic problem?
8. What key decisions do economists make because of the economic problem?
9. What is an economic good?
10. What is a free good?
11. What are the factors of production?
12. Why is the environment a scarce resource?
13. Define opportunity cost. Why does scarcity lead to an opportunity cost?
14. What does a PPF show?
15. Why are all points outside of the PPF impossible to reach?
16. How does the PPF show opportunity cost?
17. What does production convert inputs into?
18. Define productivity
19. Define, with a formula, labour productivity
20. What is the difference between specialisation and division of labour?
21. Outline 3 benefits of specialisation
22. Explain why trade is essential for specialisation to be more effective

Macroeconomics

1. What are the 4 macroeconomic objectives?
2. What additional objectives do the government have?
3. Why might there be conflicts between the objectives that the government have set?
4. Define real GDP and real GDP per capita
5. What is the difference between CPI and RPI?
6. How is unemployment measured?
7. What is the balance of payments on current account?
8. What does it mean if there is a deficit on the balance of payments?
9. How is inflation measured?
10. What is meant by the 'average family' and a 'basket of goods and services'?
11. What are index numbers? How are they used to measure changes in price levels or other economic variables?
12. What is meant by economic growth?
13. What are the 4 stages of the economic cycle? Name 2 characteristics of each stage
14. What is the difference between a positive and negative output gap?
15. What is the trend rate of growth?

Half Term 2

- TAQ 2 – EAD: Week 10 – 9/11
- Assessment 2 – EAD: Week 12 – 23/11
- Assessment Type: MCQs

<u>Micro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.1.3.1 The determinants of the demand for goods and services	• A demand curve shows the relationship between price and quantity demanded • The causes of shifts in the demand curve			
4.1.2.1 Consumer behaviour	• Rational economic decision making and economic incentives • Utility theory: Utility maximisation, total and marginal utility, and the hypothesis of diminishing marginal utility			
4.1.2.3 Aspects of behavioural economic theory	• Bounded rationality and bounded self-control • Biases in decision making: rules of thumb, anchoring, availability and social norms • The importance of altruism and perceptions of fairness.			
4.1.3.2 Price and income elasticities of demand	• Be able to calculate price and income elasticities of demand • The relationship between income elasticity of demand and normal and inferior goods • The relationships between price elasticity of demand and firms' total revenue (total expenditure) • The factors that influence these elasticities of demand			
4.1.3.3 The determinants of the supply of goods and services	• A supply curve shows the relationship between price and quantity supplied • Understand that higher prices imply higher profits and that this will provide the incentive to expand production • The causes of shifts in the supply curve.			
4.1.3.4 Price elasticity of supply	• Be able to calculate price elasticity of supply • The factors that influence price elasticity of supply			

<u>Macro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.2.2.1 The circular flow of income	• The difference between nominal and real income • The equation income = output = expenditure • The difference between injections and withdrawals • The effect of changes in injections and withdrawals			
4.2.2.2 Aggregate demand and aggregate supply analysis	• Cause of movements and factors that shift the AD and SRAS • Factors which affect LRAS • Use of AD and AS diagrams to illustrate changes in the price level, demand-deficient (cyclical) unemployment and economic growth			
4.2.2.3 The determinants of aggregate demand	• What is meant by AD • The determinants of AD • The basic accelerator process • The determinants of savings and the difference between saving and investment			
4.2.2.4 Aggregate demand and the level of economic activity	• The multiplier process • The concept of the marginal propensity to consume • Why the size of the marginal propensity to consume determines the magnitude of the multiplier effect			
4.2.2.5 Determinants of short-run aggregate supply	• The price level and production costs are the main determinants of the SRAS • Shifts in SRAS due to changes in costs			
4.2.2.6 Determinants of long-run aggregate supply	• Determinants of LRAS • The position of the vertical LRAS represents the normal capacity level of output of the economy • The Keynesian AS curve			

