

AQA A Level Economics – Personal Learning Checklist – Year 12 Micro

4.1 Individuals, Firms, Markets and Market Failure

4.1.1 Economic Methodology and the economic problem		Red	Amber	Green
4.1.1.1	Economic methodology			
<ul style="list-style-type: none">• Can I tell the difference between positive and normative statements?• Can I tell how value judgements influence economic decision making and policy?• Can I tell people’s views concerning the best option are influenced by the positive consequences of different decisions and by moral and political judgements?				
4.1.1.2	The nature and purpose of economic activity			
<ul style="list-style-type: none">• Do I know what the central purpose of economic activity is?• Do I know what the key economic decisions are: what to produce, how to produce, and who is to benefit from the goods and services produced?				
4.1.1.3	Economic resources			
<ul style="list-style-type: none">• Can I define the economists’ classification of economic resources of land, labour, capital and enterprise, which are the factors of production?• Do I know the rewards for each of the factors of production?				

4.1.1.4	Scarcity, choice and the allocation of resources			
<ul style="list-style-type: none">• Do I know the fundamental economic problem?• Can I define opportunity cost?				
4.1.1.5	Production possibility diagrams			
<ul style="list-style-type: none">• Can I draw or use Production possibility diagrams illustrate different features of the fundamental economic problem, such as: resource allocation, opportunity cost and trade-offs, unemployment of economic resources, economic growth?• Do I know why all points on the boundary are productively efficient but not all points on the boundary are allocatively efficient?				

4.1.3 Price determination in a competitive market		Red	Amber	Green
4.1.3.1				
<ul style="list-style-type: none">Do I know the factors which determine the demand for a good or service?Can I draw a demand curve to show the relationship between price and quantity demanded?Do I know the causes of shifts in the demand curve?				
4.1.3.2	Price, income and cross elasticities of demand			

<ul style="list-style-type: none"> • Can I calculate: <ul style="list-style-type: none"> ▪ Price elasticity of demand? ▪ Income elasticity of demand? ▪ Cross elasticity of demand? • Do I know the relationship between income elasticity of demand and normal and inferior goods? • Do I know the relationship between cross elasticity of demand and substitute and complementary goods? • Do I know the relationships between price elasticity of demand and firms' total revenue (total expenditure)? • Do I know the factors that influence these elasticities of demand? 			
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4.1.3.3	The determinants of the supply of goods and services			
	<ul style="list-style-type: none"> • Do I know the factors which determine the supply of a good or service? • Do I know how a supply curve shows the relationship between price and quantity supplied? • Do I understand how higher prices imply higher profits and that this will provide the incentive to expand production? • Do I know the causes of shifts in the supply curve? 			
4.1.3.4	Price elasticity of supply			
	<ul style="list-style-type: none"> • Can I calculate price elasticity of supply? • Do I know the factors that influence price elasticity of supply? 			
4.1.3.5	The determination of equilibrium market prices			

<ul style="list-style-type: none">• Can I tell how the interaction of demand and supply determines equilibrium prices in a market economy?• Can I tell the difference between equilibrium and disequilibrium?• Do I know why excess demand and excess supply lead to changes in price?				
4.1.3.6	The interrelationship between markets			
<ul style="list-style-type: none">• Do I know how the changes in a particular market are likely to affect other markets?• Do I know the implications of:<ul style="list-style-type: none">▪ Joint demand?▪ Demand for substitute goods?▪ Composite demand?▪ Derived demand and joint supply?				

4.1.4 Production, costs and revenue		Red	Amber	Green
4.1.4.1				
<ul style="list-style-type: none">• Do I know that production converts inputs, or the services of factors of production such as capital and labour, into final output?• Do I know the meaning of productivity, including labour productivity?				
4.1.4.2	Specialisation, division of labour and exchange			
<ul style="list-style-type: none">• Do I know the benefits of specialisation and division of labour?• Do I know why specialisation necessitates an efficient means of exchanging goods and services, such as the use of money as a medium of exchange?				
4.1.4.3	The law of diminishing returns and returns to scale			

