

1.1. Scarcity, choice and potential conflicts

1.1.1 The economic problem	Notes	Revision	Exam Qs	R	A	G
a) The problem of scarcity (where there are unlimited wants and finite resources)						
b) Choices and potential trade-offs						
c) The importance of opportunity costs to consumers, producers and government						
1.1.2 Business objectives	Notes	Revision	Exam Qs	R	A	G
a) Different business objectives and reasons for them:						
Profit maximisation						
Sales maximisation						
Satisficing						
b) Other objectives:						
survival						
market share						
cost efficiency						
return on investment						
employee welfare						
customer satisfaction						
social objectives						
1.1.3 Stakeholders (economic agents) and their objectives	Notes	Revision	Exam Qs	R	A	G
a) Stakeholders (economic agents)						
b) Stakeholder objectives						
c) Stakeholder conflicts						
d) Corporate social Responsibility						

1.2 Enterprise, business and the economy

1.2.1 Role of an entrepreneur in the economy	Notes	Revision	Exam Qs	R	A	G
a) Creative destruction						
b) Making decisions to operate, expand and develop a business						
c) Selling the output for more than the costs of the inputs (adding value)						
1.2.2 Entrepreneurial motives	Notes	Revision	Exam Qs	R	A	G
a) Profit as an incentive						
b) Non-financial motives:						
ethical stance, social						
entrepreneurship, independence, home working						
1.2.3 Factors of Production	Notes	Revision	Exam Qs	R	A	G
a) Enterprise						
b) Capital, land and labour:						
premises						
equipment						
raw materials						
managers and employees						
1.2.4 Specialisation	Notes	Revision	Exam Qs	R	A	G
a) Division of labour: advantages and disadvantages to employers and employees						
b) Specialisation: advantages and disadvantages to the firm						
1.2.5 The wider economic environment	Notes	Revision	Exam Qs	R	A	G
a) Implications for firms of changes in:						
interest rates						
exchange rates						
taxation						
unemployment						
inflation						

1.3 Introducing the market

1.3.1 Demand	Notes	Revision	Exam Qs	R	A	G
a) Consumer objectives and decisions						
b) The demand curve						
c) The distinction between movements along a demand curve and shifts of a demand curve						
d) The factors that may a shift in the demand curve:						
changes in the prices of substitutes and						
complementary goods						
changes in real incomes						
changes in tastes and fashions						
advertising and branding						
changes in size and age distribution of the population						
1.3.2 Supply	Notes	Revision	Exam Qs	R	A	G
a) Producer objectives and decisions						
b) The supply curve						
c) The distinction between movements along a supply curve and shifts of a supply curve						
d) The factors that may cause a shift in the supply curve:						
changes in the costs of production						
the introduction of new technology						
indirect taxes						
subsidies						
changes in the number of firms in an industry						
external shocks						
1.3.3 Price determination	Notes	Revision	Exam Qs	R	A	G
a) Equilibrium price and quantity and how they are determined						
b) The use of supply and demand diagrams to depict excess supply and excess demand						
c) The operation of market forces to eliminate excess demand and excess supply						

d) The use of the supply and demand model to show how shifts in demand and supply curves cause the shifts in demand and supply curves cause the to change in real-world situations						
e) The limitations of the supply and demand model and its predictions						
1.3.4 Price mechanism	Notes	Revision	Exam Qs	R	A	G
a) Functions of the price mechanism to allocate resources: rationing, incentives, signalling						
b) How firms respond to a change in demand						
c) The price mechanism in the context of different types of markets: mass markets niche markets						
d) Potential market growth						
1.3.5 Understanding the consumer	Notes	Revision	Exam Qs	R	A	G
a) Primary and secondary market research data (quantitative and qualitative) used to quantify likely demand and gain insight into consumer behaviour						
b) Limitations of market research, sample size and bias						
c) Categorising consumers: market segmentation						
1.3.6 The competition	Notes	Revision	Exam Qs	R	A	G
a) Market positioning: market mapping and market maps						
b) Competitive advantage of a product or service						
c) Product differentiation						
d) Adding value to products/services						
e) How firms decide on price and level of output						
f) Nature and range of markets: stable and dynamic markets						

1.4 The role of credit in the economy

1.4.1 Role of banks in the economy	Notes	Revision	Exam Qs	R	A	G
a) Channelling savings towards investment						
b) Role of banks in providing credit						
c) Interest rates and collateral						
1.4.2 Risk and liability	Notes	Revision	Exam Qs	R	A	G
a) The meaning of risk						
b) Implications of limited and unlimited liability						
1.4.3 Types and sources of credit and the impact of credit within the economy	Notes	Revision	Exam Qs	R	A	G
a) Types of credit:						
loans						
overdrafts						
trade credit						
b) Sources of credit:						
banks						
other firms						
c) Other types of finance:						
venture capital						
share capital						
leasing						
d) Other sources of finance:						
owner's capital: personal savings						
retained profit						
sale of assets						
individual investors						
online collaborative funding						
e) Challenges in obtaining credit:						
role and impact of credit on the economy						

1.5 Market failure and government intervention

1.5.1 Market failure and externalities	Notes	Revision	Exam Qs	R	A	G
a) Private costs, external costs and social costs						
b) Private benefits, external benefits and social benefits						
c) Costs and benefits from the production and consumption of goods and services						
d) Strength of the market economy: markets work well when the private and social benefits exceed (or are equal to) the private and social costs						
e) Weaknesses of the market economy: some markets fail because of the existence of external costs, leading to under/over production or consumption						
1.5.2 Government intervention and failure	Notes	Revision	Exam Qs	R	A	G
a) Purpose of intervention with reference to market failure						
b) Methods of government intervention:						
regulation						
legislation						
indirect taxation						
grants and subsidies						
voluntary agreements						
c) Causes of government failure:						
distortion of price signals						
unintended consequences						
excessive administrative costs						
information gaps						
d) Government failure in various markets						

1.6 Revenue, costs, profits and cash

1.6.1 Revenue and costs	Notes	Revision	Exam Qs	R	A	G
a) Calculation of sales volume and sales revenue						
b) Calculation of average, fixed, variable and total costs						
c) Calculation of percentage change						
1.6.2 The relationship between revenue and costs	Notes	Revision	Exam Qs	R	A	G
a) Contribution: selling price – variable cost per unit						
b) Break-even point: total fixed costs + total variable costs = total sales revenue						
c) Using contribution to calculate the break-even point						
d) Margin of safety						
e) Limitations of break-even analysis						
1.6.3 Profit and loss	Notes	Revision	Exam Qs	R	A	G
a) Profit as an incentive in a competitive market: market entry and exit						
b) How firms calculate:						
gross profit						
operating profit						
profit for the year (net profit)						
c) Statement of comprehensive income (profit and loss account)						
d) How firms measure profitability:						
gross profit margin						
operating profit margin						
profit for the year (net profit) margin						
e) How firms increase profit						
1.6.4 Business survival and cash flow	Notes	Revision	Exam Qs	R	A	G
a) Distinction between profit and cash flow						
b) Importance of cash flow for business survival						
c) Forecasting and interpreting cash flow						
d) Use of a cash-flow forecast to identify credit requirements and minimise risk						