Half Term 2 Revision Questions

Microeconomics

1. What is the relationship between price and quantity demanded?
2. What causes a movement along the demand curve?
3. List three causes of shifts in the demand curve?
4. Why is the supply curve upward sloping?
5. What causes a movement along the supply curve?
6. List three causes of shifts in the supply curve?
7. What's the formula for PED, YED, PES?
8. Why is PED always negative?
9. What result signifies elastic demand?
10. Give an example of a good or service that is elastic demand and one that has inelastic demand
11. Draw a perfectly inelastic demand curve
12. What is the relationship between PED and total revenue?
13. What factors influence the PED of a product?
14. What result signifies a normal good?
15. What is an example of a normal and inferior good?
16. Is PES always positive or negative? Why?
17. What factors influence whether a product is elastic or inelastic in supply?
18. Draw a diagram showing a perfectly elastic supply curve
19. What is meant by unitary or unit elastic?
20. What are rational decisions?
21. What is the difference between marginal and total utility
22. What is the hypothesis of diminishing marginal utility?
23. Why is information important for decision making?
24. What is asymmetric information?
25. What is meant by behavioural economics?
26. What is the difference between behavioural rationality and bounded self-control?
27. What factors impact the decision making of an individual? (e.g. rules of thumb, anchoring etc)
28. What is meant by altruism?
29. Explain how behavioural economics impacts governmental policy?
30. What are the three different types of choices?
31. What is the difference between framing and nudges?

Macroeconomics

1. Define the circular flow of income
2. What does national income measure?
3. How is real national income an indicator of economic performance?
4. What does income =?
5. What is the difference between nominal and real income?
6. What are injections into the circular of income? Give an example
7. What are withdrawals into the circular of income? Give an example
8. What is the impact of injections and withdrawals on national income?
9. What happens to AD when there are changes in the price level?
10. What are the components of AD?
11. How does AD impact the level of economic activity (growth)?
12. Define the accelerator process
13. How does a rise in the value of the Euro impact AD in the UK?
14. Explain the term 'marginal propensity to consume'
15. What is meant by the increasing propensity to save? What is the impact on AD?
16. What is the difference between saving and investment?
17. Define the multiplier process?
18. How do the accelerator and multiplier work together?
19. How is the value of the multiplier process calculated?
20. List 3 factors that cause AD curves to shift
21. Define AS
22. What happens to AS when there are changes in the price level?
23. What is the main difference between SRAS and LRAS?
24. What are the main determinants (components) of SRAS?
25. List 3 factors that will cause a shift in SRAS
26. What two diagrams illustrate the LRAS?
27. List 3 factors that cause LRAS curves to shift
28. At what point is the economy in equilibrium?
29. What is the impact on the price level of an increase in consumer's disposable income? Draw a diagram illustrating this
30. What are demand side shocks?
31. Illustrate the impact of a demand side shock on an AD/AS diagram
32. How does your diagram in question 40 illustrate (demand deficient) cyclical unemployment?
33. What are supply side shocks? Diagram?
34. Illustrate the impact of economic growth on the LRAS

Half Term 3

- TAQ 3 – EAD: Week 16 – 4/1
- Assessment 3 – EAD: Week 19 – 25/1
- Assessment Type: MCQs and diagrams

<u>Micro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.1.3.5 The determination of equilibrium market prices	• How the interaction of demand and supply determines equilibrium prices in a market economy • The difference between equilibrium and disequilibrium • Why excess demand and excess supply lead to changes in price			
4.1.3.2 Cross Elasticity of demand	• Be able to calculate cross elasticities of demand • The relationship between cross elasticity of demand and substitute and complementary goods. • The factors that influence cross elasticity of demand			
4.1.3.6 The interrelationship between markets	• The implications of joint demand, competitive demand, composite demand, derived demand and joint supply			
4.1.8.2 Market Failure	• Market failure occurs whenever a market leads to a misallocation of resources • The difference between complete and partial market failure			
4.1.8.6 Market imperfections	• Market failure causes - imperfect and asymmetric information, existence of monopoly and monopoly power and immobility of factors of production			
4.1.8.3 Public Goods	• Pure public goods are non-rival and non-excludable • The difference between a public, private and quasi-public good • The significance of technological change • The free-rider problem.			
4.1.8.4 Externalities	• Externalities exist when there is a divergence between private and social costs and benefits. Diagrams to illustrate this			