<ul style="list-style-type: none">• Do I know what is meant by the difference between the short run and the long run?• Do I know the difference between marginal, average and total returns?• Do I know the law of diminishing returns?• Do I know what is meant by returns to scale?• Do I know the difference between increasing, constant and decreasing returns to scale?				
4.1.4.4	Costs of production			
<ul style="list-style-type: none">• Do I know the difference between fixed and variable costs?• Do I know the difference between marginal, average and total costs?• Do I know the difference between short-run and long-run costs?• Do I know the reasons for the shape of the marginal, average and total cost curves?• Do I know how factor prices and productivity affect firms' costs of production and their choice of factor inputs?				
4.1.4.5	Economies and diseconomies of scale			
<ul style="list-style-type: none">• Do I know the difference between internal and external economies of scale?• Do I know the reasons for diseconomies of scale?• Do I know the relationship between economies of scale, diseconomies of scale and the shape of the long-run average cost curve?				
4.1.4.6	Marginal, average and total revenue			
<ul style="list-style-type: none">• Do I know the difference between marginal, average and total revenue?• Do I know why the average revenue curve is the firm's demand curve?• Do I know the relationship between average and marginal revenue?• Do I know the relationship between marginal revenue and total revenue?				
4.1.4.7	Profit			

<ul style="list-style-type: none">• Do I know what is meant by Profit (the difference between total revenue and total costs)?• Do I know the difference between normal and abnormal (supernormal) profit?• Do I know the role of profit in a market economy?				
4.1.4.8	Technological change			
<ul style="list-style-type: none">• Do I know the difference between invention and innovation?• Do I know that technological change can affect methods of production, productivity, efficiency and firms' costs of production?• Do I know that technological change can lead to the development of new products, the development of new markets and may destroy existing markets?• Do I know that technological change can influence the structure of markets?				

4.1.5 Perfect competition, imperfectly competitive markets and monopoly		Completed notes?	Completely learnt?	An example:
4.1.5.1	Market structures			
<ul style="list-style-type: none">Do I know the spectrum of competition ranging from perfect competition at one end of the spectrum to pure monopoly at the other end of the spectrum?Do I know factors that impact on market structures such as the number of firms, the degree of product differentiation and ease of entry are used to distinguish between different market structures?				
4.1.5.3	Perfect competition			
<ul style="list-style-type: none">Do I know the implications of the following for the behaviour of firms and the industry: large numbers of producers, identical products, freedom of entry and exit, and perfect knowledge?Do I know that firms operating in perfectly competitive markets are price takers?				

<ul style="list-style-type: none"> Do I know the proposition that, given certain assumptions, relating for example to a lack of externalities, perfect competition will result in an efficient allocation of resources? 			
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4.1.5.4	Monopolistic competition			
	<ul style="list-style-type: none"> Do I know the main characteristics of monopolistically competitive markets? Do I know that monopolistically competitive markets will be subject to non-price competition? 			
4.1.5.5	Oligopoly			
	<ul style="list-style-type: none"> Do I know the main characteristics of oligopolistic markets? Do I know that oligopolistic markets can be very different in relation to, for example, the number of firms, the degree of product differentiation and ease of entry? Do I know that an oligopoly can be defined in terms of market structure or in terms of market conduct (behaviour)? Do I know the definition of a concentration ratios and how to calculate a concentration ratio? Do I know the advantages and disadvantages of oligopoly? 			

4.1.5.6	Monopoly and monopoly power			
	<ul style="list-style-type: none"> Do I know that monopoly power is influenced by factors such as barriers to entry, the number of competitors, advertising and the degree of product differentiation? Do I know the advantages and disadvantages of monopoly? 			

4.1.8 The market mechanism, market failure and government intervention in markets		Completed notes?	Completely learnt?	An example:
4.1.8.1	How markets and prices allocate resources			
<ul style="list-style-type: none">• Do I know the rationing, incentive and signalling functions of prices in allocating resources and coordinating the decisions of buyers and sellers in a market economy?• Do I know that the price mechanism is the way in which the basic economic problem is resolved in a market economy?				
4.1.8.2	The meaning of market failure			
<ul style="list-style-type: none">• Do I know that market failure occurs whenever a market leads to a misallocation of resources?• Do I know what is meant by a misallocation of resources?• Do I know the difference between complete market failure (resulting in a missing market) and partial market failure (where a market exists but contributes to resource misallocation)?• Do I know how:<ul style="list-style-type: none">▪ public goods▪ positive and negative externalities▪ merit and demerit goods▪ monopoly and other market imperfections▪ and inequalities in the distribution of income and wealthcan lead to market failure?				
4.1.8.3	Public goods, private goods and quasi-public goods			

<ul style="list-style-type: none">• Do I know that pure public goods are non-rival and non-excludable and recognition of the significance of these characteristics?• Do I know the difference between a public good and a private good?• Do I know the circumstances when a public good may take on some of the characteristics of a private good and become a quasi-public good?• Do I know the significance of technological change?• Do I know what is meant by the free-rider problem?				
4.1.8.4	Positive and negative externalities in consumption and production			
<ul style="list-style-type: none">• Do I know that externalities exist when there is a divergence between private and social costs and benefits?• Do I know why negative externalities are likely to result in over-production and that positive externalities are likely to result in under-production?				
4.1.8.5	Merit and demerit goods			
<ul style="list-style-type: none">• Do I know that the classification of merit and demerit goods depends upon a value judgement?• Do I know that such products may be subject to positive and negative externalities in consumption?• Do I know how under-provision of merit goods and over-provision of demerit goods may also result from imperfect information?				

