

# INTERNATIONAL ADVANCED LEVEL

## Economics

### SPECIFICATION

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Pearson Edexcel International Advanced Subsidiary in Economics (XEC01)

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Pearson Edexcel International Advanced Level in Economics (YEC01)

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For first teaching in September 2013

First examination January 2014

Issue 2



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### Acknowledgements

This specification has been produced by Pearson on the basis of consultation with teachers, examiners, consultants and other interested parties. Pearson would like to thank all those who contributed their time and expertise to the specification's development.

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ISBN: 978 1 446 92521 8

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# About this specification

Pearson Edexcel International Advanced Level in Economics is designed for use in schools and colleges outside the United Kingdom. It is part of a suite of International Advanced Level qualifications offered by Pearson.

This qualification has been approved by Pearson Education Limited as meeting the criteria for Pearson's Self Regulated Framework.

Pearson's Self Regulated Framework is designed for qualifications that have been customised to meet the needs of a particular range of learners and stakeholders. These qualifications are not accredited or regulated by any UK regulatory body.

**Structure:** modular structure comprising four equally weighted units.

**Content:** up-to-date content which is engaging and relevant to international students.

**Assessment:** 100% external assessment, with January and June assessment opportunities.

**Approach:** encourages wider reading on current issues, using real-life examples.

## Specification updates

This specification is Issue 2 and is valid for the Pearson Edexcel International Advanced Subsidiary and International Advanced Level examination from 2014. If there are any significant changes to the specification Pearson will write to centres to let them know. Changes will also be posted on our website.

For more information please visit [www.edexcel.com/IAL](http://www.edexcel.com/IAL)

## Using this specification

This specification has been designed to give guidance to teachers and encourage effective delivery of the qualification. The following information will help you get the most out of the content and guidance.

**Compulsory content:** as a minimum, all the bullet points in the content must be taught. The word 'including' in unit content specifies the detail of what must be covered.

**Examples:** throughout the unit content, we have included examples of what could be covered or what might support teaching and learning. It is important to note that examples are for illustrative purposes only and centres can use other examples. We have included examples that are easily understood and recognised by international centres.

Unit assessments use a range of material and are not limited to the examples given. Teachers should deliver the qualification using a good range of examples to support the assessment of the unit content.

Students need to demonstrate knowledge of technical language where required.

**Depth and breadth of content:** teachers should prepare students to respond to assessment questions. Teachers should use the full range of content and all the assessment objectives given in *Section B: Specification overview*.

## Qualification abbreviations

International Advanced Level – IAL

International Advanced Subsidiary – IAS

International Advanced Level 2 (the additional content required for an IAL) – IA2

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# A Specification at a glance

## Unit overview

IAS	Unit 1: Markets in Action	*Unit code WEC01	
<ul style="list-style-type: none"> <li>■ Externally assessed</li> <li>■ Availability: January and June</li> <li>■ First assessment: January 2014</li> </ul>		50% of the total IAS marks	25% of the total IAL marks
<p><b>Content summary</b></p> <p>This unit gives an introduction to the nature of economics and examines how the price mechanism allocates resources in local, national and global markets. Students will learn to apply supply and demand analysis to real-world situations, and will be able to suggest reasons for consumer behaviour. They will analyse the nature and causes of market failure and also understand the strengths and weaknesses of possible policy remedies.</p>			
<p><b>Assessment</b></p> <p>Examination of 1 hour and 30 minutes, consisting of supported multiple-choice questions and one data response question out of a choice of two questions.</p>			

IAS	Unit 2: Macroeconomic Performance and Policy	*Unit code WEC02	
<ul style="list-style-type: none"> <li>■ Externally assessed</li> <li>■ Availability: January and June</li> <li>■ First assessment: January 2014</li> </ul>		50% of the total IAS marks	25% of the total IAL marks
<p><b>Content summary</b></p> <p>This unit introduces the key measures of economic performance and the main objectives and instruments of economic policy in an international context. Students will learn how to use a basic AD/AS model to analyse changes in real output and the price level. Students will look at when demand and/or supply side policies may be appropriate ways of improving an economy's performance; consider these policies in an historical context; predict the possible impact of such policies and recognise the assumptions involved. Students should understand different approaches that may be used by policy makers to address macroeconomic problems and to identify criteria for success.</p>			
<p><b>Assessment</b></p> <p>Examination of 1 hour and 30 minutes, consisting of supported multiple-choice questions and one data response question out of a choice of two questions.</p>			

\* See Appendix 2 for description of this code and all other codes relevant to this qualification.

IA2 Unit 3: Business Behaviour	*Unit code WEC03	
<ul style="list-style-type: none"> <li>■ Externally assessed</li> <li>■ Availability: January and June</li> <li>■ First assessment: January 2014</li> </ul>	50% of the total IA2 marks	25% of the total IAL marks
<p><b>Content summary</b></p> <p>This unit develops the content of Unit 1 and examines how pricing and the nature of competition between firms is affected by the number and size of market participants. At the end of this unit, students should be able to analyse and evaluate the pricing and output decisions of firms in different contexts and understand the role of competition in business decision making. They should also be capable of making an appraisal of government intervention aimed at promoting competitive markets.</p>		
<p><b>Assessment</b></p> <p>Examination of 2 hours, consisting of two essay questions from a choice of four questions and one data response question out of a choice of two questions.</p>		

IA2 Unit 4: Developments in the Global Economy	*Unit code WEC04	
<ul style="list-style-type: none"> <li>■ Externally assessed</li> <li>■ Availability: January and June</li> <li>■ First assessment: January 2014</li> </ul>	50% of the total IA2 marks	25% of the total IAL marks
<p><b>Content summary</b></p> <p>This unit develops the knowledge and skills gained in Unit 2. The application, analysis and evaluation of economic models is required as well as an ability to assess policies that might be used to deal with economic problems. An awareness of trends and developments in the global economy over the last 40 years, including contemporary issues, is required. Wider reading and research will enable students to use up-to-date and relevant examples in their analysis and evaluation of issues and developments in the global economy.</p>		
<p><b>Assessment</b></p> <p>Examination of 2 hours, consisting of one essay question with two parts from a choice of three topic areas, and one data response question out of a choice of two questions.</p>		

\* See Appendix 2 for description of this code and all other codes relevant to this qualification.