<u>Macro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.2.6.3 Balance of Payments	• The current account comprises trade in goods, trade in services, primary income and secondary income • The meaning of a deficit and a surplus on the current account • The factors that influence a country's current account balance such as productivity, inflation and the exchange rate			
4.2.3.3 - Inflation and deflation	• The concepts of inflation, deflation and disinflation • Demand-pull and cost-push influences on the price level • The consequences of inflation and deflation for both individuals and the performance of the economy			
4.2.3.2 Employment and unemployment	• The main UK measures of unemployment • The concepts of voluntary and involuntary unemployment • The types/causes of unemployment (seasonal, frictional, structural, cyclical and real wage unemployment) • The concept of, and the factors which determine, the natural rate of unemployment • The consequences of unemployment for individuals and for the performance of the economy.			
4.2.3.1 Economic growth and cycle	• The difference between short-run and long-run growth • The various demand-side and supply-side determinants of short-run growth of real national income and the long-run trend rate of economic growth • The costs and benefits of economic growth • The impact of growth on individuals, the economy and the environment • The causes of changes in the various phases of the economic cycle, including both global and domestic demand-side and supply-side shocks			

Half Term 3 Revision Questions

Microeconomics

1. What's the formula for cross ED?
2. What are complement and substitutes? Give an example of each
3. What would happen to the demand for washing powder, if washing machines became more expensive?
4. What is meant by competitive demand and joint demand?
5. What are the results for complements and substitutes?
6. When is the market in disequilibrium?
7. Why does excess demand/supply lead to changes in price?
8. What is the difference between composite demand, derived demand and joint supply?
9. What is an example of joint demand?
10. Draw a diagram illustrating competitive demand
11. What is meant by rationing, signalling and incentive?
12. Explain briefly the benefits of the free market (link to rationing, incentive and signalling)
13. Explain the main drawback of the price mechanism
14. Outline one market that the price mechanism would be unsuitable for
15. Define market failure
16. List the causes of market failure
17. What's the difference between complete and partial market failure? Give an example of each
18. What are the characteristics of a public good?
19. Give an example of a private and public good
20. What is the name of a good that has only partial characteristics of a public good?
21. Explain the free-rider problem
22. How has technology made some public goods increasingly private?
23. What is the difference between imperfect and asymmetric information?
24. Define the term monopoly. Give an example of a monopoly
25. What are barriers to entry?
26. What are the potential benefits/drawbacks of a monopoly?
27. Why does imperfect competition (monopolies) lead to market failure?
28. What are the two reasons for the immobility of labour?
29. Why is inequality of income and wealth seen as market failure?

Macroeconomics

1. Define the term unemployment
2. What are the two main measures of unemployment?
3. What are the 4 main causes of unemployment?
4. Illustrate unemployment on an AD/AS diagram
5. What is the difference between voluntary and involuntary unemployment?
6. What is real wage unemployment? Draw a diagram
7. Outline two factors that increase real wage unemployment?
8. What is the natural rate of unemployment? Draw a diagram illustrating this
9. Why do changes in foreign economies impact the levels of unemployment in the UK?
10. What is the difference between inflation, deflation and disinflation?
11. What are the two causes of inflation?
12. What are deflationary policies?
13. How can changes in world commodity prices affect domestic inflation?
14. How can changes in world economies affect UK inflation?
15. What is the BOP on the current account?
16. What does it mean to have a deficit on the BOP?
17. What does the current account comprise of?
18. Why is international trade important to the UK economy?
19. Name 3 factors that will influence a country's current account balance
20. What is the impact of a negative/positive output gap on unemployment and inflation?
21. What is meant by economic growth?
22. What is the difference between SR and LR growth?
23. What is the trend rate of growth?
24. What cause SR and LR economic growth?
25. Illustrate the impact of economic growth on the LRAS.
26. What are the 4 stages of the economic cycle? Name 2 characteristics of each stage
27. What 4 factors cause cyclical instability?
28. What is meant by animal spirits / herding?
29. What is the difference between a positive and negative output gap?
30. Outline two benefits of economic growth
31. Outline two drawbacks of economic growth
32. Is economic growth sustainable?
33. What is the impact on the price level of an increase in consumer's disposable income?
34. What are demand side and supply side shocks?
35. Illustrate the impact of shocks on an AD/AS diagram

Half Term 4

- TAQ 4 – EAD: Week 23 – 1/3
- Assessment 4 – EAD: Week 25 – 15/3
- Assessment Type: 25 mark essay