4.1.8.6	Market imperfections			
	<ul style="list-style-type: none"> Do I know why imperfect and asymmetric information can lead to market failure? Do I know why the existence of monopoly and monopoly power can lead to market failure? Do I know why the immobility of factors of production can lead to market failure. 			

4.1.8.9	Government intervention in markets			
	<ul style="list-style-type: none"> Do I know that the existence of market failure, in its various forms, provides an argument for government intervention in markets? Do I know that governments influence the allocation of resources in a variety of ways, including through public expenditure, taxation and regulations? Do I know that governments have a range of objectives and these affect how they intervene in a mixed economy to influence the allocation of resources? Do I know that the use of indirect taxation, subsidies, price controls, state provision and regulation to correct market failure? 			
4.1.8.10	Government failure			
	<ul style="list-style-type: none"> Do I know that government failure occurs when government intervention in the economy leads to a misallocation of resources? Do I know that inadequate information, conflicting objectives and administrative costs are possible sources of government failure? Do I know that governments may create, rather than remove, market distortions? Do I know that government intervention can lead to unintended consequences? 			

AQA A Level Economics – Personal Learning Checklist – Year 12 Macro

Work through each of the key topics in this checklist during the summer to make sure you have covered all the Year 12 Macro specification before you come back for Year 13.

4.2 The National and International Economy

4.2.1 The measurement of macroeconomic performance		Completed notes?	Completely learnt?	An example:
4.2.1.1	The objectives of government economic policy			
<ul style="list-style-type: none">Do I know the main objectives of government macroeconomic policy: economic growth, price stability, minimising unemployment and a stable balance of payments on current account?Do I know about the possibility of conflict arising, at least in the short run, when attempting to achieve these objectives?				
4.2.1.2	Macroeconomic indicators			
<ul style="list-style-type: none">Do I know the data which is commonly used to measure the performance of an economy, such as: real GDP, real GDP per capita, Consumer Prices and Retail Prices Indices (CPI/RPI), measures of unemployment, productivity and the balance of payments on current account?				
4.2.1.3	Uses of index numbers			

<ul style="list-style-type: none"> Do I know how index numbers are calculated and interpreted, including the base year and the use of weights? Do I know how index numbers are used to measure changes in the price level and changes in other economic variables? 			
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4.2.2 How the macroeconomy works: the circular flow of income, aggregate demand/aggregate supply analysis and related concepts		Completed notes?	Completely learnt?	An example:
4.2.2.1	The circular flow of income			
	<ul style="list-style-type: none"> Do I know what national income measures? Do I know the difference between nominal and real income? Do I know that real national income as an indicator of economic performance? Do I know the circular flow of income concept, the equation income = output = expenditure, and of the concepts of equilibrium and full employment income? Do I know the difference between injections and withdrawals into the circular flow of income? Do I know the effect of changes in injections and withdrawals on national income? 			
4.2.2.2	Aggregate demand and aggregate supply analysis			
	<ul style="list-style-type: none"> Do I know that changes in the price level are represented by movements along the aggregate demand (AD) and aggregate supply (AS) curves? Do I know the various factors that shift the AD curve and the short-run AS curve? Do I know the factors which affect long-run AS and distinguish them from those which affect short-run AS? Do I know that underlying economic growth is represented by a rightward shift in the long-run AS curve? 			

