

**FURZE  
PLATT**  
SENIOR SCHOOL



# A-Level Economics B

*“To change the world you need to understand it, to understand it you need to know Economics.” – Economics student*

AMBITIOUS

COLLABORATIVE

HAPPY

INTEGRITY

ENDURANCE

VERSATILITY

EXCELLENCE

# Icebreaker Activity:

---

- Ask students to pair up and discuss the following questions:
    - **What do you think Economics involves?**
    - **Why are you considering studying Economics?**
    - **Can you think of any examples of demand and supply in real life?**
  - After 3-5 minutes, ask pairs to share their thoughts with the class.
-

### 1. Housing Market:

- **Demand:** When the economy is doing well, more people can afford to buy homes, increasing demand.
- **Supply:** If there aren't enough houses available for sale, the supply is low. High demand and low supply typically drive up home prices.

### 2. Technology Products:

- **Demand:** New smartphones or gaming consoles usually have high demand when first released.
- **Supply:** If the manufacturer can't produce enough units to meet the high demand, the prices may rise, or products may sell out quickly.

### 3. Agricultural Products:

- **Demand:** Seasonal fruits like strawberries or mangoes have high demand during their harvest seasons.
- **Supply:** If weather conditions affect the harvest, the supply might be lower than usual, driving up prices.

### 4. Gasoline:

- **Demand:** During holiday seasons or summer vacations, more people travel, increasing the demand for gasoline.
- **Supply:** If there is a disruption in oil production (like a natural disaster), the supply of gasoline might decrease, leading to higher prices.

### 5. Healthcare Services:

- **Demand:** During flu season, the demand for flu vaccines and medical care increases.
- **Supply:** If there aren't enough healthcare providers or vaccines available, the supply is constrained, potentially increasing the cost or wait times for services

These examples illustrate how demand and supply interact in various markets and affect prices and availability of goods and services.

# Qualification at a glance

## Theme 1: Markets, consumers and firms

Students will develop an understanding of:

- scarcity, choice and potential conflicts
- enterprise, business and the economy
- introducing the market
- the role of credit in the economy
- market failure and government intervention
- revenue, costs, profits and cash.

## Theme 2: The wider economic environment

Students will develop an understanding of:

- business growth and competitive advantage
- firms, consumers and elasticities of demand
- productive efficiency
- life in a global economy
- the economic cycle
- introduction to macroeconomic policy.

## Theme 3: The global economy

This theme develops the concepts introduced in Theme 2. Students will develop an understanding of:

- globalisation
- economic factors in business expansion
- impact of globalisation on global companies
- impact of globalisation on local and national economies
- global labour markets
- inequality and redistribution.

## Theme 4: Making markets work

This theme develops the concepts introduced in Theme 1. Students will develop an understanding of:

- competition and market power
- market power and market failure
- market failure across the economy
- macroeconomic policies and impact on firms and individuals
- risk and the financial sector.

# Delivery

### INCREASING TRADE LIBERALISATION

- As global demand and exports increase, if an economy will allow it, this will lead to an increase in imports.
- Of course, services trade is also important.
- The US is the largest source of imports.
- However, the UK is not increasing its imports from the US.
- As these countries are the world's largest economies, it is important to consider their trade with and within the UK.

