



Level 5 Diploma in Business Economics (870) 139 Credits






Unit: Economics	Guided Learning Hours: 300
Exam Paper No.: 4	Number of Credits: 30
Prerequisites: Knowledge of accounting and business terminology.	Corequisites: A pass or better in Certificate in Business Studies or equivalence.
<p>Aim: Learners are introduced to economic principles and methods, including microeconomics (operation of the economy at the individual and firm level) and macroeconomics (nature and functions of the national economy in a global context). The unit covers the theory of markets, including consumer and producer choice and how they interact to determine prices and resource allocations. Applications include price controls, production, market structures, environmental economics, governmental regulation of the economy, labour and capital markets, and international exchange. An introduction to microeconomics is intended to provide learners with the tools necessary to begin to understand and evaluate how resources are allocated in a market economy. Specific topics include how markets function, theories of the business firm, of consumer behaviour and of income distribution. The economic roles of labour unions and government are also covered. The theories are applied to contemporary world economic problems. Building upon microeconomics, the unit then moves on to macroeconomics. The emphasis is upon measuring and explaining what determines economic aggregates such as the total national product (GDP) and the level of prices and employment. The role of money and financial institutions, the impact of international trade and the policy options available to governments for coping with inflation and unemployment are discussed in detail.</p>	
Required Materials: Recommended Learning Resources.	Supplementary Materials: Lecture notes and tutor extra reading recommendations.
Special Requirements: Requires intensive practice outside of class time.	
<p>Intended Learning Outcomes:</p> <p>1 Understand how people, institutions, and society make choices under conditions of scarcity including how the market system and the command system are the two broad types of economic systems.</p> <p>2 Demand, how market prices depend on levels of demand supply and mathematical form of market equilibrium models.</p>	<p>Assessment Criteria:</p> <p>1.1 Define economics and the features of the economic perspective.</p> <p>1.2 Explain the role of economic theory in economics.</p> <p>1.3 Define and provide the distinction between microeconomics and macroeconomics.</p> <p>1.4 Describe the categories of scarce resources and the nature of the economic problem.</p> <p>1.5 Analyse limits, alternatives, and choices</p> <p>1.6 Explain the difference between a command system and a market system.</p> <p>1.7 Describe the characteristics of the market system.</p> <p>1.8 Describe how the market system adjusts to change and promotes progress.</p> <p>1.9 Explain the mechanics of the circular flow model.</p> <p>1.10 Describe the market system and the circular flow</p> <p>2.1 Define what demand is and what affects it.</p> <p>2.2 Describe what supply is and what affects it.</p> <p>2.3 Describe how supply and demand together determine market equilibrium.</p> <p>2.4 Describe how changes in supply and demand affect equilibrium prices and quantities.</p> <p>2.5 Describe what government-set prices are and how they can cause product surpluses and shortages.</p>

<p>3 Private and public goods, the differences and characteristics; how market failure is a role for the government.</p>	<p>2.6 Describe elasticity of demand and supply measurements and how price elasticity of demand and supply can be applied to real-world situations</p> <p>2.7 Define price elasticity of demand and how it can be measured.</p> <p>2.8 Define how price elasticity of demand affects total revenue</p> <p>2.9 Define price elasticity of supply and how it can be measured</p> <p>2.10 Explain how price elasticity of demand and supply can be applied to real-world situations</p> <p>2.11 Analyse income elasticity and how it can be applied</p> <p>3.1 Describe how public goods are distinguished from private goods.</p> <p>3.2 Describe the method for determining the optimal quantity of a public good.</p> <p>3.3 Describe externalities (spillover costs and benefits) and the methods to remedy them.</p> <p>3.4 Describe the difference between the benefits-received and ability-to-pay principles of taxation.</p> <p>3.5 Describe the differences between proportional, progressive, and regressive taxes.</p> <p>3.6 Describe the different forms of corporate business organisations; corporation roles in the economy</p> <p>3.7 Describe why economic costs include both explicit (revealed and expressed) costs and implicit (present but not obvious) costs.</p> <p>3.8 Describe how the law of diminishing returns relates to a firm's short-run production costs</p> <p>3.9 Explain the distinctions between fixed and variable costs and among total, average, and marginal costs</p> <p>3.10 Describe the link between a firm's size and its average costs in the long run</p>
<p>4 The differences between constant-cost, increasing-cost, and decreasing-cost industries.</p>	<p>4.1 Describe the basic market models</p> <p>4.2 Define the conditions required for purely competitive markets.</p> <p>4.3 Describe how purely competitive firms maximize profits or minimize losses.</p> <p>4.4 Describe why the marginal-cost curve and supply curve of competitive firms are identical.</p> <p>4.5 Describe how industry entry and exit produce economic efficiency.</p> <p>4.6 Describe competitive industry.</p>
<p>5 Understand why a monopolist might prefer to charge different prices in different markets; concerns about the monopolistic organisations; monopoly and competition issues.</p>	<p>5.1 Analyse the characteristics of pure monopoly.</p> <p>5.2 Describe how a pure monopoly sets its profit-maximizing output and price.</p> <p>5.3 Describe the economic effects of monopoly.</p> <p>5.4 Describe a monopolist market.</p> <p>5.5 Describe the antitrust laws that are used to deal with monopoly.</p>