# B Specification overview

## Summary of assessment requirements

Unit number and unit title	Level	Assessment information	Number of raw marks allocated in the unit
Unit 1: Markets in Action	IAS	<p>Examination length: 1 hour and 30 minutes</p> <p>Examination paper in two sections:</p> <p>Section A</p> <p>Supported multiple-choice questions. Worth 32 marks.</p> <p>Section B</p> <p>One data response question out of a choice of two questions. Worth 48 marks.</p>	80
Unit 2: Macroeconomic Performance and Policy	IAS	<p>Examination length: 1 hour and 30 minutes</p> <p>Examination paper in two sections:</p> <p>Section A</p> <p>Supported multiple-choice questions. Worth 32 marks.</p> <p>Section B</p> <p>One data response question out of a choice of two questions. Worth 48 marks.</p>	80
Unit 3: Business Behaviour	IA2	<p>Examination length: 2 hours</p> <p>Examination paper in two sections:</p> <p>Section A</p> <p>Two essay questions from a choice of four questions. Worth 40 marks.</p> <p>Section B</p> <p>One data response question out of a choice of two questions. Worth 40 marks.</p>	80
Unit 4: Developments in the Global Economy	IA2	<p>Examination length: 2 hours</p> <p>Examination paper in two sections:</p> <p>Section A</p> <p>One essay question with two parts from a choice of three topic areas. Worth 40 marks.</p> <p>Section B</p> <p>One data response question out of a choice of two questions. Worth 40 marks.</p>	80

**Assessment objectives and weightings**

		<b>% in IAS</b>	<b>% in IA2</b>	<b>% in IAL</b>
AO1	Demonstrate knowledge and understanding of the specified content.	30%	20%	25%
AO2	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	30%	20%	25%
AO3	Analyse economic problems and issues.	20%	30%	25%
AO4	Evaluate economic arguments and evidence, making informed judgements.	20%	30%	25%

**Relationship of assessment objectives to units**

<b>Unit number</b>	<b>Assessment objective</b>			
	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
Unit 1	30%	30%	20%	20%
Unit 2	30%	30%	20%	20%
IAS weighting	30%	30%	20%	20%
Unit 3	20%	20%	30%	30%
Unit 4	20%	20%	30%	30%
IA2 weighting	20%	20%	30%	30%
Total for IAL	25%	25%	25%	25%

## Qualification summary

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### Aims

The aims of the International Advanced Level qualifications in Economics are to enable students to:

- develop an interest in and enthusiasm for the study of economics
- appreciate the contribution of economics to the understanding of the wider economic and social environment
- develop an understanding of a range of concepts and an ability to use these concepts in a variety of national and international contexts
- use an enquiring, critical and thoughtful approach to the study of economics and to think as economists
- develop the skills, qualities and attitudes that will prepare them for the challenges, opportunities and responsibilities of adult and working life.

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## IAS/IA2 knowledge and understanding

These International Advanced Level qualifications in Economics require students to:

- develop an understanding of economic concepts and theories through critical consideration of current economic issues, problems and instructions that affect everyday life
- analyse, explain and evaluate the strengths and weaknesses of the market economy and the role of government within it
- develop a critical approach to economic models and methods of enquiry.

### IAS knowledge and understanding

The International Advanced Subsidiary in Economics requires students to:

- understand and use simple microeconomic and macroeconomic models. Microeconomic models are covered in Unit 1 where students will look at the working of the market mechanism in relation to particular markets. These could include goods and services, labour and capital markets.
- understand and use macroeconomic models. These models are covered in Unit 2 where students will study the main macroeconomic policy objectives and instruments in an international context. They should be able to predict the possible impact of policies and to recognise the assumptions involved.
- understand the basic assumptions of the supply and demand model in Unit 1, and understand the impact of macroeconomic supply-side and/or demand-side policies on an economy in Unit 2.
- develop an understanding of the range of ways in which markets may fail and the implications of market failure for individuals, firms and governments in Unit 1.

### IA2 knowledge and understanding

The International Advanced Level in Economics requires students to:

- use and evaluate more complex models involving more variables, for example pricing and output decisions under different market structures in Unit 3
- apply models to a wider range of contexts, for example to consider the causes and consequences of inequality in developed and developing countries in Unit 4
- apply and evaluate economic models as represented in written, numerical and graphical form. For example, in Unit 3 students will need to draw a cost curve and explain its shape in terms of diminishing marginal returns and economies of scale

- propose possible solutions to problems, for example in Unit 4, students have to apply concepts and theories which may be appropriate to promote growth and development in a particular economy
- understand the relationships and linkages that underpin macroeconomic models. For example, in Unit 4 students need to understand global factors that influence a country's exchange rate predict the possible impact of policy changes on local, national and international economies. For example, in Unit 4 students will need to look at the AD/AS model in analysing and evaluating the use of policies to achieve economic objectives
- evaluate the effectiveness of government policies across a range of contexts. For example, in Unit 3 students have to examine government policy to increase international competitiveness and how this may affect particular national industries.

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## IAS/IA2 skills

These International Advanced Level qualifications in Economics require students to select, interpret and evaluate different types of data from multiple sources. For example, in Unit 4 students have to identify constraints on growth and development in different economies and reasons for their different growth rates over time.



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Unit 2 Macroeconomic Performance and Policy 23

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Unit 3 Business Behaviour 33

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Unit 4 Developments in the Global Economy 39

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## Course structure

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- The Pearson Edexcel International Advanced Level in Economics comprises four units and contains an International Advanced Subsidiary subset of two IAS units.
- The Pearson Edexcel International Advanced Subsidiary in Economics is the first half of the International Advanced Level course and consists of Units 1 and 2. It may be awarded as a discrete qualification or contribute 50 per cent of the total International Advanced Level marks.
- The full International Advanced Level award consists of the two IAS units (Units 1 and 2), plus two IA2 units (Units 3 and 4) which make up the other 50 per cent of the International Advanced Level. Students wishing to take the full International Advanced Level must, therefore, complete all four units.
- The structure of this qualification allows teachers to construct a course of study that can be taught and assessed either as:
  - ◆ distinct modules of teaching and learning with related units of assessment taken at appropriate stages during the course; or
  - ◆ a linear course which is assessed in its entirety at the end.

## 1.1 Unit description

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### About this unit

This unit gives an introduction to the nature of economics and examines how the price mechanism allocates resources in local, national and global markets. Students will learn to apply supply and demand analysis to real-world situations, and will be able to suggest reasons for consumer behaviour. They will analyse the nature and causes of market failure and also understand the strengths and weaknesses of possible policy remedies. The *ceteris paribus* assumption must be used when developing economic models.

Students are also expected to:

- draw and label appropriate diagrams
- interpret data presented in different forms, e.g. tables, graphs and index numbers
- carry out simple calculations, e.g. percentages and percentage change
- distinguish between real and nominal data.

## 1.2 Assessment information

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Examination length: 1 hour and 30 minutes

Examination paper in two sections:

Section A: supported multiple-choice questions – 32 marks.

Section B: one data response question out of a choice of two questions – 48 marks.

Total for paper: 80 marks.

Students may use a calculator.

The quality of written communication will be assessed in the context of this unit through parts of the data response question worth 14 marks in Section B of the paper. When answering these questions students should consider the structure, coherence, punctuation and grammar of their responses.

### 1.3 Unit content

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#### 1.3.1 The nature of economics

What students need to learn:

- 1 Scarcity**
    - The problem of unlimited wants and finite resources.
    - The distinction between renewable and non-renewable resources.
  
  - 2 Production possibility frontiers**
    - The use of production possibility frontiers to depict opportunity cost, economic growth and the efficient allocation of resources.
    - The use of marginal analysis in depicting opportunity cost.
    - The distinction between movements along and shifts in production possibility frontiers, and their possible causes.
  
  - 3 Specialisation, the division of labour and the role of money**
    - The advantages and disadvantages of specialisation and the division of labour in organising production.
    - The functions of money, e.g. medium of exchange, measure and store of value, method of deferred payment.
  