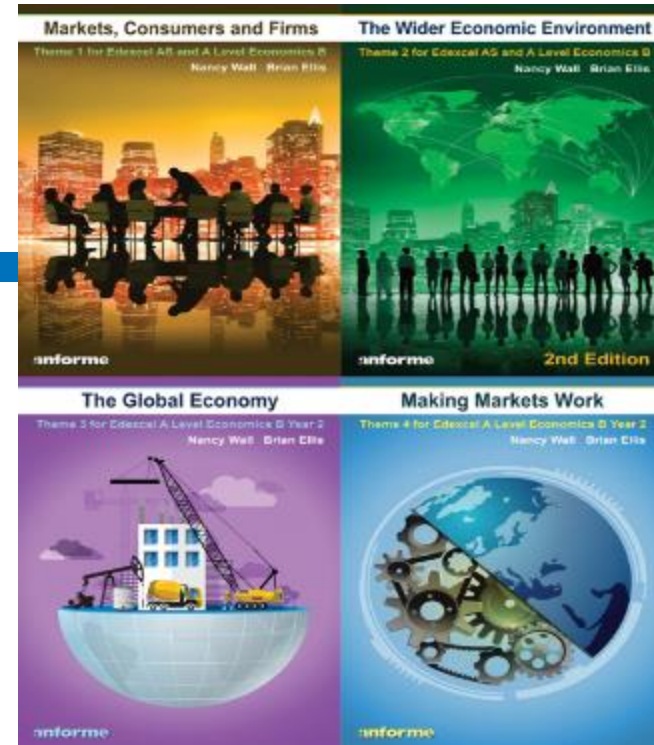
### ACTIVITY - INTERNATIONAL TRADE

Identify the top five countries that the UK exports to and imports from. Discuss the implications of trade liberalisation with these countries.

### WHO THE UK IMPORTS FROM

What are the top 10 UK imports?

### Where we import from



## Exam style questions ...

IB Economics: International Trade (1)

Name: \_\_\_\_\_

20. (a) (i) Explain the meaning of the term 'import'.

(ii) Explain the meaning of the term 'export'.

(iii) Explain the meaning of the term 'balance of trade'.

(b) The diagram below shows the UK's terms of trade between 2006 and 2020.

(c) Explain why the UK's terms of trade index is not a good indicator of the UK's economic growth.

IB Economics: Activity Worksheet

Name: \_\_\_\_\_

1. (a) Explain the meaning of the term 'GDP per capita'.

(b) Complete the table below. Try to include both positive and negative implications.

	Individuals	Businesses
UK		
Asia		

2. What is meant by the term 'GDP per capita'?

3. Look at the table showing the index of UK house prices from 2002 to 2024 for selected regions. Base Year 1985 = 100.

Year	North	Scotland	Greater London	South East	All UK
2002	115.5	105.8	100.0	100.0	100.0
2011	181.1	108.8	109.1	103.4	105.4
2014	178.1	105.1	104.6	101.8	102.3
2021	208.4	105.1	117.1	101.8	107.0
2024	207.7	106.2	105.1	101.8	105.3

4. Using the table, calculate the following percentage change in house prices:

(i) Greater London from 2011 to 2024

(ii) Scotland from 2002 to 2024

(iii) All UK from 1985 to 2024

(a) **Discuss** the usefulness of **GDP** as an indicator of growth. (8)

(b) **Assess** the impact of **exchange rate** changes on economic growth for a country. (10)

(c) Using a suitable diagram, **assess** the use of **fiscal policy** to stimulate economic growth. (12)

(d) **Evaluate** the extent of the **trade-off** between economic growth and negative externalities. (20)

# Examination

Paper	Content	Exam details
<b>Paper 1</b>	<u>Markets</u> Themes 1 & 4	Duration: 2 hours 100 marks available
<b>Paper 2</b>	<u>Global Economic Environment</u> Themes 2 & 3	Duration: 2 hours 100 marks available
<b>Paper 3</b>	<u>Pre-released case study</u> Economic related issue – All themes	Duration: 2 hours 100 marks available

Exams at the end of Year 13  
May/June

# Overview of assessment/exam

## Paper 1: Markets and how they work

\*Paper code: 9EB0/01

- Externally assessed
- Availability: May/June
- First assessment: 2017

35% of the total qualification

### Overview of content

Paper 1 will assess markets and questions will be drawn from Themes 1 and 4.

### Overview of assessment

- Written examination.
- The paper comprises three sections.
- Students answer all questions from all sections.
- Section A comprises one data response question.
- Section B and Section C each comprise one extended open-response question based on data.
- Duration: 2 hours.
- 100 marks available.

## Paper 2: Competing in the global economy

\*Paper code: 9EB0/02

- Externally assessed
- Availability: May/June
- First assessment: 2017

35% of the total qualification

### Overview of content

Paper 2 will assess the global economic environment and questions will be drawn from Themes 2 and 3.

### Overview of assessment

- Written examination.
- The paper comprises three sections.
- Students answer all questions from all sections.
- Section A comprises one data response question.
- Section B and Section C each comprise one extended open-response question based on data.
- Duration: 2 hours.
- 100 marks available.

