

SQA Advanced Unit Specification

General information for centres

Unit title: Economics 1: Micro and Macro Theory and Application

Unit code: HP6P 48

Unit purpose: This Unit is designed to build on candidates' knowledge of introductory economics and expose them to microeconomic and macroeconomic applications of theory. The Unit allows the introduction of current issues in economics and provides an opportunity for candidates to analyse and evaluate these issues.

On completion of the Unit the candidate should be able to:

- 1 Explain the costs of the firm and the market structures within which firms operate.
- 2 Analyse the impact of unemployment and inflation.
- 3 Evaluate government macroeconomic policy.

Credit points and level: 1 SQA Credit at SCQF level 8: (8 SCQF credit points at SCQF level 8*)

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from National 1 to Doctorates.*

Recommended prior knowledge and skills: Entry to this Unit is at the discretion of the centre. However, it would be beneficial for candidates to have good communication skills which could be demonstrated by the achievement of the Core Skill *Communication* at SCQF level 5 or equivalent. It will be beneficial if candidates have prior knowledge of economics. This may be demonstrated by possession of the SQA Advanced Unit HP6T 47 *Economic Issues: An Introduction* at SCQF level 7 or equivalent.

Core Skills: There are opportunities to develop the Core Skills of *Communication* at SCQF level 6 and *Information and Communication Technology* at SCQF level 6 within this Unit, although there is no automatic certification of Core Skills or Core Skills components.

Context for delivery: If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

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Assessment: Assessment of Outcome 1 will take place in unsupervised conditions and may take the form of an investigative exercise. Assessment of Outcomes 2 and 3 of this Unit will take place in controlled conditions and may be assessed by questions based on stimulus material. Candidates will be permitted to use a specified amount of their own notes.

An exemplar assessment pack and marking guidelines have been produced to indicate the national standard of achievement required at SCQF level 8.

Unit specification: statement of standards

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The sections of the Unit stating the Outcomes, Knowledge and/or Skills, and Evidence Requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the Knowledge and/or Skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Explain the costs of the firm and the market structures within which firms operate

Knowledge and/or Skills

- ◆ Costs of the firm
- ◆ Market structures
- ◆ Price and output behaviour
- ◆ Profit maximisation
- ◆ Alternatives to profit maximisation

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ explain a minimum of three costs to the firm
- ◆ with the aid of relevant diagrams, describe the characteristics, price and output behaviour of two different market structures
- ◆ explain the objective of profit maximisation and an alternative objective

Assessment Guidelines

Outcome 1 could be assessed in a single assessment. Assessment of this Outcome could be an essay or report of approximately 1,000 words or equivalent. Stimulus material, such as a case study with relevant questions, could provide a starting point to deal with the economic concepts involved. It will not be necessary to supervise the candidate during preparation of the evidence but it is recommended that all sources of information be accurately referenced.

Outcome 2

Analyse the impact of unemployment and inflation

Knowledge and/or Skills

- ◆ Types of unemployment
- ◆ Types of inflation

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- ◆ The impact of unemployment on individuals and businesses
- ◆ The impact of inflation on individuals and businesses
- ◆ Recent trends in unemployment in the UK
- ◆ Recent trends in inflation in the UK

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ identify one type of macroeconomic problem and clearly outline the main causes
- ◆ analyse the impact of a macroeconomic problem on both individuals and businesses
- ◆ analyse recent UK trends relating to one macroeconomic problem in a comprehensive manner

Evidence for the Knowledge and/or Skills in this Outcome will be provided on a sample basis. A different sample of the Knowledge and/or Skills is required each time the Outcome is assessed. Candidates must provide evidence of any three from the six Knowledge and/or Skills items above. Responses should relate to the stimulus materials provided. Assessment will take place under supervised conditions. Candidates will be permitted to refer to the equivalent of 250 words of their own summary notes and no other reference material. Candidates' notes will be submitted with the response.