  - 4 Free market and mixed economies**
    - The advantages and disadvantages of a free market economy and why there are mixed economies.
    - The role of the state in a mixed economy.
  
  - 5 Positive and normative economics**
    - The distinction between objective statements and value judgements on economic issues.
    - The role of value judgements in influencing economic decision making and policy.
-

### 1.3.2 Demand and consumer behaviour

#### What students need to learn:

- 1 The demand curve**
    - The distinction between movements along a demand curve and shifts of a demand curve.
    - The concept of diminishing marginal utility.
    - The factors that may cause a shift in the demand curve, e.g. changes in the price of substitutes or complementary goods, changes in real income and tastes.
  
  - 2 Price, income and cross elasticities of demand**
    - Definition of elasticities of demand.
    - Calculation and interpretation of numerical values of demand elasticities.
    - The factors influencing elasticities of demand and their significance to firms and government.
    - The relationship between price elasticity of demand and total revenue.
  
  - 3 Consumer behaviour**
    - The assumption of rationality: consumers aim to maximise utility by making rational choices.
    - Qualifications to assumption of rationality, including other people's behaviour matters, importance of habitual behaviour, inertia, consumers are poor at computation, consumers need to feel valued.
-

### 1.3.3 Supply

#### What students need to learn:

- 1 The supply curve**
    - The distinction between movements along a supply curve and shifts of a supply curve.
    - The factors that may cause a shift in the supply curve, e.g. changes in the costs of production, the introduction of new technology, indirect taxes (specific and ad valorem), government subsidies.
  
  - 2 Price elasticity of supply**
    - Definition of price elasticity of supply.
    - Calculation and interpretation of numerical values of price elasticity of supply.
    - Factors that influence price elasticity of supply.
    - The distinction between the short run and long run in economics and its significance to price elasticity of supply.
-

### 1.3.4 Price determination

#### What students need to learn:

- 1 Determination of market equilibrium**
    - Equilibrium price and quantity and how they are determined.
    - The use of a supply and demand diagram to show how shifts in demand and supply curves cause the equilibrium price and quantity to change.
    - The operation of market forces to eliminate excess demand and excess supply.
  
  - 2 Consumer and producer surplus**
    - The distinction between consumer and producer surplus.
    - The use of a supply and demand diagram to illustrate consumer and producer surplus.
    - How changes in demand or supply might affect consumer and producer surplus.
  
  - 3 Functions of the price mechanism**
    - The rationing, incentive and signalling functions of the price mechanism for allocating scarce resources.
    - The price mechanism in the context of different types of markets, including local, national and global market.
  
  - 4 Indirect taxes and subsidies**
    - The use of supply and demand analysis, including elasticities to demonstrate the impact and incidence of taxes and subsidies on consumers, producers and the government.
-

### 1.3.5 Wage determination in labour markets

#### What students need to learn:

- 1 The demand for labour**
    - The factors that influence the demand for labour.
    - How the demand for labour in the private sector is derived from the demand for the final product.
    - The elasticity of demand for labour.
  
  - 2 The supply of labour**
    - The factors that influence the supply of labour, e.g. population migration, income tax and benefits, government regulations, trade unions.
    - The geographical and occupational mobility of labour.
    - The elasticity of supply of labour.
  
  - 3 Determination of wage rates**
    - Use of supply and demand diagram to illustrate labour market equilibrium.
    - Government intervention in the labour market, e.g. maximum and minimum wages.
-

### 1.3.6 Market failure

#### What students need to learn:

- 1 Types of market failure**
    - Definition of market failure, e.g. too much or too little of a good is produced and/or consumed compared to the socially optimal level of output.
    - Types of market failure, including externalities, public goods, imperfect market information, labour immobility.
  
  - 2 Externalities**
    - Distinction between private costs, external costs and social costs.
    - Distinction between private benefits, external benefits and social benefits.
    - Use of diagrams to illustrate the external costs from production and external benefits from consumption using marginal analysis. The distinction between the market and social optimum positions and identification of the welfare loss or gain areas.
    - The impact of externalities and government intervention in various markets, e.g. transport, health, education, environment.
  
  - 3 Public goods**
    - Distinction between public and private goods using the concepts of non-rivalry and non-excludability.
    - Why public goods may not be provided by the private sector making reference to the free-rider problem.
  
  - 4 Imperfect market information**
    - The distinction between symmetric and asymmetric information.
    - How imperfect market information may lead to a misallocation of resources, drawing examples from areas such as healthcare, education, pensions and insurance.
  
  - 5 Labour immobility**
    - Causes of geographical and occupational immobility of labour.
    - Measures to reduce immobility, including training programmes, relocation subsidies.
-

### 1.3.7 Government intervention in markets

#### What students need to learn:

#### **1 Methods of government intervention**

- Government intervention in various contexts, e.g. labour market, health, housing, education, transport, waste management, environment, energy, agriculture and commodities.
- Purpose of intervention including reference to market failure.
- Methods, including indirect taxation, subsidies, maximum and minimum prices, buffer stocks, tradable pollution permits, extension of property rights, state provision, regulation.
- Use of diagrams where appropriate.

#### **2 Government failure**

- Definition of government failure as intervention that results in a net welfare loss.
  - Government failure, e.g. from agricultural stabilisation policies, environmental policies, transport and housing policies, maximum and minimum wages.
  - Causes of government failure, e.g. distortion of price signals, unintended consequences, excessive administrative costs.
-

## 2.1 Unit description

### About this unit

This unit introduces the key measures of economic performance and the main objectives and instruments of economic policy in an international context. Students will learn how to use a basic AD/AS model to analyse changes in real output and the price level. Students will look at when demand and/or supply side policies may be appropriate ways of improving an economy's performance; consider these policies in an historical context; predict the possible impact of such policies and recognise the assumptions involved. Students should understand different approaches that may be used by policy makers to address macroeconomic problems and to identify criteria for success. The *ceteris paribus* assumption must be used when developing economic models.

Students are also expected to:

- draw and label appropriate diagrams
- interpret data presented in different forms, e.g. tables, graphs and index numbers, and to distinguish between changes in the level of a variable and rate of change, such as inflation
- understand composite indicators, such as Human Development Index (HDI)
- carry out simple calculations, involving percentage changes and index numbers and use simple statistical tools to analyse changes in distribution, e.g. deciles
- distinguish between real and nominal data.

## 2.2 Assessment information

Examination length: 1 hour and 30 minutes

Examination paper in two sections:

Section A: supported multiple-choice questions – 32 marks.

Section B: one data response question out of a choice of two questions – 48 marks.

Total for paper: 80 marks.

Students may use a calculator.

The quality of written communication will be assessed in the context of this unit through parts of the data response question worth 14 marks in Section B of the paper. When answering these questions students should consider the structure, coherence, punctuation and grammar of their responses.

**2.3 Unit content****2.3.1 Measures of economic performance****What students need to learn:**

- 1 Economic growth**
  - Rate of change of real Gross Domestic Product (GDP) as a measure of economic growth.
  - Distinction between real and nominal GDP and total and per capita GDP.
  - Awareness of other national income measures including Gross National Product (GNP), Gross National Income (GNI).
  - Comparison of GDP rates of growth between countries and over time.
  - The limitations of using GDP to compare living standards between countries and over time.
  