## Paper 3: The economic environment and business

\*Paper code: 9EB0/03

- Externally assessed
- Availability: May/June
- First assessment: 2017

30% of the total qualification

### Overview of content

For Paper 3, there will be a pre-released context document issued on our website in November of the previous year. A new context will be given to centres each year and will relate to the examination series for the following summer.

The context will focus on a broad context, such as an economy, industry, market or economic issue. The question paper will be in two sections.

The first section will focus on the broad context provided. This will be outlined to centres through the pre-released document.

The second section will focus on at least one strand within the context provided, such as a particular firm.

Each section will contain unseen stimulus materials comprising quantitative and qualitative evidence. Students are required to apply their knowledge and understanding from Themes 1, 2, 3 and 4 and their understanding of the broad context to this evidence.

Students **cannot** take any of their research or investigation data carried out as part of the pre-release into the examination.

### Overview of assessment

- Written examination.
- The paper comprises two sections. Each section comprises data response questions broken down into a number of parts, including one extended open-response question.
- Students answer all questions from both sections.
- Duration: 2 hours.
- 100 marks available.

### 1.3 Introducing the market

The understanding of markets is fundamental to economics and helps students to understand what is produced and how it is sold.

### 2.2 Firms, consumers and elasticities of demand

Measuring consumer response to changes in prices and incomes helps firms make price, product and output decisions.

Subject content	What students need to learn:
1.3.1 Demand	<ul style="list-style-type: none"> <li>a) Consumer objectives and decisions</li> <li>b) The demand curve</li> <li>c) The distinction between movements along a demand curve and shifts of a demand curve</li> <li>d) The factors that may cause a shift in the demand curve:                             <ul style="list-style-type: none"> <li>o changes in the prices of substitutes and complementary goods</li> <li>o changes in real incomes</li> <li>o changes in tastes and fashions</li> <li>o advertising and branding</li> <li>o changes in size and age distribution of the population</li> </ul> </li> </ul>
1.3.2 Supply	<ul style="list-style-type: none"> <li>a) Producer objectives and decisions</li> <li>b) The supply curve</li> <li>c) The distinction between movements along a supply curve and shifts of a supply curve</li> <li>d) The factors that may cause a shift in the supply curve:                             <ul style="list-style-type: none"> <li>o changes in the costs of production</li> <li>o the introduction of new technology</li> <li>o indirect taxes</li> <li>o subsidies</li> <li>o changes in the number of firms in an industry</li> <li>o external shocks</li> </ul> </li> </ul>
1.3.3 Price determination	<ul style="list-style-type: none"> <li>a) Equilibrium price and quantity and how they are determined</li> <li>b) The use of supply and demand diagrams to depict excess supply and excess demand</li> <li>c) The operation of market forces to eliminate excess demand and excess supply</li> <li>d) The use of the supply and demand model to show how shifts in demand and supply curves cause the equilibrium price and quantity to change in real-world situations</li> <li>e) The limitations of the supply and demand model and its predictions</li> </ul>

Subject content	What students need to learn:
2.2.1 Price elasticity of demand (PED)	<ul style="list-style-type: none"> <li>a) The significance of price elasticity of demand to firms (in both niche and mass markets) in terms of implications for pricing</li> <li>b) Calculation of price elasticity of demand</li> <li>c) Interpretation of numerical values of price elasticity of demand</li> <li>d) The factors influencing price elasticity of demand</li> <li>e) The relationship between price elasticity of demand and total revenue</li> </ul>
2.2.2 Competing on price	<ul style="list-style-type: none"> <li>a) Pricing strategies:                             <ul style="list-style-type: none"> <li>o cost plus (calculating mark up on unit cost)</li> <li>o price skimming</li> <li>o penetration</li> <li>o predatory</li> <li>o competitive</li> <li>o psychological</li> </ul> </li> <li>b) Factors that determine the most appropriate pricing strategy for a particular situation:                             <ul style="list-style-type: none"> <li>o number of USPs/amount of differentiation</li> <li>o price elasticity of demand</li> <li>o amount of competition</li> <li>o strength of brand</li> <li>o stage in the product life cycle</li> <li>o costs and the need to make a profit</li> </ul> </li> <li>c) Changes in pricing to reflect social trends (online sales and price comparison sites)</li> </ul>
2.2.3 Types of non-price competition	<ul style="list-style-type: none"> <li>a) The impact of marketing on the demand curve:                             <ul style="list-style-type: none"> <li>• product differentiation</li> <li>• advertising and other promotional methods</li> <li>• distribution methods</li> </ul> </li> <li>b) Devising appropriate marketing approaches</li> </ul>
2.2.4 Income elasticity of demand (YED)	<ul style="list-style-type: none"> <li>a) The significance of income elasticity of demand to firms</li> <li>b) Calculation of income elasticity of demand</li> <li>c) Interpretation of numerical values of income elasticity of demand</li> <li>d) The factors influencing income elasticity of demand</li> </ul>

