

## **Economics (2281)**

**Source:** IGCSE and O level economics by Paul Hoang, Margaret Ducie

### **To be –**

- **Confident** in working with information and ideas – their own and those of others
  - **Responsible** for themselves, responsive to and respectful of others
  - **Reflective** as learners, developing their ability to learn
  - **Innovative** and equipped for new and future challenges
  - **Engaged** intellectually and socially, ready to make a difference.
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### **Section 1. The basic economic problem**

1. What is the difference between a need and a want?
2. What is meant by the basic economic problem?
3. How is the term 'opportunity cost' defined?
4. What factors of production are required to construct a road?
5. How would firm producing running shoes answer the three basic economic questions?
6. What are the three sectors of industry?
7. What is meant by productive capacity?
8. What is a production possibility curve used to show?

### **Section 2. Allocation of resources**

1. What is meant by an economic system?
2. What are the three fundamental economic questions that any economic system seeks to answer?
3. How are resources allocated in a market economic system?
4. How are resources allocated in a planned economic system?
5. What are the merits of the market system?
6. What is meant by 'demand'?
7. What is meant by 'supply'?
8. Outline the factors that affect the level of demand for a product.
9. Outline the factors that affect the level of supply for a product.
10. How is equilibrium price and quantity traded determined?
11. What is the difference between excess demand and excess supply?
12. What is the difference between a shift and a movement in demand and supply analysis?
13. What is meant by price elasticity of demand (PED) and how is it calculated?
14. How might knowledge of PED be of value to firms?
15. How might knowledge of PED be of value to the government?
16. Why should firms raise prices for products with price inelastic demand?
17. Use a diagram to show the difference between perfectly price elastic demand, unitary PED and price inelastic demand.
18. What are the key determinants of PED?
19. What is meant by price elasticity of supply (PES) and how is it calculated?
20. Use a diagram to distinguish between price elastic PES and price inelastic PES.
21. If a product has a PES value of 0, what does this actually mean?
22. What are the key determinants of PES?
23. When and why does market failure occur?
24. What are the differences between merit and demerit goods?
25. How does traffic congestion cause a negative externality?
26. How can consumption of demerit goods be decreased?
27. What are the advantages and disadvantages of using taxation to deal with market failure?
28. How can a subsidy increase the demand for public transport?
29. What are the social benefits of the public provision of education?
30. What is the debate concerning the conservation of resources and the use of resources?
31. How do social benefits differ from private benefits of consumption or production?
32. What is the debate concerning public and private sector provision of goods and services?

### Section 3. The individual as producer, consumer and borrower

1. What is meant by money and what are its main characteristics?
2. What are the key functions of money?
3. What is a central bank and what are its key functions?
4. What is a stock exchange and what are its main functions?
5. What are commercial banks and what are their main functions?
6. How does a central bank differ from commercial banks?
7. What are the wage and non-wage factors that affect people's choice of occupation?
8. Why do an individual's earnings change over their lifetime?
9. What are the factors that affect the demand for labour?
10. What are the factors that affect the supply of labour in an economy?
11. What are the advantages and disadvantages of a national minimum wage?
12. How might the government intervene in labour markets?
13. What is meant by geographical and occupational mobility?
14. Why do male workers in general earn more than female workers?
15. Why might a public-sector worker earn less than a worker in the private sector?
16. What are the advantages and disadvantages of specialisation of labour?
17. What are the reasons why a worker might join a trade union?
18. Why might the aims of employees and employers conflict?
19. What are the main types of trade union?
20. What are the main roles of trade unions?
21. What are the key reasons why trade unions demand higher wages?
22. What are the different types of industrial action?
23. How do trade unions affect the economy?
24. Why has trade union membership decreased in many countries?
25. What are the main factors that affect the level of consumer spending in an economy?
26. How might the spending, borrowing and saving patterns of a young family with two children under the age of 5 compare with those of an old-aged pensioner?
27. How do spending and savings patterns of low-income earners differ from those of high-income earners?
28. How does wealth affect a person's level of spending, saving and borrowing?
29. How do changes in interest rates influence consumer spending, saving and borrowing?
30. What are the main determinants of the level of savings in an economy?
31. What factors affect the level of borrowing in an economy?
32. Why might one person save more of their income than another?

### Section 4. Private firm as producers and employers

1. What are the benefits of being a sole trader?
2. Why might a sole trader decide to become a partnership?
3. What are the disadvantages of being an ordinary partnership?
4. What are the differences between a public limited company and a private limited corporation?
5. What are the benefits of limited liability?
6. How does a business change from being a private limited company to a public limited company?
7. What are the two documents that limited liability companies must register with the government before trading?
8. What are the characteristics of a co-operative?
9. Why might a firm wish to operate in more than one country?
10. Why are some goods and services provided by a public-sector organisation?
11. What is meant by the 'derived demand' for factors of production?
12. What are the main factors that determine the demand for factors of production?
13. Distinguish between capital-intensive production and labour-intensive production.
14. What are the factors that determine whether firms choose more capital- or labour-intensive production methods?
15. What is meant by 'productivity' and how does it differ from 'production'?
16. Why is productivity important for the economy?
17. What are the main determinants of productivity in an economy?
18. Using examples, distinguish between total, average, fixed and variable costs of production.
19. How might total and average costs change when the level of output changes?