<u>Micro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.1.8.4 Externalities	Externalities exist when there is a divergence between private and social costs and benefits. Diagrams to illustrate this			
4.1.8.5 Merit and demerit goods	- The classification of merit and demerit goods depends upon a value judgement and are subject to positive and negative externalities in consumption - How under-provision of merit goods and over-provision of demerit goods may also result from imperfect information			
4.1.8.9 Government Intervention	- The existence of market failure, in its various forms, provides an argument for government intervention in markets - Governments influence the allocation of resources through public expenditure, indirect taxation, subsidies, price controls, state provision and regulation			
4.1.2.4 Behavioural economics and economic policy	Governments and other agencies influence economic decision making through choice architecture, framing, nudges, default choices, restricted choice and mandated choice			
4.1.8.10 Government Failure	- Government failure occurs when government intervention in the economy leads to a misallocation of resources - Inadequate information, conflicting objectives and administrative costs are possible sources of government failure - Governments may create, rather than remove, market distortions - Government intervention can lead to unintended consequences			

<u>Macro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.2.4.3 Government Policy and Objectives	The main objectives of government macroeconomic policy: economic growth, price stability, minimising unemployment and a stable balance of payments on current account			
4.2.4.3 Monetary policy - transmission mech	- The main functions of a central bank - The current objectives of monetary policy set by the government - The role of the Monetary Policy Committee of the Bank of England (MPC) and how it uses changes in bank rate to try to achieve the objectives - The factors considered by the MPC when setting the bank rate - Funding for Lending and forward guidance - The monetary policy transmission mechanism			
4.2.4.3 Monetary policy - exchange rates	How changes in the exchange rate affect aggregate demand and the various macroeconomic policy objectives			
4.2.4.3 Monetary policy - money supply	- How the Bank of England can influence the growth of the money supply - Quantitative easing			
4.2.5.1 Fiscal policy	- Fiscal policy involves the manipulation of government spending, taxation and the budget balance - How fiscal policy can be used to influence aggregate demand - How fiscal policy can be used to influence aggregate supply - The types of and reasons for public expenditure and why governments levy taxes - The relationship between the budget balance and the national debt - The consequences of budget deficits and surpluses for macroeconomic performance - The significance of the size of the national debt			

Half Term 4 Revision Questions

Microeconomics

1. Why is an externality seen as market failure?
2. List the four types of externalities
3. Draw a MSB/MPB and MPC/MSB diagram to illustrate a positive externality in consumption and a negative externality in production
4. Draw a demand/supply diagram to illustrate a negative externality in consumption and a positive externality in production
5. What costs are included in social costs?
6. Give an example of an external benefit
7. Define, with an example, a merit good
8. Define, with an example, a demerit good
9. What is a value judgement?
10. Why do merit and demerit goods often result from imperfect information?
11. List the methods the government can adopt to deal with market failure
12. For two methods draw a diagram and list 2 benefits and drawbacks
13. Define government failure
14. What are the different levels of government failure?
15. Outline three reasons for government failure
16. Explain how behavioural economics impacts governmental economic policy?
17. What are the three different types of choices?
18. What is the difference between framing and nudges?

Macroeconomics

1. What are the 4 macroeconomic objectives?
2. What additional objectives do the government have?
3. What are the main functions of a central bank?
4. What actions are controlled under monetary policy?
5. What is meant by Funding for Lending?
6. What is meant by forward guidance?
7. Who makes the decisions over interest rates? Are they part of the government?
8. What is the target rate for inflation? How does the MPC impact this?
9. What factors do the MPC have to consider when setting the bank rate?
10. What is the link between interest rates and the exchange rate?
11. What is meant by hot money?
12. What is the current interest rate? Why is it at this level?
13. What is meant by the monetary policy transmission mechanism?
14. Explain the process of quantitative easing?
15. What is included under fiscal policy?
16. How does fiscal policy have both macro and micro implications?
17. How does fiscal policy have both demand side and supply side implications?
18. What is an expansionary fiscal policy? What is the opposite?
19. Outline two reasons why governments levy taxation
20. What is meant by a budget deficit?
21. How does the budget link to national debt?
22. Explain two reasons for government expenditure
23. Why does the multiplier effect often link to fiscal policy?
24. What is meant by the trickle-down effect?
25. What are the consequences of a government running a budget surplus?
26. What are the consequences of a government running a budget deficit?
27. Is the current national debt an issue?
28. How can the government rebalance the budget? What are the consequences of these actions?