Assessment Guidelines

Outcome 2 could be assessed by extended response questions based on stimulus material. The questions may be based on a relevant newspaper, journal or internet article. Evidence may be presented as a response of approximately 500 words or equivalent. Outcome 2 may be assessed with Outcome 3. If Outcomes 2 and 3 are assessed together then evidence could be presented as an extended response of approximately 1,000 words or equivalent and candidates will be permitted to refer to the equivalent of 500 words of their own summary notes.

Outcome 3

Evaluate government use of macroeconomic policy

Knowledge and/or Skills

- ◆ Aims of fiscal policy
- ◆ Fiscal policy methods in the UK
- ◆ Aims of monetary policy
- ◆ Monetary policy methods in the UK
- ◆ Supply-side policies

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ explain the aims of a particular government macroeconomic policy
- ◆ evaluate the use of one type of government macroeconomic policy in the UK
- ◆ evaluate the effectiveness of a supply-side policy

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Evidence for the Knowledge and/or Skills in this Outcome will be provided on a sample basis. A different sample of the Knowledge and or Skills is required each time the Outcome is assessed. Candidates must provide evidence of three from the five Knowledge and/or Skill items above.

Assessment will be restricted open-book and will take place under supervised conditions. Candidates will be permitted to refer only to the equivalent of 250 words of their own summary notes. Candidates' notes will be submitted with the response.

Assessment Guidelines

Outcome 3 could be assessed by extended response questions. The questions may be based on a relevant newspaper, journal or internet article. Evidence may be presented as an extended response of approximately 500 words or equivalent. Outcome 3 may be assessed with Outcome 2. If Outcomes 2 and 3 are assessed together then evidence could be presented as an extended response of approximately 1,000 words or equivalent and candidates will be permitted to refer to the equivalent of 500 words of their own summary notes.

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Administrative information

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Version	Description of change	Date

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Unit specification: support notes

Unit title: Economics 1: Micro and Macro Theory and Application

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this Unit

This Unit is designed to provide candidates with a knowledge and understanding of introductory economics and expose them to microeconomic and macroeconomic applications of theory. This Unit can build on the Knowledge and Skills contained in HP6T 47 *Economic Issues: An Introduction*. This Unit is mandatory within SQA Advanced Diploma Business (GM8Y 48) but may form part of other group awards and may be delivered as a stand-alone Unit.

Outcome 1 introduces the costs of the firm in both the short run and the long run. This will include fixed, variable, total, average and marginal costs. This will also include the factors that influence costs in both the short run and the long run including the Law of Diminishing Returns, economies and diseconomies of scale. Outcome 1 introduces the various market structures in which a firm may operate. The relationship between price and output is explored. The characteristics of the spectrum of market structures such as monopoly, oligopoly and perfect competition are investigated allowing the candidate to appreciate the number of firms in the market, entry to the market, type(s) of good(s) in the market, market share and the influence of a firm on the market. Candidates are also introduced to the objective of profit maximisation and should understand that alternatives to this exist — managerial theories and behavioural theories. These may include sales revenue maximisation, satisficing behaviour or another recognised objective. This Outcome may assist in providing a brief introduction to themes that will be revisited in Outcomes 2 and 3 such as imperfect markets and intervention.

Outcome 2 introduces unemployment and inflation. The Outcome allows integration to take place with Outcome 3 which deals with government intervention and policy. Candidates are introduced to the causes of unemployment and inflation and are able to examine the effects on various groups. There is an opportunity here to introduce the candidate to the different schools of economic thought.

For Outcome 3 candidates should be encouraged to see the problems affecting the larger economic environment and how government has to make decisions based on income available to them. The options and problems facing government in raising revenue and the choices that have to be made on what to spend the income should be highlighted using current economic policy. The effects of these decisions should be investigated and evaluated. Although UK economic policy will dominate, the policies of the Scottish Government, particularly where they differ from the UK government should be considered. Encouraging students to examine current economic issues being considered by the Scottish Government will enhance their study and knowledge.

Guidance on the delivery and assessment of this Unit

When delivered as part of SQA Advanced Certificate/Diploma Business (GM8Y 48), this Unit is regarded as the second within a group of three Economics Units. Ideally candidates will have a foundation in economics from the Unit *Economic Issues: An Introduction* (HP6T 47) which could be delivered within the first year of SQA Advanced Diploma delivery.