# Economic Issues Brainstorm (10 minutes):

---

Divide students into small groups (3-4 students per group).  
Give each group a large sheet of paper and markers.

**Task: Identify and discuss a current economic issue (e.g., unemployment, inflation, poverty).**

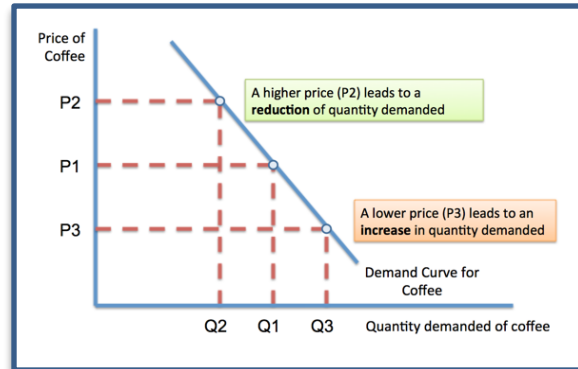
- What is the issue?
- Who is affected?
- What might be causing this issue?

Encourage discussion and teamwork.

**Presentation and Feedback (10 minutes):**

- Ask each group to present their economic issue to the class.
  - After each presentation, allow the class to ask questions and provide positive feedback.
-

# Demand, Supply & Market Equilibrium



# Market Simulation (7 minutes)

Divide students into small groups (3-4 students per group).  
Each group represents a market for a particular product (e.g., ice cream, smartphones).

**Task:** Simulate market conditions and plot demand and supply curves:

- Determine factors that increase or decrease demand (e.g., price changes, trends).
- Determine factors that increase or decrease supply (e.g., production costs, technology).

Groups draw their demand and supply curves on large sheets of paper.

**Discussion (5 minutes):**

- Each group presents their demand and supply curves to the class.
- Discuss how changes in determinants affect the curves and market equilibrium.