Half Term 5

- TAQ 5 – EAD: Week 32 – 17/5
- Assessment 5 – Year 12 Summer Exam: Week 27 – 12/4
- Assessment Type: 25 mark essay for both micro and macroeconomics

<u>Micro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
All topics covered in HT 1-4				
4.1.8.1 Free market argument	• The rationing, incentive and signalling functions of prices in allocating resources and coordinating the decisions of buyers and sellers in a market economy • The advantages and disadvantages of the price mechanism • How economic incentives influence what, how and for whom goods and services are produced • Assess the view that introducing the price mechanism and markets into some fields of human activity may be undesirable and is likely to affect the nature of the activity, eg introducing a market for blood changes the nature of the transaction and the incentives involved			

<u>Macro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
All topics covered in HT 1-4				
4.2.5.2 Supply-side policies	• The difference between supply-side policies and supply-side improvements in the economy • How supply-side policies, such as tax changes designed to change personal incentives, may increase the potential output of the economy and improve the underlying trend rate of economic growth • How supply-side policies can affect unemployment, the rate of change of prices and UK external performance, as reflected in the balance of payments on current account • The role of supply-side policies in reducing the natural rate of unemployment • Policies include measures such as: tax cuts, privatisation, deregulation, government spending on education and training, industrial policy and subsidising spending on research and development • Supply-side policies can have microeconomic as well as macroeconomic effects.			

Half Term 5 Revision Questions

Microeconomics

1. What is meant by rationing, signalling and incentive?
2. Explain briefly the benefits of the free market (link to rationing, incentive and signalling)
3. Explain the main drawback of the price mechanism
4. Outline one market that the price mechanism would be unsuitable for

Macroeconomics

1. What are the main areas the government spends money in?
2. What are supply-side policies?
3. Give examples of the main supply-side policies?
4. What are supply-side improvements? Where do these improvements often originate?
5. How do successful supply-side policies impact inflation?
6. How do successful supply-side policies impact unemployment?
7. How do successful supply-side policies impact the BOP?
8. How can supply-side policies such as tax changes help change personal incentives? How can supply-side policies reduce the natural rate of unemployment?
9. What is the impact of supply-side policies on the underlying trend rate of economic growth?
10. What are the main free market supply-side policies?
11. What are the main interventionist supply-side policies?
12. Explain why supply-side policies can have micro as well as macro effects

Half Term 6

- TAQ 6 – EAD: Week 38 – 5/7
- Assessment 4 – EAD: Week 34 – 7/6
- Assessment Type: 9 mark question and MCQs

<u>Micro Topics</u>	<u>Key Concepts</u>	<u>R</u>	<u>A</u>	<u>G</u>
4.1.4.3 Law of diminishing and returns to scale	• The difference between the short run and the long run • The difference between marginal, average and total returns • The law of diminishing returns • The difference between increasing, constant and decreasing returns to scale			
4.1.4.4 Costs of production	• The difference between fixed, variable, marginal, average and total costs • The difference between short-run and long-run costs • The reasons for shape of the marginal, average and total cost curves • How factor prices and productivity affect firms' costs of production and their choice of factor inputs			
4.1.4.5 Economies and diseconomies of scale	• The difference between internal and external economies of scale • Reasons for economies and diseconomies of scale • The relationship between returns to scale and economies or diseconomies of scale • The L-shaped long-run average cost curve • The concept of the minimum efficient scale of production			
4.1.4.6 Revenues	• The difference between marginal, average and total revenue • Why the average revenue curve is the firm's demand curve • The relationship between average and marginal revenue • The relationship between marginal revenue and total revenue			
4.1.5.2 Objectives of the Firm - profit maximisation	• Assumption firms aim to maximise profit • The difference between normal and abnormal (supernormal) profit • The profit-maximising rule ($MC=MR$) • The reasons for and the consequences of a divorce of ownership from control. The satisficing principle			
4.1.5.2 Objectives of the Firm - sales maximisation/rev max	• Students should recognise that firms have a range of possible objectives including survival, growth, quality, maximising their sales revenue and increasing their market share • Position on cost curves of revenue maximisation, sales maximisation and profit maximisation			
4.1.5.11 Consumer and producer surplus	• Diagram and understanding of consumer and producer surplus			
4.1.5.10 Efficiencies	• The difference between static efficiency and dynamic efficiency • The conditions required for productive efficiency (minimising average total costs) and allocative efficiency (price = marginal cost)			