<ul style="list-style-type: none"> Do I know how to use AD/AS diagrams to illustrate macroeconomic equilibrium? Do I know how both demand-side and supply-side shocks affect the macroeconomy? 				
4.2.2.3	The determinants of aggregate demand	<ul style="list-style-type: none"> Do I know what is meant by AD? Do I know the determinants of AD, i.e. the determinants of consumption, investment, government spending, exports and imports? Do I know the basic accelerator process? Do I know the determinants of savings? Do I know the difference between saving and investment? 		
4.2.2.4	Aggregate demand and the level of economic activity			
<ul style="list-style-type: none"> Do I know the role of AD in influencing the level of economic activity? Do I know the multiplier process and an explanation of why an initial change in expenditure may lead to a larger impact on local or national income? Do I know the concept of the marginal propensity to consume and use the marginal propensity to consume to calculate the size of the multiplier? Do I know why the size of the marginal propensity to consume determines the magnitude of the multiplier effect? 				
4.2.2.5	Determinants of short-run aggregate supply	<ul style="list-style-type: none"> Do I know that the price level and production costs are the main determinants of the short-run AS? Do I know changes in costs, such as: money wage rates, raw material prices, business taxation and productivity, will shift the short-run AS curve? 		
4.2.2.6	Determinants of long-run aggregate supply			

<ul style="list-style-type: none">• Do I know the fundamental determinants of long-run AS such as technology, productivity, attitudes, enterprise, factor mobility, and economic incentives?• Do I know the position of the vertical long-run AS curve represents the normal capacity level of output of the economy?• Do I know the importance of the institutional structure of the economy in determining aggregate supply, such as the role of the banking system in providing business investment funds, should also be understood?• Do I know the Keynesian AS curve?				
4.2.3.1	Economic growth and the economic cycle			
<ul style="list-style-type: none">• Do I know the difference between short-run and long-run growth?• Do I know the various demand-side and supply-side determinants of short-run growth of real national income and the long-run trend rate of economic growth?• Do I know the costs and benefits of economic growth?• Do I know the impact of growth on individuals, the economy and the environment?• Do I know the concept of the economic cycle and the use of a range of economic indicators, such as real GDP, the rate of inflation, unemployment and investment, to identify the various phases of the economic cycle?• Do I know the difference between positive and negative output gaps?• Do I know the causes of changes in the various phases of the economic cycle, including both global and domestic demand-side and supply-side shocks?				
4.2.3.2	Employment and unemployment			
<ul style="list-style-type: none">• Do I know the main UK measures of unemployment, ie the claimant count and the Labour Force Survey measure?• Do I know the concepts of voluntary and involuntary unemployment?				

<ul style="list-style-type: none">• Do I know the terms seasonal, frictional, structural and cyclical unemployment?• Do I know how employment and unemployment may be determined by both demand-side and supply-side factors?• Do I know the concept of, and the factors which determine, real wage unemployment?• Do I know the concept of, and the factors which determine, the natural rate of unemployment?• Do I know the consequences of unemployment for individuals and for the performance of the economy?				
4.2.3.3	Inflation and deflation			
<ul style="list-style-type: none">• Do I know the concepts of inflation, deflation and disinflation?• Do I know that demand-pull and cost-push influences on the price level?• Do I know how changes in world commodity prices affect domestic inflation?• Do I know how changes in other economies can affect inflation in the UK?				
4.2.3.4	Possible conflicts between macroeconomic policy objectives			
<ul style="list-style-type: none">• Do I know how negative and positive output gaps relate to unemployment and inflationary pressures?• Do I know both the short-run Phillips curve and the long-run, L-shaped Phillips curve?• Do I know the implications of the short-run Phillips curve and the long-run, L-shaped Phillips curve for economic policy?				
4.2.4.3	Central banks and monetary policy			
<ul style="list-style-type: none">• Do I know the main functions of a central bank?• Do I know that monetary policy involves the central bank taking action to influence interest rates, the supply of money and credit and the exchange rate?• Do I know the current objectives of monetary policy set by the government?				

<ul style="list-style-type: none">Do I know the role of the Monetary Policy Committee of the Bank of England (MPC) and how it uses changes in bank rate to try to achieve the objectives for monetary policy, including the government’s target rate of inflation?				
4.2.5 Fiscal policy and supply-side policies		Completed notes?	Completely learnt?	An example:
4.2.5.1	Fiscal policy			
<ul style="list-style-type: none">Do I know that fiscal policy involves the manipulation of government spending, taxation and the budget balance?Do I know that fiscal policy can have both macroeconomic and microeconomic functions?Do I know how fiscal policy can be used to influence aggregate demand?Do I know how fiscal policy can be used to influence aggregate supply?Do I know how government spending and taxation can affect the pattern of economic activity?Do I know the difference between direct and indirect taxes?Do I know the difference between progressive, proportional and regressive taxes?				
4.2.5.2	Supply-side policies			
<ul style="list-style-type: none">Do I know the difference between supply-side policies and supply-side improvements in the economy?Do I know how supply-side policies can help to achieve supply-side improvements in the economy?				

4.2.6.3	The balance of payments			
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