- 2 Inflation**
  - Definitions of inflation, deflation and disinflation.
  - The process of calculating the rate of inflation using a consumer price index; reference should be made to a weighted basket of goods and services.
  - The producer (wholesale) price index as an indicator of future trend in the rate of inflation.
  - Causes of inflation, including demand pull, cost push, excessive growth of money supply.
  - Effects of inflation including the impact on income distribution, on competitiveness, on investment.
  
- 3 Employment and unemployment**
  - Measure of unemployment using the International Labour Organisation (ILO) definition.
  - The causes of unemployment, e.g. skills mismatch, occupation immobility, geographical immobility, demand deficiency, real wage inflexibility.
  - The effects of unemployment, e.g. waste of resources, poverty, government budget, social effects.
  - Distinction between unemployment and underemployment.
  - The significance of changes in the rates of employment, unemployment and inactivity.
  - The significance of migration for employment and unemployment.

**4 Balance of Payments**

- Components of the balance of payments with particular reference to the current account and balance of trade in goods and services.
- Definition of balance of payments deficits and surpluses on the current account.
- The causes of an imbalance in the current account, at a basic level.

**5 Measures of development – Human Development Index (HDI)**

- The three components of HDI (education, health, income) and how they are measured and combined.
- Definition of Purchasing Power Parities (PPPs).
- Advantages and limitations of HDI in making comparisons of living standards between countries.

**6 Other measures of development**

- Other measures of development, e.g. the percentage of adult male labour in agriculture, access to clean water, energy consumption per capita, access to mobile phones per thousand of the population.
-

### 2.3.2 The circular flow of income

#### What students need to learn:

- 1 National income**
    - The circular flow of income.
    - The distinction between income and wealth.
  
  - 2 Injections and withdrawals**
    - The impact of injections into and withdrawals from the circular flow of income.
-

### 2.3.3 Aggregate demand (AD)

#### What students need to learn:

- 1 The characteristics of AD**
    - Definition and components of aggregate demand:  $C + I + G + (X-M)$ .
    - The use of the AD curve diagram.
    - The distinction between a movement along and a shift of the AD curve.
  
  - 2 Consumption (C)**
    - (Disposable) income as a key influence on consumer spending.
    - Definition of the marginal propensity to consume and the marginal propensity to save.
    - Other influences on consumer spending, e.g. interest rates, consumer confidence, social safety net, culture, wealth effects.
    - Relationship between savings and consumption.
  
  - 3 Investment (I)**
    - Definition of investment.
    - The main influences on investment, e.g. interest rates, confidence levels, risk, the influence of government and regulations.
  
  - 4 Government expenditure (G)**
    - The main influences on government spending, e.g. the use of government spending to influence the level of economic activity.
  
  - 5 Exports - Imports (X-M)**
    - The impact on the current account of factors, including real income, the exchange rate, the state of the world economy, degree of protectionism, non-price factors.
    - Definition of the marginal propensity to import.
-

### 2.3.4 Aggregate supply (AS)

#### What students need to learn:

- 1 The characteristics of AS**
    - Definition of aggregate supply.
    - The use of the AS curve diagram.
    - The distinction between a movement along and a shift of the AS curve.
    - Different shapes of AS curve, e.g. Keynesian, classical.
  
  - 2 Short-run and long-run AS**
    - Causes of shifts in short-run and long-run AS curves.
    - Factors influencing short-run AS, e.g. costs of raw materials and energy, exchange rates, tax rates.
    - Factors influencing long-run AS, e.g. technological advances, relative productivity changes, education and skills changes, regulation and tax changes, demographic changes and migration, competition policy.
-

### 2.3.5 The interaction of AD and AS to determine equilibrium

#### What students need to learn:

- 1 Equilibrium level of real output**
    - The concept of equilibrium real national output.
    - Causes of changes in equilibrium real national output, as a result of shifts in AD and/or AS curves.
  
  - 2 The multiplier**
    - Definition of the multiplier ratio.
    - The multiplier process.
    - Calculations of the multiplier using the formula  $1/(1-MPC)$ .
    - The significance of the multiplier to shifts in AD.
-

### 2.3.6 Economic growth

#### What students need to learn:

- 1 Causes of growth**
    - Actual growth caused by an increase in the components of AD.
    - Potential growth caused by different factors, including investment, innovation, growth in size of labour force, degree of competition.
  
  - 2 Constraints on growth**
    - Constraint factors, including availability and quality of factors of production, inadequacy of capital markets, instability of government, inadequate infrastructure, absence of property rights, inappropriate regulation.
  
  - 3 Benefits of growth**
    - The benefits of growth to citizens of increased standards of living, to firms (increased profits) and to government (e.g. increasing tax revenues).
  
  - 4 Costs of growth**
    - Costs of growth, including adverse consequences of growth for the environment, Balance of Payment problems, the opportunity cost of growth.
  
  - 5 Output gaps**
    - Difference between actual growth rate and long-term trends in growth.
    - Distinction between positive and negative output gaps.
    - Definition and characteristics of recession.
-

### 2.3.7 Macroeconomic objectives and policies

#### What students need to learn:

- 1 Macroeconomic objectives**
    - Objectives, including increased economic growth, control of inflation, a reduction in unemployment, equilibrium of the Balance of Payments, balanced budgets, redistribution of income, protection of the environment.
  
  - 2 Conflicts between objectives**
    - Basic conflicts between objectives, including inflation and unemployment (including the short-run Phillips curve), economic growth and environmental sustainability, inflation and equilibrium on the current account of the Balance of Payments, balanced budgets and short-run growth.
  
  - 3 Macroeconomic policy instruments**
    - Definition of demand-side policies.
    - Distinction between monetary and fiscal policy.
    - Distinction between reflationary and deflationary policies.
    - Monetary policy instruments, including interest rates, asset purchases to increase money supply, reserve ratios.
    - Fiscal policy instruments: government spending and taxation (direct and indirect).
    - The use of diagrams to illustrate demand-side policies.
    - Use of intermediate targets, e.g. inflation rate, nominal GDP.
    - Definition of supply-side policies to include free market and interventionist methods designed to increase productivity.
    - Free market measures, including deregulation of product and labour markets, privatisation, reduction in taxation, competition policy, changing the levels of benefits, cutting the costs of bureaucracy in firms.
    - Interventionist methods, including subsidies to education, training and investment, infrastructure investment, finance for business start-ups, regional policy.
    - Strengths and weaknesses of demand-side and supply-side policies.
-



### 3.1 Unit description

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#### About this unit

This unit develops the content of Unit 1 and examines how pricing and the nature of competition between firms is affected by the number and size of market participants. At the end of this unit, students should be able to analyse and evaluate the pricing and output decisions of firms in different contexts and understand the role of competition in business decision making. They should also be capable of making an appraisal of government intervention aimed at promoting competitive markets.

Students are also expected to:

- draw, label and interpret appropriate diagrams and graphs
- interpret data presented in different forms, e.g. tables, graphs and index numbers
- carry out calculations, e.g. revenue and costs and concentration ratios.