	<p>5.6 Describe the operations of monopolistic competitive firms and oligopoly industries and give examples of monopolistic and oligopoly market structures</p> <p>5.7 Describe the characteristics of monopolistic competition.</p> <p>5.8 Describe why monopolistic competitors earn only a normal profit in the long run.</p> <p>5.9 Describe the characteristics of oligopoly.</p> <p>5.10 Describe why the demand curve of an oligopolist may be kinked.</p> <p>5.11 Describe the incentives and obstacles to collusion among oligopolists.</p> <p>5.12 Describe the positive and potential negative effects of advertising.</p>
<p>6 Understand the demand for labour; how wage rates are determined in competitive and monopolistic labour markets.</p>	<p>6.1 Describe why the firm's marginal revenue product curve is its labour demand curve.</p> <p>6.2 Describe the factors that increase or decrease labour demand.</p> <p>6.3 Describe the determinants of elasticity of labour demand.</p> <p>6.4 Describe wage determinants.</p> <p>6.5 Describe how unions increase wage rates.</p> <p>6.6 Describe the major causes of wage differentials.</p>
<p>7 The long-term trend of economic growth, and policy challenges and the primary phases of the business cycle.</p>	<p>7.1 Describe how gross domestic product (GDP) is defined and measured.</p> <p>7.2 Describe how economists distinguish between nominal GDP and real GDP.</p> <p>7.3 Describe Gross Domestic Product (GDP), growth, and instability.</p> <p>7.4 Describe how unemployment and inflation are measured.</p> <p>7.5 Describe the types of unemployment and inflation and their various economic impacts.</p>
<p>8 Understand how the Aggregate demand-aggregate supply model explains periods of demand-pull inflation, cost-push inflation, and recession.</p>	<p>8.1 Define aggregate demand (AD) and the factors that cause it to change.</p> <p>8.2 Define aggregate supply (AS) and the factors that cause it to change.</p> <p>8.3 Describe how AD and AS determine an economy's equilibrium price level and level of real GDP.</p> <p>8.4 Describe aggregate demand and aggregate supply models.</p>
<p>9 The role played by the Government in the economy; fiscal policy, monetary policy, deficits, and debt.</p>	<p>9.1 Explain the purposes, tools, and limitations of fiscal policy.</p> <p>9.2 Describe the role of built-in stabilisers in dampening business cycles.</p> <p>9.3 Describe how the standardised budget reveals the status of fiscal policy.</p> <p>9.4 Describe the size, composition, and consequences of the public debt.</p>
<p>10 Understand the importance and role of money; the forms, services and functions of money and the components of the money supply.</p>	<p>10.1 Describe UK's banking system.</p> <p>10.2 Describe what "backs" the money supply.</p> <p>10.3 Describe the makeup of the Reserve bank and</p>

<p>11 The general ingredients of economic growth and how they relate to production possibilities analysis and long-run aggregate supply.</p>	<p>the UK banking system.</p> <p>10.4 Describe the functions and responsibilities of the Reserve Bank.</p> <p>10.5 Describe how banks create money in a "fractional reserve" banking system.</p> <p>10.6 Describe how the equilibrium interest rate is determined in the market for money and the goal of the monetary policy</p> <p>10.7 Describe how the equilibrium interest rate is determined in the market for money.</p> <p>10.8 Describe the goals and tools of monetary policy.</p> <p>10.9 Define the mechanisms by which monetary policy affects GDP and the price level.</p> <p>10.10 Describe the effectiveness of monetary policy and its shortcomings.</p> <p>11.1 Describe economic growth measurements.</p> <p>11.2 Describe "<i>growth accounting</i>" and the specific sources of a country's economic growth.</p> <p>11.3 Explain why UK productivity growth has accelerated since the mid-1990s.</p> <p>11.4 Describe differing perspectives on whether growth is desirable and sustainable.</p> <p>11.5 Describe the paths to growth for low-income nations.</p>
<p>Methods of Evaluation: A 2½-hour essay written examination paper with 5 questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Economics with a weighting of 100%.</p>	

Recommended Learning Resources: Economics

<p>Text Books</p>	<ul style="list-style-type: none"> • Economics by David Begg, Stanley Fischer and Rudiger Dornbusch. ISBN-10: 0077107756 • Economics by John Sloman. ISBN-10: 1405847182 • Essentials of Economics by John Sloman. ISBN-10: 1405854413
<p>Study Manuals</p> 	<p>BCE produced study packs</p>
<p>CD ROM</p> 	<p>Power-point slides</p>
<p>Software</p> 	<p>None</p>