20. What is the difference between total and average revenue?
21. What is profit maximisation?
22. Explain the alternative objectives that businesses might have.
23. What is meant by 'perfect competition'?
24. What are the main characteristics of a perfectly competitive market?
25. What is meant by a 'monopoly'?
26. What are the main characteristics of a monopoly?
27. How do barriers to entry to an industry limit the degree of competition in a market?
28. What are the advantages and disadvantages of a monopoly?
29. What are the two ways in which a firm can grow?
30. How can the size of a firm be determined?
31. Why do small firms co-exist beside large firms in all economies?
32. What are the six main types of internal economies of scale?
33. What is meant by the term 'diseconomies of scale'?
34. Which types of external economies of scale could be experienced by several
35. Car manufacturers located in a region of a country?
36. What are the advantages and disadvantages of two supermarket chains merging?
37. What are the advantages and disadvantages of a film production company merging with a chain of cinemas?

## Section 5. Role of government in an Economy

1. What does it mean by the government being a producer and an employer?
2. How do regulations, subsidies and taxation affect private-sector firms?
3. What are the five major macroeconomic aims?
4. Explain how there might be possible conflicts between the macroeconomic aims.
5. Why might it be possible for a government to achieve its macroeconomic objectives without conflicts occurring?
6. What is fiscal policy?
7. What is the difference between a budget deficit and a budget surplus?
8. What are the differences between expansionary and Contractionary fiscal policy?
9. Why might a government choose to use fiscal policy?
10. What is monetary policy?
11. Explain the differences between expansionary and Contractionary monetary policy.
12. Why might a government choose to use monetary policy?
13. What are supply-side policies?
14. Why might a government choose to use supply-side policies?
15. What are the limitations of using fiscal, monetary and supply-side policies to control economic activity?
16. What is the difference between direct and indirect taxes?
17. State two examples of direct taxes and two examples of indirect taxes.
18. What is the difference between progressive, regressive and proportional taxes?
19. How do taxes affect: economic growth, inflation and incentives to work?
20. What is the difference between tax avoidance and tax evasion?

## Section 6. Economic Indicators

1. What is meant by 'inflation'?
2. What is the consumer price index and how does it differ from a retail price index?
3. Why are weights used in the calculation of a CPI or an RPI?
4. What is a base year?
5. What are the two key causes of inflation?
6. Outline the main consequences of inflation.
7. What is deflation?
8. What are the two main causes of deflation?
9. Differentiate between malign deflation and benign deflation.
10. Outline the main consequences of deflation.
11. How does the pattern of employment in the three production sectors change as an economy develops?
12. Why has there been a delay in most developed countries for labour to enter the workforce?
13. How have ageing populations in developed economies affected employment patterns?
14. How does the International Labour Organisation measure unemployment?
15. How is the unemployment rate calculated?

16. Why is employment a macroeconomic objective of all governments?
17. Outline the main types (and hence the causes) of unemployment.
18. What are the consequences of high unemployment in the economy?
19. What are the four main government policies that can be used to reduce domestic unemployment?
20. Give three examples of supply-side policies that can be used to reduce unemployment.
21. What is meant by 'gross domestic product' (GDP)?
22. What is economic growth and how is it calculated?
23. What are the causes of economic growth?
24. What are the consequences, both positive and negative, of economic growth?
25. What is meant by 'a recession'?
26. How do calculations of GDP per head help to measure living standards?
27. What are the advantages and disadvantages of using the Human Development Index (HDI) to measure standards of living?

## Section 7. Developed and developing economies

1. How does the World Bank classify countries in terms of economic development?
2. Distinguish between more economically developed and less economically developed countries.
3. What is the Human Development Index?
4. What are the criticisms of using the HDI as a measure of standards of living?
5. What are the main characteristics of less economically developed countries?
6. Define the term 'standards of living'.
7. Why do standards of living vary within and between countries?
8. Distinguish between absolute poverty and relative poverty.
9. What is the poverty line?
10. What are the main policies that can be used to alleviate poverty?
11. What are the four key factors affecting the rate of population growth?
12. How is the net migration rate calculated?
13. How do social changes impact on the population size and potential population growth?
14. How might economists use population pyramids?
15. What are the economic consequences of an ageing population?
16. What is the dependency ratio and why is it important?
17. What is the optimum population and why do governments strive to reach this?
18. What is the Malthusian growth theory?
19. How does employment in the three sectors of the economy change as an economy develops?
20. What are the economic consequences of rapid population growth for the economy and the natural environment?

## Section 8. International Aspects

1. What is meant by 'specialisation' at regional and national levels?
2. Give two examples of regional specialisation.
3. Give two examples of national specialisation.
4. What are the advantages of regional and national specialisation?
5. What are the disadvantages of regional and national specialisation?
6. What is the balance of payments?
7. What is the difference between the visible trade balance and the invisible trade balance?
8. What does the 'net income flows and transfers' component of the current account record?
9. How does a current account deficit differ from a current account surplus?
10. What are the two main causes of a current account deficit?
11. How might a government deal with a current account deficit?
12. How might a current account surplus be detrimental to the country?
13. What is an exchange rate?
14. What is the likely impact on a country's exchange rate following an increase in the demand for its exports?
15. What is the likely impact on a country's exchange rate following a decrease in the rate of interest?
16. What are the causes of exchange rate fluctuations?
17. What are the consequences of exchange rate fluctuations for importers, exporters and customers?
18. How does a strong currency impact upon a country's macroeconomic objectives?
19. What is meant by 'free trade'?
20. Outline the merits of free trade.
21. What is trade protectionism?

22. Outline the merits of protection.
23. Distinguish between tariff and non-tariff trade barriers.

Md. Ziaul Alam, 01712524004, zia524004@gmail.com