---

Price up → Demand decrease

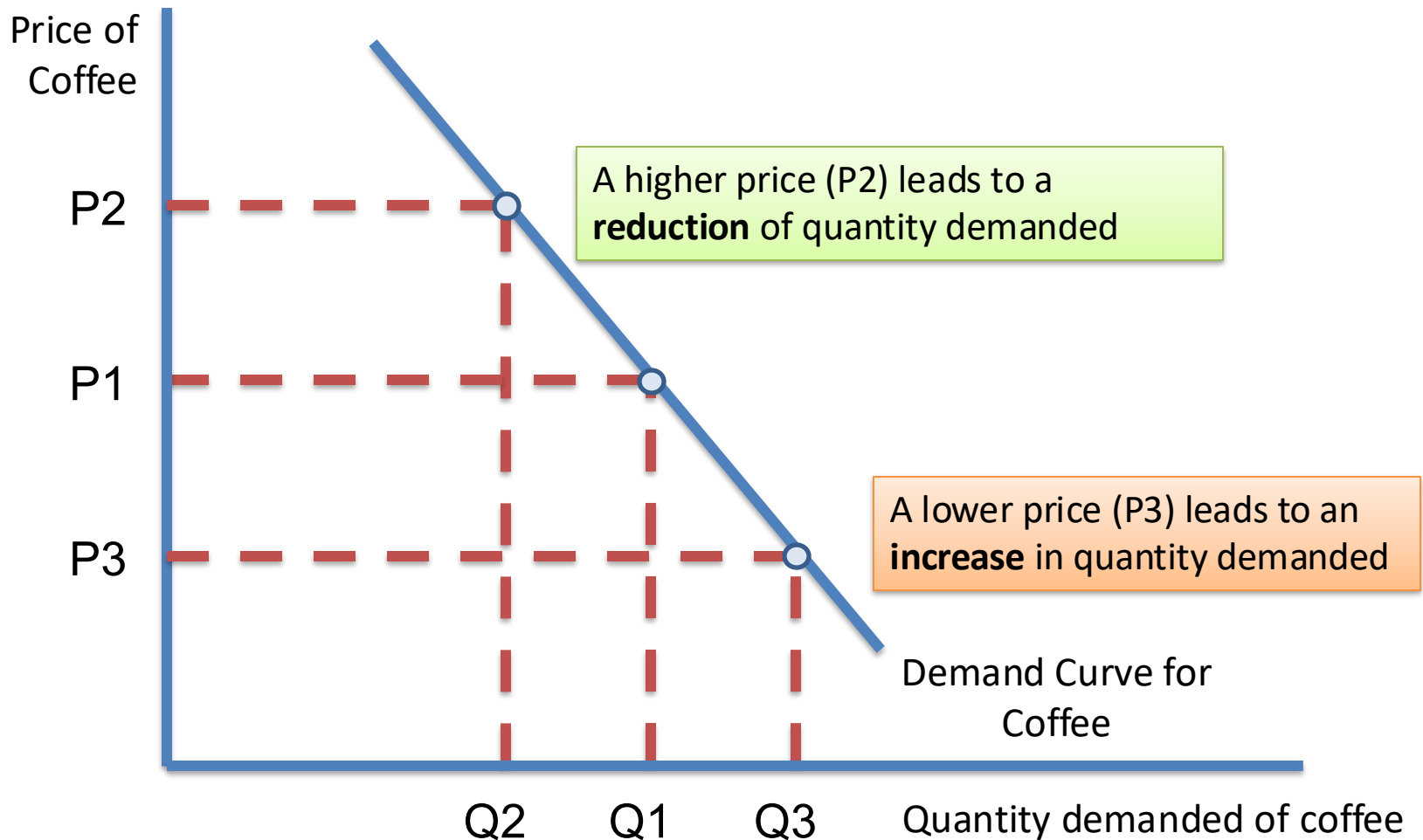
Price down → Demand increase

Price up → Supply increase