**3.2 Assessment information**

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Examination length: 2 hours

Examination paper in two sections:

Section A: two essay questions from a choice of four questions – 40 marks.

Section B: one data response question out of a choice of two questions – 40 marks.

Total for paper: 80 marks.

Students may use a calculator.

Synoptic assessment in the context of this unit requires students to:

- understand the inter-relatedness of many economic issues, problems and institutions
- understand how certain economic concepts, theories and techniques may be relevant to a range of different contexts
- apply such concepts, theories and techniques in analysing economic issues and problems and in evaluating arguments and evidence.

The emphasis will be on students' ability to think as economists and to use the economist's toolkit of concepts, theories and techniques that they have built up during their course of study. The assessment of this unit may draw on material from Units 1 and 2, enabling synoptic assessment.

The quality of written communication will be assessed in the context of this unit through the essay questions in Section A and the parts of the data response question worth 12 marks in Section B of the paper. When answering these questions students should consider the structure, coherence, punctuation and grammar of their responses.

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## 3.3 Unit content

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### 3.3.1 The firm and its objectives

What students need to learn:

#### 1 Objectives

- The size and types of businesses, including small and large firms, public and private sector organisations, for profit and not for profit organisations, mutuals and co-operatives.
- Significance of the divorce of ownership from control.
- Different business objectives that include:
  - ◆ profit maximisation
  - ◆ revenue maximisation
  - ◆ sales maximisation.
- Behavioural theories, e.g. satisficing.

#### 2 Size of businesses

- How businesses grow:
  - ◆ organic growth
  - ◆ merger/takeover (forward and backward vertical integration; horizontal integration and conglomerate integration).
- Constraints on business growth, including size of market, access to finances, owner objectives.
- Why some firms tend to remain small and others grow.
- Reasons for demergers.

#### 3 Transnational companies (TNCs)

- Reasons why companies become TNCs.
  - Advantages and limitations to a company of becoming a TNC.
-

### 3.3.2 Revenue, costs and profit

#### What students need to learn:

- 1 Revenue**
    - Relationship between total revenue, average revenue, and marginal revenue.
    - Price elasticity of demand and its relationship to revenue concepts.
  
  - 2 Costs**
    - Derivation of short-run cost curves from assumption of diminishing marginal productivity.
    - Relationship between:
      - ◆ total cost
      - ◆ total fixed cost
      - ◆ total variable cost
      - ◆ average total cost
      - ◆ average fixed cost
      - ◆ average variable cost
      - ◆ marginal cost.
    - Relationship between short-run and long-run costs.
  
  - 3 Economies and diseconomies of scale**
    - Types of economies of scale, including financial, technical, managerial, marketing, purchasing.
    - Long-run average cost and economies and diseconomies of scale.
    - Distinction between internal and external economies of scale.
    - Causes of diseconomies of scale.
  
  - 4 Profit**
    - Conditions for profit maximisation (numerical, diagrammatic).
    - Distinction between normal and supernormal profit.
-

### 3.3.3 Market structures and contestability

#### What students need to learn:

- 1 Perfect competition**
  - Assumptions of perfect competition.
  - Profit maximising equilibrium (diagrammatic and numerical) in the short run and the long run.
  - The short-run shut-down point.
  - Distinction between productive and allocative efficiency.
  - How perfect competition produces both productive and allocative efficiency in the long run.
  
- 2 Monopolistic competition**
  - Characteristics of a monopolistically competitive market.
  - Types of product differentiation.
  - Profit maximising equilibrium (diagrammatic) in the short run and the long run.
  - Efficiency and monopolistic competition.
  
- 3 Oligopoly**
  - Barriers to entry and exit, e.g. economies of scale, limit pricing, branding, patents, sunk costs.
  - Characteristics of oligopoly, including concentration ratios and the interdependence of firms.
  - Reasons for collusive and non-collusive behaviour, including the distinction between overt and tacit collusion.
  - Reasons for cartels, non-price competition, price wars, predatory pricing and price leadership.
  
- 4 Monopoly**
  - Characteristics of monopoly, including barriers to entry and exit.
  - Profit maximising equilibrium (diagrammatic).
  - Comparison of efficiency between monopoly and other market structures, including reference to x-inefficiency.
  - Conditions necessary for third degree price discrimination (diagrammatic).
  - Costs and benefits of monopoly to both firms and consumers.
  
- 5 Monopsony**
  - Characteristics and conditions for a monopsony to operate.
  - Costs and benefits of a monopsony to firms, consumers and employees.

- 6 Contestability**
- Definition of contestability and its implications for firms' behaviour.
  - Relationship between sunk costs and the degree of contestability.
- 

### 3.3.4 Government intervention to promote competition

What students need to learn:

- 1 Government intervention to protect consumers**
    - Types of government intervention and their impact, e.g. legislation to control mergers and takeovers, price and profit regulation, quality standards and performance targets.
    - Measures aimed at enhancing competition between firms domestically, e.g. the promotion of small businesses.
    - Competitive tendering for government contracts.
    - The role of pressure groups in influencing government policy to protect consumers.
  - 2 Government intervention to protect suppliers and employees**
    - Types of government intervention and their impact, e.g. local sourcing of raw materials and components, local involvement of businesses in joint ventures, government barrier to entry of foreign firms, restrictions on monopsony power of firms, employment legislation to protect workers from exploitation.
    - The role of pressure groups in influencing government policy to protect suppliers and employees.
  - 3 Government intervention to promote international competitiveness**
    - Measures of international competitiveness, e.g. relative unit labour costs, relative export prices.
    - Factors influencing a country's competitiveness, e.g. exchange rate, productivity, wage and non-wage costs, regulation.
    - Measures to increase international competitiveness, e.g. policies to improve education and training, incentives for investment, deregulation.
  - 4 Government policy towards transnational companies (TNCs)**
    - Measures to attract foreign direct investment (FDI).
    - Measures to control TNC operations, which may be in response to pressure group activity, e.g. regulation of transfer pricing.
    - Limits to government ability to control TNCs.
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## 4.1 Unit description

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### About this unit

This unit develops the knowledge and skills gained in Unit 2. The application, analysis and evaluation of economic models is required as well as an ability to assess policies that might be used to deal with economic problems. An awareness of trends and developments in the global economy over the last 40 years, including contemporary issues, is required. Wider reading and research will enable students to use up-to-date and relevant examples in their analysis and evaluation of issues and developments in the global economy.

Students are also expected to:

- interpret diagrams and construct graphs
- carry out calculations, involving percentage changes, ratios and index numbers.

### 4.2 Assessment information

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Examination length: 2 hours

Examination paper in two sections:

Section A: one essay question with two parts from a choice of three topic areas – 40 marks.

Section B: one data response question out of a choice of two questions – 40 marks.

Total for paper: 80 marks.

Students may use a calculator.

Synoptic assessment in the context of this unit requires students to:

- understand the inter-relatedness of many economic issues, problems and institutions
- understand how certain economic concepts, theories and techniques may be relevant to a range of different contexts
- apply such concepts, theories and techniques in analysing economic issues and problems and in evaluating arguments and evidence.