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Where possible current material should be used to allow candidates to relate economic theory to real life examples and events. Candidates should be encouraged to take an investigative approach and use a variety of information sources.

Assessment may take place using two instruments of assessment. The first, covering Outcome 1, may be an open-book essay or report, consisting of the equivalent of approximately 1,000 words. The assessment may be based on a relevant article selected from a newspaper, journal or internet. It is expected that the candidate will not be supervised during the research and production of the evidence but should be encouraged to reference sources of information accurately.

The second instrument of assessment, covering Outcomes 2 and 3, may be extended response questions completed under supervised conditions. Responses may be approximately 500 words or equivalent. This assessment may be restricted open-book, with candidates permitted to take the equivalent of 250 words of summary notes gathered by their own independent research into the assessment. This should be submitted with the candidate's response.

If Outcomes 2 and 3 are assessed together then candidates will be permitted to refer to the equivalent of 500 words. The response in this case could be approximately 1,000 words or the equivalent.

Opportunities for developing Core Skills

The Core Skill component Written Communication at SCQF level 6.

Candidates research economic concepts and trends using the internet and paper based resources. This will require them to read and summarise a range of articles, extracting relevant information. They will also analyse and evaluate information from various sources including government statistics in order to establish trends and relate them to economic theory. For Outcome 1 a complex document is produced and is presented in a logical and structured way with good use of grammar, spelling and paragraphing.

The Core Skill *Information and Communication Technology* at SCQF level 6.

Candidates may use the internet to access information on economic theory and economic trends paying attention to the currency and reliability of the sources used. This involves carrying out complex searches and the evaluation of results. Candidates may produce a word processed document incorporating relevant diagrams in their presentation of findings for Outcome 1.

Open learning

If this Unit is delivered by open or distance learning methods, additional resources will be required for candidate support, assessment and quality assurance. It would require planning by the centre to ensure the sufficiency and authenticity of candidate's evidence. Arrangements will have to be made to ensure that each Outcome is assessed adhering to the conditions established in the Evidence Requirements section. For those assessments requiring controlled conditions, this may mean making arrangements for the assessment to take place at a place and time agreed between the assessor and candidate.

Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence. Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

General information for candidates

Unit title: Economics 1: Micro and Macro Theory and Application

This Unit introduces you to Microeconomic theory, in Outcome 1, where you are looking at the costs and the behaviour of firms within the economy. You are then introduced to Macroeconomic theory in Outcomes 2 and 3. Here you look at the economy as a whole.

The Unit has three Outcomes, introducing you to:

- ◆ Costs of the firm, market structures and the objective of profit maximisation
- ◆ Unemployment and inflation
- ◆ Government policy and the use of revenue and expenditure

Outcome 1 introduces the costs of the firm in the short run and the long run and the market structures within which a firm operates. You will also learn about the role of profit and the objective of profit maximisation as well as alternative objectives of the firm. In Outcome 2 you will study the causes and effects of unemployment and inflation. In Outcome 3 you will explore government policy and the choices governments have to make with regard to revenue and spending. You will consider the use of both fiscal and monetary policy. Throughout the Unit you will be involved in researching economic concepts and economic trends using a variety of information sources.

To complete this Unit you may be asked to complete three assessments. The first may be an open-book essay or report that you will complete without supervision. The second and third assessments are completed under supervised conditions. You will be permitted to bring the equivalent of 250 words of your own summary notes to each assessment. You will be asked to submit your notes with your response. No other reference material will be permitted. The assessments may be questions based on relevant newspaper, journal or internet articles.

Alternatively you may be asked to complete two assessments to achieve the Unit. In this case, Outcomes 2 and 3 would be assessed together and you will be allowed to bring the equivalent of 500 words of your own summary notes to the assessment.

You will be able to prepare for the assessments through your own research using newspaper articles, the Internet and text books. This research may take the form of notes containing graphs, tables and other material relevant to the subject.

During this Unit you may have the opportunity to develop Core Skills in *Communication* and *Information and Communication Technology* at SCQF level 6.