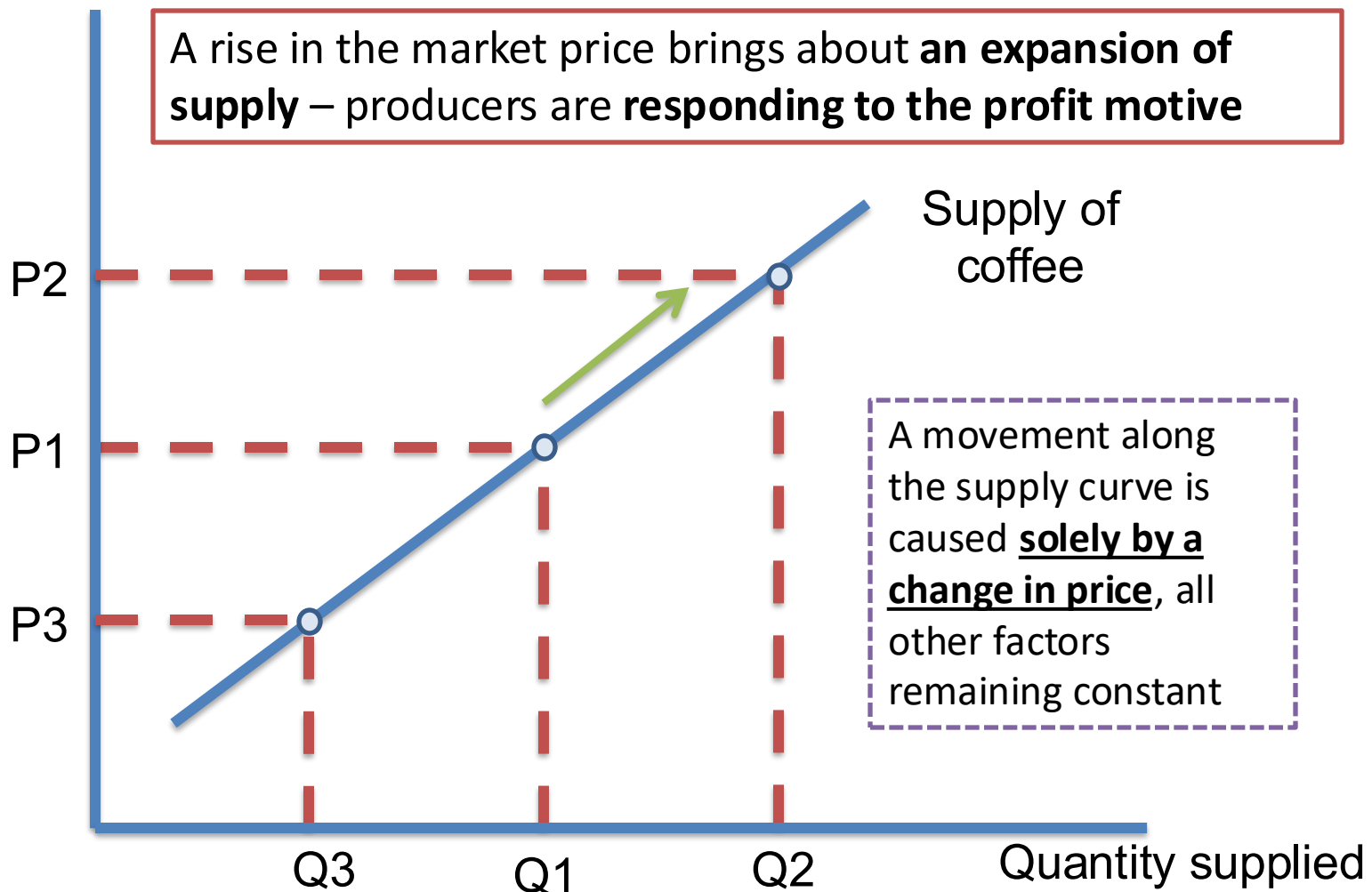
Price down → Supply decrease

Market equilibrium → no excess demand or supply (Balance)