The emphasis will be on students' ability to think as economists and to use the economist's toolkit of concepts, theories and techniques that they have built up during their course of study. The assessment of this unit may draw on material from other parts of the course, enabling synoptic assessment.

The quality of written communication will be assessed in the context of this unit both parts of the essay question in Section A and the parts of the data response question worth 12 and 16 marks in Section B of the paper. When answering these questions students should consider the structure, coherence, punctuation and grammar of their responses.

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## 4.3 Unit content

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### 4.3.1 Causes and effects of globalisation

What students need to learn:

- 1 Causes of globalisation**
    - Meaning of globalisation, e.g. investment flows, world trade as a proportion of GDP, migration.
    - Factors contributing to increased globalisation in the last 40 years, including trade liberalisation, political change (e.g. breakdown of Soviet system and opening up of China), reduced cost of transport and communications, increased significance of transnational companies.
  
  - 2 Effects of globalisation**
    - Benefits of globalisation, e.g. rising living standards, greater choice, lower prices.
    - Costs of globalisation, e.g. displaced workers, closing of traditional industries.
    - Sustainability and environmental impact of globalisation.
-

### 4.3.2 Trade and the world economy

#### What students need to learn:

- 1 Specialisation and comparative advantage**
    - Benefits and costs of specialisation and trade in the international context.
    - Theory of comparative advantage (numerical and diagrammatic):
      - ◆ the distinction between absolute and comparative advantage
      - ◆ assumptions and limitations.
  
  - 2 Patterns of trade**
    - Factors influencing patterns of trade between countries.
    - Changes in trade flows between countries and the reasons for them, e.g. the potential impact of rapidly growing economies on world trade patterns.
  
  - 3 Terms of trade**
    - Definition and calculation of terms of trade.
    - Factors influencing a country's terms of trade.
    - Impact of changes in a country's terms of trade.
  
  - 4 Trade liberalisation**
    - The role of the World Trade Organization (WTO) in trade liberalisation.
    - Types of trading blocs, including free trade areas, customs unions, common markets, monetary unions.
    - Conflicts between trading blocs and the WTO.
  
  - 5 Restrictions on free trade**
    - Reasons for restrictions on free trade, e.g. to protect domestic industries and employment, for strategic reasons, to prevent dumping.
    - Types of restrictions, including tariffs (with diagrammatic exposition), quotas, non-tariff barriers, subsidies to domestic producers.
    - Impacts of protectionist policies.
-

### 4.3.3 Balance of payments and exchange rates

#### What students need to learn:

#### 1 Balance of Payments

- Components of the balance of payments:
  - ◆ the current account
  - ◆ the capital and financial account.
- Causes of, and factors influencing, the size of deficits and surpluses on the current account.
- Causes of, and factors influencing, the size of deficits and surpluses on the capital and financial account.
- Measures to reduce a country's imbalances on the current account and/or capital and financial account.
- Significance of global imbalances.

#### 2 Exchange rates

- Distinction between fixed, managed and floating exchange rates.
  - Government intervention in currency markets, e.g. through foreign currency transactions, the use of interest rates.
  - Factors influencing floating exchange rates, e.g. relative interest rates, relative inflation rates (purchasing power parity theory), speculation.
  - Distinction between revaluation and appreciation of a currency.
  - Distinction between devaluation and depreciation of a currency.
  - Impact of changes in exchange rates, including on the current account of the balance of payments, on other macroeconomic objectives.
  - Competitive devaluation/depreciation and its consequences.
-

### 4.3.4 Poverty and inequality

#### What students need to learn:

- 1 Absolute and relative poverty**
    - Distinction between absolute and relative poverty.
    - Measures of absolute and relative poverty.
  
  - 2 Inequality**
    - Distinction between wealth and income inequality.
    - Measurements of inequality:
      - ◆ the Lorenz curve
      - ◆ Gini coefficient.
    - Causes of inequality in income and wealth within countries and between countries.
    - Impacts of inequality, e.g. on incentives, on savings, on education, on migration, on life expectancy.
    - Impact of economic change and development on inequality.
-

### 4.3.5 The role of the state in the macroeconomy

#### What students need to learn:

- 1 Public expenditure**
    - Reasons for the changing size and pattern of public expenditure in an international context, including changing incomes, changing age distributions, changing expectations.
    - Distinction between capital expenditure, current expenditure and transfer payments.
    - The significance of differing levels of public expenditure as a proportion of GDP, including on productivity, on crowding out theory, on level of taxation.
  
  - 2 Taxation**
    - Distinction between, and examples of, direct and indirect taxes.
    - Distinction between progressive, proportional and regressive taxes.
    - The possible links between changes in tax rates and tax revenues, including the Laffer curve.
  
  - 3 Public sector borrowing and public sector debt**
    - Distinction between public sector (fiscal) deficits and public sector debts.
    - Distinction between structural and cyclical fiscal deficits.
    - Factors influencing the size of public sector borrowing and debt.
    - The significance of the size of public sector borrowing and debt, e.g. impact on interest rates, debt servicing, intergenerational equity.
  
  - 4 Macroeconomic policies**
    - Distinction between fiscal deficits and fiscal surpluses.
    - Methods and impact of measures to reduce fiscal deficits and public sector debt.
    - How governments might use public expenditure and taxation to reduce poverty and inequality.
    - Assignment of policies to achieve specific macroeconomic objectives, including macroeconomic stability, including fiscal policy used to achieve budgetary objectives, monetary policy to achieve inflation targets, supply-side policies to achieve economic growth and development.
    - Application of macroeconomic policies in dealing with major external shocks, e.g. a rise in commodity prices.
    - Problems facing policy makers when applying policies, including inaccurate information, risks and uncertainties, inability to control external shocks.
-

### 4.3.6 Measures to promote growth and development

#### What students need to learn:

- 1 Market orientated strategies**
    - Impacts of policies, including trade liberalisation, promotion of Foreign Direct Investment (FDI), removal of government subsidies, privatisation, freely floating exchange rates, microfinance schemes.
  - 2 Government-led strategies**
    - Impacts of policies, including development of human capital, protectionism, managed exchange rates, infrastructure development, promoting joint ventures with transnational companies.
  - 3 Other strategies**
    - Impacts of other approaches on growth and development, including industrialisation, development of tourism, development of primary product industries.
  - 4 Role of foreign governments and international institutions and non-governmental organisations (NGOs)**
    - Impact of World Bank, International Monetary Fund (IMF), WTO and NGOs on growth and development.
    - Impacts of policies, including aid, debt relief, fair trade.
  - 5 Constraints on growth and development**
    - Impact of economic factors in different countries, including primary product dependency, savings gap, inadequate capital accumulation, foreign currency gap, capital flight, rapid population growth, ageing populations, debt and inadequate provision of credit and banking.
    - Impact of other factors on the economy in different countries, including corruption, poor governance, absence of property rights, civil wars.
-