Macro Topics	Key Concepts	R	A	G
4.2.5.2 Supply-side policies	• Policies include measures such as: tax cuts, privatisation, deregulation, government spending on education and training, industrial policy and subsidising spending on research and development			
4.2.4.1 The structure of financial markets and financial assets	• The characteristics and functions of money • Definitions of the money supply and the distinction between narrow money and broad money • The difference between the money market, the capital market and the foreign exchange market • The role of financial markets in the wider economy • The difference between debt and equity • Why there is an inverse relationship between market interest rates and bond prices			
4.2.4 Financial markets - banks	• The difference between a commercial bank and an investment bank • The main functions of a commercial bank • The structure of a commercial bank's balance sheet • The objectives of a commercial bank, i.e. liquidity, profitability and security and the potential conflicts between these objectives • How banks create credit			

Half Term 6 Revision Questions

Microeconomics

1. What does production convert inputs into?
2. Define productivity
3. Define, with a formula, labour productivity
4. What is the difference between specialisation and division of labour?
5. Outline 3 benefits of specialisation
6. Explain why trade is essential for specialisation to be more effective
7. What is the difference between the short run and the long run?
8. Define the law of diminishing returns
9. What is the difference between marginal, average and total returns?
10. What is meant by increasing, constant and decreasing returns to scale?
11. Define fixed and variable costs?
12. How do you calculate marginal, average and total costs?
13. What is the shape of marginal, average and total costs?
14. How do factor prices and productivity affect firms' costs?
15. What is the difference between short-run and long-run costs?
16. Give an example of an internal and external economies of scale
17. What are the causes of diseconomies of scale?
18. Define the minimum efficient scale of production
19. How does the MES create a barrier to entry?
20. What is the relationship between returns to scale and economies or diseconomies of scale?
21. Draw the LRAC
22. Draw the L-shaped LRAC
23. Explain why the average revenue curve is the firm's demand curve?
24. What is the relationship between AR and MR?
25. What is the relationship between MR and TR?
26. How is profit calculated?
27. What are the two types of profit?
28. What is the role of profit in a market economy?
29. What are the three types of efficiency?
30. What is the difference between static and dynamic efficiency?
31. What factors lead to dynamic efficiency?
32. Explain the difference between allocative and productive efficiency
33. Which market structure does each efficiency occur in?
34. What is meant by consumer and producer surplus?
35. Draw a diagram illustrating consumer and producer surplus

Macroeconomics

1. What are the main characteristics of money?
2. What are the main functions of money?
3. Define the money supply
4. What is the difference between narrow and broad money?
5. What is the difference between the money market, the capital market and the foreign exchange market?
6. Explain one way financial markets impact the wider economy
7. What is the difference between debt and equity?
8. Outline three ways firms raise finance
9. Explain the inverse relationship between market interest rates and bond prices
10. Define the term coupon (in terms of bonds)
11. Define the term maturity (in terms of bonds)
12. What is the formula to calculate the yield on a government bond?
13. Outline the main difference between a commercial bank and an investment bank?
14. Outline the main functions of a commercial bank?
15. Why does being involved in investment banking and commercial banking increase systemic risk?
16. What is the structure of a commercial bank's balance sheet?
17. What are the three main objectives of a commercial bank?
18. Outline one reason why there may be conflicts between these objectives
19. Explain how banks create credit
20. What other financial institutions operate in financial markets? (no detailed understanding expected)
21. What is meant by Funding for Lending?
22. What is meant by forward guidance?
23. Why might a bank fail? What are the potential issues of lending long term and borrowing short term?
24. What are liquidity and capital ratios?
25. How do these ratios improve the stability of a financial institution?
26. Define moral hazard
27. What is meant by systemic risk?

Revision Resources

1. Subject knowledge videos:

Tutor2u



EconPlusDal



TFurber



2. Knowledge Organisers:



3. Revision questions:



4. MCQs Practice:



5. Past paper questions:
Physics and Maths Tutor