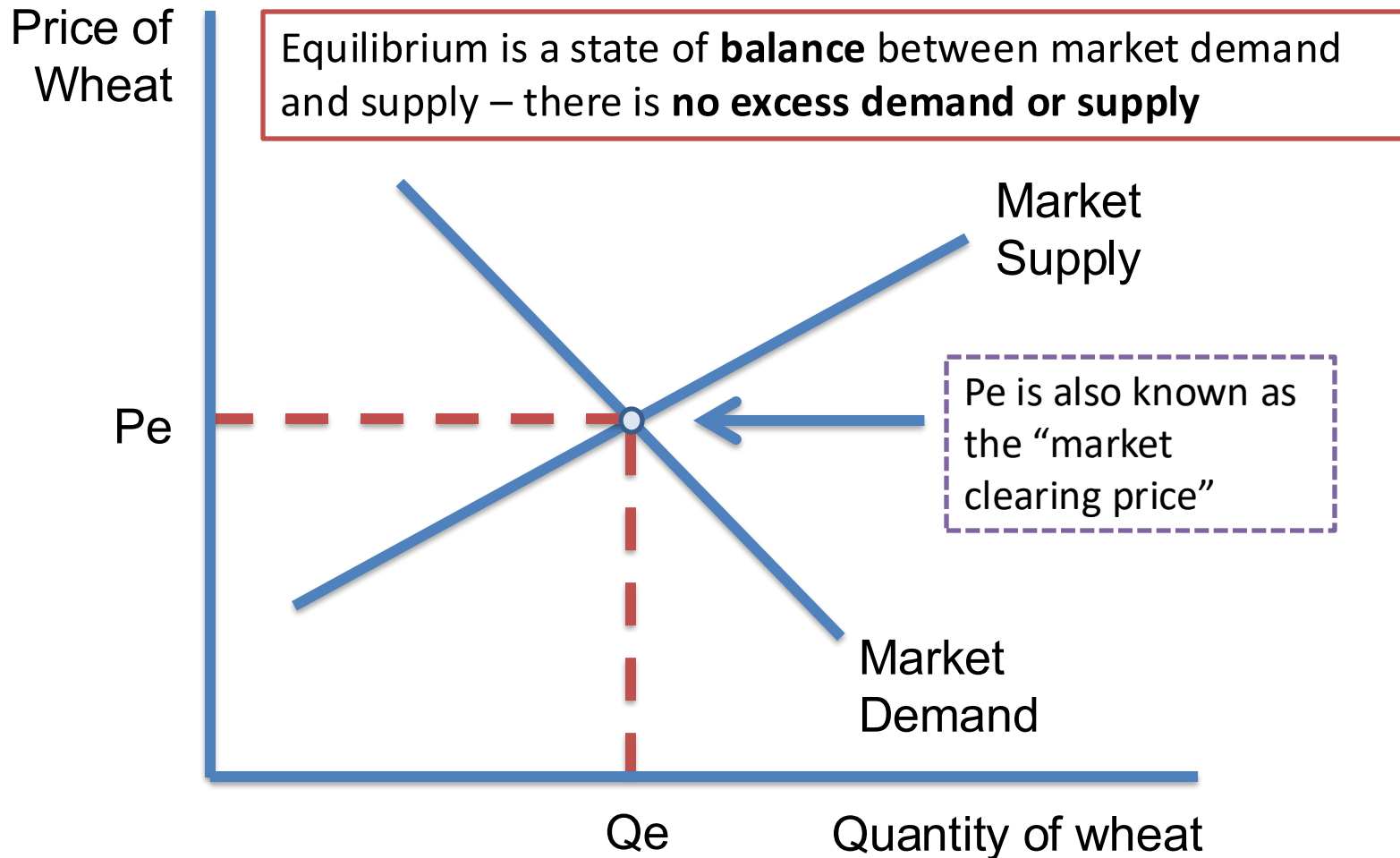
# The Simple Demand Curve



# The Supply Curve - Illustrated



# Showing Equilibrium Using Supply and Demand Curves



# Task (18 minutes)

## Demand

- Q's 1-3
- Ext 4-5
  
- Income
- Complementary goods
- Demographics
- Substitute goods

## Supply

- Q's 1-3
- Ext 4-5

## Market Equilibrium

- Q's 1-3
- Ext 4-5

*Match it up – key words activity sheet*



# Price & Income Elasticity of Demand



# What is Elasticity?

**Elasticity measures the responsiveness of demand to a change in a relevant variable – such as price or income**

**Highlight how elasticity affects business decisions and consumer behaviour.**

# Definition: **Price** Elasticity of Demand

**Price elasticity** of demand measures the extent to which the **quantity** of a product **demand**ed is affected by a **change in price**

# Calculating **Price** Elasticity of Demand - Formula

Price Elasticity of Demand (usually shortened to  
PED) is calculated as:

**% Change in Quantity Demanded**

---

**% Change in Price**

# Interpreting Price Elasticity of Demand (PED)

	Value of PED	Interpreting the Elasticity
<b>Price elastic</b>	<b>More than 1</b>	Change in demand is <b>more than</b> the change in price
<b>Price inelastic</b>	<b>Less than 1</b>	Change in demand is <b>less than</b> the change in price
Unitary price elasticity	Exactly = 1	Change in demand = change in price

# 2 minutes

**Question:** The price of a product increases from \$5 to \$6. The quantity demanded decreases from 100 units to 90 units. Calculate the price elasticity of demand (PED).

**% Change in Quantity Demanded**

---

**% Change in Price**

$$\text{PED} = \frac{\% \Delta Q_d}{\% \Delta P} = \frac{\frac{90-100}{100} \times 100}{\frac{6-5}{5} \times 100} = \frac{-10\%}{20\%} = -0.5$$



# Definition: **Income** Elasticity of Demand

Income elasticity of demand measures the extent to which the **quantity of a product demanded** is affected by a **change in income**

How might your spending habits change if your household income received a significant pay raise?