## Assessment information

<b>Assessment requirements</b>	For a summary of assessment requirements and assessment objectives, see <i>Section B: Specification overview</i> .
<b>Entering candidates for the examinations for this qualification</b>	Details of how to enter candidates for the examinations for this qualification can be found in the International Information Manual, copies of which are sent to all examinations officers. The information can also be found at <a href="http://www.edexcel.com/international">www.edexcel.com/international</a>
<b>Resitting of units</b>	<p>There is one resit opportunity allowed for each unit prior to claiming certification for the qualification. The best available result for each contributing unit will count towards the final grade.</p> <p>After certification all unit results may be reused to count towards a new award. Students may re-enter for certification only if they have retaken at least one unit.</p> <p>Results of units are held in the Pearson unit bank and have a shelf life limited only by the shelf life of this specification.</p>
<b>Awarding and reporting</b>	<p>The IAS qualification will be graded and certificated on a five-grade scale from A to E. The full International Advanced Level will be graded on a six-point scale A* to E. Individual unit results will be reported.</p> <p>A pass in an International Advanced Subsidiary subject is indicated by one of the five grades A, B, C, D, E of which grade A is the highest and grade E the lowest. A pass in an International Advanced Level subject is indicated by one of the six grades A*, A, B, C, D, E of which Grade A* is the highest and Grade E the lowest. To be awarded an A* students will need to achieve an A on the full International Advanced Level qualification and an A* aggregate of the IA2 units. Students whose level of achievement is below the minimum judged by Pearson to be of sufficient standard to be recorded on a certificate will receive an unclassified U result.</p>
<b>Performance descriptions</b>	Performance descriptions give the minimum acceptable level for a grade. See <i>Appendix 1</i> for the performance descriptions for this subject.

**Unit results**

The minimum uniform marks required for each grade for each unit:

**All units**

Unit grade	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Maximum uniform mark = 100	<b>80</b>	<b>70</b>	<b>60</b>	<b>50</b>	<b>40</b>

Students who do not achieve the standard required for a grade E will receive a uniform mark in the range 0–39.

**Qualification results**

The minimum uniform marks required for each grade:

**International Advanced Subsidiary cash-in code XEC01**

Qualification grade	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Maximum uniform mark = 200	<b>160</b>	<b>140</b>	<b>120</b>	<b>100</b>	<b>80</b>

Students who do not achieve the standard required for a grade E will receive a uniform mark in the range 0–79.

**International Advanced Level cash-in code YEC01**

Qualification grade	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Maximum uniform mark = 400	<b>320</b>	<b>280</b>	<b>240</b>	<b>200</b>	<b>160</b>

To be awarded an A\* students will need to achieve an A on the full International Advanced Level qualification and an A\* aggregate of the IA2 units.

Students who do not achieve the standard required for a grade E will receive a uniform mark in the range 0–159.

**Language of assessment**

Assessment of this specification will be available in English only. Assessment materials will be published in English only and all work submitted for examination must be produced in English.

## Additional information

<b>Malpractice</b>	For up-to-date information on malpractice, please refer to the latest Joint Council for Qualifications (JCQ) Suspected Malpractice in Examinations and Assessments: Policies and Procedures document, available on the JCQ website: <a href="http://www.jcq.org.uk">www.jcq.org.uk</a>
<b>Access arrangements and special requirements</b>	<p>Pearson's policy on access arrangements and special considerations for GCE, GCSE, IAL and Entry Level is designed to ensure equal access to qualifications for all students (in compliance with the Equality Act 2010) without compromising the assessment of skills, knowledge, understanding or competence.</p> <p>Please see the JCQ website (<a href="http://www.jcq.org.uk">www.jcq.org.uk</a>) for their policy on access arrangements, reasonable adjustments and special considerations.</p> <p>Please see our website (<a href="http://www.edexcel.com">www.edexcel.com</a>) for:</p> <ul style="list-style-type: none"> <li>■ the forms to submit for requests for access arrangements and special considerations</li> <li>■ dates for submissions of the forms.</li> </ul>
<b>Equality Act 2010</b>	Please see our website ( <a href="http://www.edexcel.com">www.edexcel.com</a> ) for information on the Equality Act 2010.
<b>Prior learning and progression</b>	<p><b>Prior learning</b></p> <p>There are no prior learning or other requirements for this qualification.</p> <p><b>Progression</b></p> <p>This qualification supports progression into further education, training or employment.</p>
<b>Combinations of entry</b>	Only units achieved from this qualification may contribute to the certification of the International Advanced Subsidiary in Economics or the International Advanced Level in Economics.
<b>Student recruitment</b>	<p>Pearson's access policy concerning recruitment to our qualifications is that:</p> <ul style="list-style-type: none"> <li>■ they must be available to anyone who is capable of reaching the required standard</li> <li>■ they must be free from barriers that restrict access and progression</li> <li>■ equal opportunities exist for all students.</li> </ul>



# E Support, training and resources

## Support

Pearson aim to provide the most comprehensive support for our qualifications. Here are just a few of the support services we offer:

- Subject Advisor – subject experts are on-hand to offer their expertise to answer any questions you may have on delivering the qualification and assessment.
- Subject Page – written by our Subject Advisors, the subject pages keep you up to date with the latest information on your subject.
- Subject Communities – exchange views and share information about your subject with other teachers.
- Training – see ‘Training’ below for full details.

For full details of all the teacher and student support provided by Pearson to help you deliver our qualifications, please visit [www.edexcel.com/ial/economics/support](http://www.edexcel.com/ial/economics/support)

## Training

Our programme of professional development and training courses, covering various aspects of the specification and examinations, are arranged each year on a regional basis. Pearson training is designed to fit you, with an option of face-to-face, online or customised training so you can choose where, when and how you want to be trained.

### Face-to-face training

Our programmes of face-to-face training have been designed to help anyone who is interested in, or currently teaching, a Pearson Edexcel qualification. We run a schedule of events throughout the academic year to support you and help you to deliver our qualifications.

### Online training

Online training is available for international centres who are interested in, or currently delivering, our qualifications. This delivery method helps us run training courses more frequently to a wider audience.

To find out more information or to book a place please visit:  
[www.edexcel.com/training](http://www.edexcel.com/training)

Alternatively, email [internationaltftp@pearson.com](mailto:internationaltftp@pearson.com) or telephone +44 (0) 44 844 576 0025

### Resources

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Pearson is committed to ensuring that teachers and students have a choice of resources to support their teaching and study.

Teachers and students can continue to use their existing GCE A level resources for International Advanced Levels.

To search for Pearson GCE resources, please visit [www.pearsonschools.co.uk](http://www.pearsonschools.co.uk)

To search for endorsed resources from other publishers, please visit [www.edexcel.com/resources](http://www.edexcel.com/resources)

### Specifications, Sample Assessment Materials and Teacher Support Materials

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Specifications, Sample Assessment Materials (SAMs) and Teacher Support Materials (TSMs) can be downloaded from the International Advanced Level subject pages.

To find a complete list of supporting documents, including the specification, SAMs and TSMs, please visit [www.edexcel.com/ial/economics](http://www.edexcel.com/ial/economics)

# F Appendices

Appendix 1 Performance descriptions

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Appendix 2 Codes

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## Introduction

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Performance descriptions describe the learning outcomes and levels of attainment likely to be demonstrated by a representative candidate performing at the A/B and E/U boundaries for IAS and IA2.

