

## 4.1 Competition and market power

4.1.1 Spectrum of competition	Notes	Revision	Exam Qs	R	A	G
a) Characteristics of monopoly, oligopoly, imperfect and perfect competition						
b) How the model of perfect competition helps to explain how markets work						
c) The impact of market structure on pricing strategies and consumers						
d) Non-price competition						
e) The limitations of the model of perfect competition						
4.1.2 Barriers to entry	Notes	Revision	Exam Qs	R	A	G
a) Contestability and ease of entry						
b) Barriers to entry:						
product differentiation						
branding						
start-up costs						
intellectual property rights						
R&D and technology change						
c) The impact of barriers to entry on market structure						
d) Economies of scale and their impact on cost and price						
4.1.3 Oligopoly	Notes	Revision	Exam Qs	R	A	G
a) Concentration ratios						
b) Competition in an oligopoly; interdependence and price stability						
c) Tacit agreement						
d) Price discrimination						
4.1.4 Business objectives and pricing decisions	Notes	Revision	Exam Qs	R	A	G
a) Calculate average cost, average revenue and profit						
b) Calculate marginal cost and marginal revenue						
c) Link between marginal cost and revenue and contribution						
d) The impact of objectives on pricing strategies						
4.1.5 Productive and allocative efficiency	Notes	Revision	Exam Qs	R	A	G
a) The distinction between allocative efficiency and productive efficiency						
b) The significance of the margin; opportunity costs, trade-offs and allocative efficiency						
c) Increasing productivity to reduce average cost through greater efficiency by improving:						
technology						
human capital (skills training and education)						
the quality of management						
d) Matching the structure of production to the pattern of consumer preferences (market orientation)						
e) How markets interact with one another						

## 4.2 Market power and market failure

4.2.1 Market failure	Notes	Revision	Exam Qs	R	A	G
a) Significance of market power:						
cartels, collusion, restrictive practices and tacit agreement						
monopsony power						
natural monopolies						
power in the labour market						
b) The implications of market failure in the business world for economic agents and governments						
4.2.2 Business regulation	Notes	Revision	Exam Qs	R	A	G
a) Promoting competition through:						
preventing anti-competitive practices						
controlling mergers and takeovers						
privatisation						
b) Regulating natural monopolies						
c) Protecting consumers						
d) The work of the Competition and Markets Authority						
e) Impact of EU competition policy						
f) Employee protection						
4.2.3	Notes	Revision	Exam Qs	R	A	G
a) The benefits of regulation						
b) The costs of regulation						

### 4.3 Market failure across the economy

4.3.1 Market failure in society	Notes	Revision	Exam Qs	R	A	G
b) Positive and negative externalities						
c) Over-consumption of demerit goods						
d) Factor immobility (occupational and geographical)						
e) Imperfect and asymmetric information						
f) Consequences of environmental change						
4.3.2 Externalities	Notes	Revision	Exam Qs	R	A	G
a) Private, external and social costs and benefits						
b) The impact on society of charging prices that do not reflect total internal/external costs						
c) Environmental externalities						
4.3.3 Policies to deal with market failure	Notes	Revision	Exam Qs	R	A	G
b) The impact of these policies on the economy and society, long- and short-term						

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

4.4.1 The AD/AS model	Notes	Revision	Exam Qs	R	A	G
a) Changes in Aggregate Demand (AD)						
b) Changes in Aggregate Supply (AS)						
c) Full capacity output						
d) Impact of changes in AD and/or AS on inflation and unemployment						
e) The multiplier effect						
f) How the AS/AD model sheds light on the economy as a whole						
4.4.2 Demand-side policies	Notes	Revision	Exam Qs	R	A	G
a) Distinction between monetary and fiscal policy						
fiscal policy: government spending and taxation (direct and indirect)						
monetary policy: the role of the Bank of England and the Bank of England's MPC						
interest rates						
asset purchases to increase the money supply (quantitative easing)						
b) The impact of changing the level of AD on the economy as a whole						
c) The use of AD/AS diagrams to illustrate demand-side policies						
d) How investment, job creation and economic growth can be encouraged						
e) How inflation and unemployment can be controlled						
f) Time lags involved						
g) Strengths and weaknesses of demand-side policies						
h) Potential policy conflicts and trade-offs facing policy-makers when applying policies						
4.4.3 Supply-side policies	Notes	Revision	Exam Qs	R	A	G
a) Distinction between market based and interventionist methods						
b) Market-based and interventionist policies to:						
increase incentives						
promote competition						
reform the labour market						
improve the skills and quality of the labour force						
improve the infrastructure						
c) The use of AD/AS diagrams to illustrate supply-side policies						
d) Strengths and weaknesses of supply-side policies						
e) Potential policy conflicts and trade offs facing policy-makers when applying policies						
4.4.4 The impact of macroeconomic policies	Notes	Revision	Exam Qs	R	A	G
a) The possible impact of macroeconomic policies						
b) Comparing alternative approaches						
c) Identifying criteria for success and evaluating effectiveness						

## 4.5 Risk and the financial sector

4.5.1 Risks and uncertainty	Notes	Revision	Exam Qs	R	A	G
a) The difference between risk and uncertainty						
b) The impact of shocks						
c) Exchange rate risk and forward markets						
d) The role of insurance in business						
4.5.2 The role of the financial sector	Notes	Revision	Exam Qs	R	A	G
a) To mobilise savings for lending to firms and individuals						
b) To lend to business for investment in working capital						
c) To lend to individuals						
d) To facilitate the exchange of goods and services						
e) To assess creditor risk						
f) To provide forward markets in currencies and commodities						
g) To provide a market for equities						
4.5.3 The role of the central bank	Notes	Revision	Exam Qs	R	A	G
a) The role of the Monetary Policy Committee in setting the official interest (base) rate						
b) The implementation of monetary policy to control inflation						
c) Regulation of the banking industry: the Bank of England's Financial Policy Committee						
d) Banker to the banks – lender of last resort						
4.5.4 The Global Financial Crisis	Notes	Revision	Exam Qs	R	A	G
a) Contributing factors:						
sub-prime mortgages						
moral hazard (too big to fail)						
collapse of lending to businesses						
speculation and market bubbles						
the role of organisational culture						
b) The role of banking regulation						
c) The impact of the financial sector on economic agents and governments						