# Types of goods

---

**Luxury goods:** Designer clothes, high-end electronics

**Normal goods:** Groceries, household items

**Inferior goods:** Budget brands, public transport

# Interpreting Income Elasticity of Demand

- Most most normal products
  - A rise in consumer income will result in a rise in demand
  - A fall in consumer income will result in a fall in demand
- Extent of the change (elasticity)
  - This will vary depending on the type of product (e.g. luxury v necessity)

# Income Elasticity: Luxuries v Necessities

Luxuries	Necessities
Income elasticity more than 1	Income elasticity less than 1, but more than 0
As income grows, proportionally more is spent on <b>luxuries</b>	As income grows, proportionally less is spent on <b>necessities</b>
Examples:	Examples:
Consumer goods Expensive holidays Branded goods	Staple groceries (e.g. milk) Own-label goods

# Inferior Goods (*income elasticity less than 1*)

---

- For inferior goods, as income rises demand actually falls
- Why does demand fall?
  - Consumers switch to better alternatives
  - Substitute products become affordable

---

$0 < YED < 1$ : **Normal goods** (positively responsive to income changes but less than proportionately)

$YED < 0$ : **Inferior goods** (negatively responsive to income changes)

$YED > 1$ : **Luxury goods** (highly responsive to income changes)

# Calculating **Income** Elasticity of Demand - Formula

Income Elasticity of Demand (usually shortened to PED) is calculated as:

**% Change in Quantity Demanded**

---

**% Change in Income**

If income increases by 10% and the quantity demanded for a good increases by 20%, YED is:

**% Change in Quantity Demanded**

---

**% Change in Income**

# Answer

If income increases by 10% and the quantity demanded for a good increases by 20%, YED is:

**% Change in Quantity Demanded**

---

**% Change in Income**

$$YED = \frac{20\%}{10\%} = 2 \quad (\text{Luxury good})$$

Scenario: Income increases by 15%, and the quantity demanded for second-hand clothes decreases by 5%.

**% Change in Quantity Demanded**

---

**% Change in Income**

# Answer

Scenario: Income increases by 15%, and the quantity demanded for second-hand clothes decreases by 5%.

**% Change in Quantity Demanded**

---

**% Change in Income**

$$YED = \frac{-5\%}{15\%} = -\frac{1}{3} \quad (\text{Inferior good})$$

# Putting It Together: Price and Income Elasticity

	PRODUCT A	PRODUCT B
PED	- 1.5	- 0.2
IED	+ 0.5	+ 1.9
	<b>Price elastic</b>  <b>Income inelastic</b> Likely to be a necessity	<b>Price inelastic</b>  <b>Income elastic</b> Likely to be a luxury good (perhaps branded)

# Task (6 minutes)

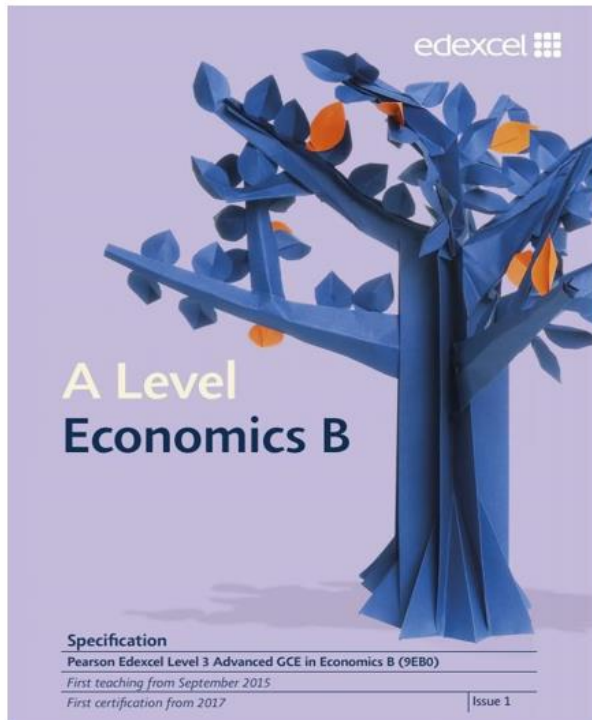
- Q's 1-3
- Ext 4-5

*Match it up – key words activity sheet*



# Summer work

Edexcel 9EB0 A-level Economics B  
Year 12 Summer Tasks



<https://qualifications.pearson.com/en/qualifications/edexcel-a-levels/economics-b-2015.html>

Task 1: Macroeconomics – GDP, the economic cycle and unemployment

Task 2: Microeconomics Minimum Prices

Task 3: The demand curve