In practice most candidates will show uneven profiles across the attainments listed, with strengths in some areas compensating in the award process for weaknesses or omissions elsewhere. Performance descriptions illustrate expectations at the A/B and E/U boundaries of the IAS and IA2 as a whole; they have not been written at unit level.

Grade A/B and E/U boundaries should be set using professional judgement. The judgement should reflect the quality of candidates' work, informed by the available technical and statistical evidence. Performance descriptions are designed to assist examiners in exercising their professional judgement. They should be interpreted and applied in the context of individual specifications and their associated units. However, performance descriptions are not designed to define the content of specifications and units.

## IAS performance descriptors for Economics

	Assessment objective 1	Assessment objective 2	Assessment objective 3	Assessment objective 4
<b>Assessment objectives</b>	Demonstrate knowledge and understanding of the specified content.	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	Analyse economic problems and issues.	Evaluate economic arguments and evidence, making informed judgements.
<b>A/B boundary performance descriptions</b>	<p>Candidates characteristically:</p> <p>a demonstrate detailed knowledge of a range of facts and concepts included in the IAS specification</p> <p>b demonstrate clear understanding of:</p> <ul style="list-style-type: none"> <li>■ terminology</li> <li>■ institutions</li> <li>■ models.</li> </ul>	<p>Candidates characteristically:</p> <p>a apply:</p> <ul style="list-style-type: none"> <li>■ concepts</li> <li>■ numerical and graphical techniques</li> <li>■ theories and models</li> <li>■ terminology</li> </ul> <p>to issues arising in familiar and unfamiliar situations.</p>	<p>Candidates characteristically:</p> <p>a select relevant concepts, models, theories and techniques</p> <p>b demonstrate, for the most part, development of logical explanations of economic problems and issues with focus and relevance.</p>	<p>Candidates characteristically:</p> <p>a evaluate straightforward economic arguments and evidence by:</p> <ul style="list-style-type: none"> <li>■ prioritising evidence and arguments</li> <li>■ making judgments</li> <li>■ reaching and presenting conclusions.</li> </ul>
<b>E/U boundary performance descriptions</b>	<p>Candidates characteristically:</p> <p>a demonstrate knowledge of some facts and concepts included in the IAS specification</p> <p>b demonstrate some understanding of:</p> <ul style="list-style-type: none"> <li>■ terminology</li> <li>■ institutions</li> <li>■ models.</li> </ul>	<p>Candidates characteristically:</p> <p>a apply in part some of the following:</p> <ul style="list-style-type: none"> <li>■ concepts</li> <li>■ numerical and graphical techniques</li> <li>■ theories and models</li> <li>■ terminology</li> </ul> <p>to issues arising in familiar situations.</p>	<p>Candidates characteristically:</p> <p>a demonstrate some evidence of selecting relevant concepts, models, theories and techniques</p> <p>b demonstrate partial explanations of economic problems and issues.</p>	<p>Candidates characteristically:</p> <p>a evaluate straightforward economic arguments and evidence at a simple level, for example by:</p> <ul style="list-style-type: none"> <li>■ offering judgments</li> <li>■ stating conclusions.</li> </ul>

IA2 performance descriptors for Economics

	Assessment objective 1	Assessment objective 2	Assessment objective 3	Assessment objective 4
<b>Assessment objectives</b>	Demonstrate knowledge and understanding of the specified content.	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	Analyse economic problems and issues.	Evaluate economic arguments and evidence, making informed judgements.
<b>A/B boundary performance descriptions</b>	Candidates characteristically demonstrate, across the IAS and IA2 specifications: <ul style="list-style-type: none"> <li>a detailed knowledge of a range of facts and concepts</li> <li>b clear understanding of:                             <ul style="list-style-type: none"> <li>■ terminology</li> <li>■ institutions</li> <li>■ models</li> </ul> </li> <li>c detailed knowledge and clear understanding of the interconnections between the different elements of the subject content.</li> </ul>	Candidates characteristically: <ul style="list-style-type: none"> <li>a apply clearly and effectively:                             <ul style="list-style-type: none"> <li>■ concepts</li> <li>■ numerical and graphical techniques</li> <li>■ theories and models</li> <li>■ terminology</li> </ul> </li> <li>to complex issues arising in familiar and unfamiliar situations.</li> </ul>	Candidates characteristically: <ul style="list-style-type: none"> <li>a select relevant concepts, models, theories and techniques</li> <li>b demonstrate, for the most part, development of logical explanations of complex economic problems and issues, with focus and relevance.</li> </ul>	Candidates characteristically: <ul style="list-style-type: none"> <li>a evaluate effectively complex economic arguments:                             <ul style="list-style-type: none"> <li>■ prioritise evidence and arguments</li> <li>■ making reasoned judgments</li> <li>■ reach and present supported conclusions</li> <li>■ make reasoned recommendations.</li> </ul> </li> </ul>
<b>E/U boundary performance descriptions</b>	Candidates characteristically demonstrate, across the IAS and IA2 specifications: <ul style="list-style-type: none"> <li>a knowledge of some facts and concepts</li> <li>b some understanding of:                             <ul style="list-style-type: none"> <li>■ terminology</li> <li>■ institutions</li> <li>■ models</li> </ul> </li> <li>c some knowledge and understanding of the interconnections between the different elements of the subject content.</li> </ul>	Candidates characteristically: <ul style="list-style-type: none"> <li>a apply appropriately some:                             <ul style="list-style-type: none"> <li>■ concepts</li> <li>■ numerical and graphical techniques</li> <li>■ theories and models</li> <li>■ terminology</li> </ul> </li> <li>to complex issues arising in a range of situations, some of which may be unfamiliar.</li> </ul>	Candidates characteristically: <ul style="list-style-type: none"> <li>a demonstrate some evidence of selecting relevant concepts, models, theories and techniques</li> <li>b demonstrate partial development of logical explanations for complex economic problems and issues.</li> </ul>	Candidates characteristically: <ul style="list-style-type: none"> <li>a demonstrate some evaluative skills in relation to complex economic arguments and evidence:                             <ul style="list-style-type: none"> <li>■ make judgments</li> <li>■ reach and present conclusions with some supporting evidence</li> <li>■ make recommendations.</li> </ul> </li> </ul>



Type of code	Use of code	Code number
Unit codes	Each unit is assigned a unit code. This unit code is used as an entry code to indicate that a student wishes to take the assessment for that unit. Centres will need to use the entry codes only when entering students for their examination.	Unit 1 – WEC01 Unit 2 – WEC02 Unit 3 – WEC03 Unit 4 – WEC04
Cash-in codes	The cash-in code is used as an entry code to aggregate the student's unit scores to obtain the overall grade for the qualification. Centres will need to use the entry codes only when entering students for their qualification.	IAS – XEC01 IAL – YEC01
Entry codes	The entry codes are used to: <ol style="list-style-type: none"> <li>1 enter a student for the assessment of a unit</li> <li>2 aggregate the student's unit scores to obtain the overall grade for the qualification.</li> </ol>	Please refer to the Pearson Information Manual, available on our website ( <a href="http://www.edexcel.com">www.edexcel.com</a> ).





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