

## Level 4 Certificate in Applied Business Economics



International  
Qualifications from EDI

### Syllabus

Effective from 1 January 2012



## **INTRODUCTION**

Educational Development International (EDI) is a leading international awarding body that was formed through the merger of the London Chamber of Commerce and Industry Examinations Board (LCCIEB) and a leading online assessment provider GOAL. EDI now delivers EDI and LCCI International Qualifications (LCCI IQs) through a network of over 5000 registered centres in more than 120 countries worldwide. Our range of business-related qualifications are trusted and valued by employers worldwide and recognised by universities and professional bodies.

### **Level 4 Certificate in Applied Business Economics**

#### **Aims**

The aim of this qualification is to develop the skills and knowledge required by candidates to integrate economic theory within an accounting context. The qualification will introduce candidates to the principles of micro and macro economics, and provide them with economic concepts and theory that can be applied to business activity.

Candidates will be able to understand the market mechanism and its failings, identify market structure, and will understand costs, revenues and profits. They will be able to analyse the effect of different market structures on price, output and efficiency. Candidates will also analyse macro economic activity, government macro-objectives and the policies that can be implemented to achieve these objectives. They will also study exchange rates and international trade.

This qualification will require an element of mathematical calculations and interpretation of data, in relation to economic issues faced by a business.

The unit within this qualification is accredited in the UK as EDI Level 4 Certificate in Applied Business Economics (QCF) 600/5511/X The qualification has a credit value of 20.

#### **Objective, Target Audience and Candidate Progression**

This qualification will introduce candidates to essential economic concepts and theories. It is suitable for candidates who wish to develop their general understanding of the fundamental principles of micro and macro economics, and relate relevant theory and concepts into their work environment.

This qualification would suit candidates who wish to work in a role which requires critical decision making within the context of business and accounting, or for those candidates who wish to pursue their academic development into higher education.

This qualification can be taken as a standalone qualification or as part of the Level 4 Diploma in Accounting and Finance.

## Structure of the qualification

The Level 4 Certificate in Applied Business Economics is a single unit qualification and consists of the following topic areas:

Topic areas	Approximate weighting of question allocation
1 The basic economic problem and different economic systems	20%
2 The ways in which markets operate	20%
3 Costs and revenues and profits in the short and long run	20%
4 Market structures	20%
5 Macro-economic objectives	10%
6 International trade	10%

## ASSESSMENT

This qualification will assess candidates' knowledge, skill and understanding of each of the syllabus topic areas.

### Learning Outcomes

- Understand the basic economic problem and the advantages and disadvantages of different economic systems
- Be able to analyse the ways in which markets operate and how markets fail
- Be able to analyse costs, revenues and profits in the short and long run
- Know the different market structures in which businesses operate
- Be able to assess the main elements of macro-economics
- Understand issues relating to international trade

### Assessment Method

The assessment method for this qualification has been designed to provide an appropriate and fit-for-purpose assessment of a candidate's ability to achieve the assessment criteria. It has been levelled to match level 4 of the Qualifications and Credit Framework, the qualifications framework for England, Wales and Northern Ireland.

This qualification is assessed by a written examination paper, which is available On Demand. The examination paper will consist of five questions, with 20 marks for each question and will cover all six topic areas of the syllabus. The time allowed for the examination is 3 hours. Candidates must answer all five questions.

All examinations must be carried out in accordance with the *Examination Guide for LCCI Centres* and the *Examination Regulations*, which will be sent to centres with the examination papers.

## **Answer Format**

Candidates may be asked to provide answers in the form of diagrams or charts; bullet points or short paragraphs/essay style along with calculations where required. Some questions may ask for relevant examples to be provided. Appropriate business language should be used and any relevant charts, diagrams or tables should be properly labelled.

## **Mark Allocation**

A positive marking approach is used. Marks are not deducted for incorrect answers, nor for spelling and grammatical errors.

## **Certification**

Successful candidates will be awarded the Level 4 Certificate in Applied Business Economics based on the grades below:

Pass	50%
Merit	60%
Distinction	75%

Centres will receive certificates within a maximum of 6 weeks of the receipt of the scripts at EDI.

## Level 4 Certificate in Applied Business Economics

Learning Outcome	Assessment Criteria	Indicative Content
<i>Candidate will:</i>	<i>Candidate can:</i>	<i>Taught content:</i>
Topic 1: The basic economic problem and different economic systems		
1 Understand the basic economic problem and the advantages and disadvantages of different economic systems	1.1 Analyse the basic economic problem	<p>Learners will be able to examine the basic economic problem of finite resources and unlimited wants (i.e. scarcity and choice) and the issues of what to produce, how to produce, and who to produce for.</p> <p>Learners should understand the economic problem faced by consumers, producers and government.</p> <p>Learners should be able to use production possibility curves to illustrate opportunity cost, economic growth and the efficient allocation of resources.</p> <p>Learners will understand</p> <ul style="list-style-type: none"> <li>▪ factors of production (capital, land and labour, enterprise)</li> <li>▪ specialisation, the division of labour and productivity</li> <li>▪ primary, secondary and tertiary sectors</li> </ul> <p>Learners will need to distinguish between normative and positive economics.</p>
	1.2 Explain the advantages and disadvantages of different economic systems	<p>Learners will be able to distinguish between:</p> <ul style="list-style-type: none"> <li>▪ Planned/command economy</li> <li>▪ Mixed economy</li> <li>▪ Free market economy</li> </ul>

## Topic 2: The ways in which markets operate

2 Be able to analyse the ways in which markets operate and how markets fail

2.1 Analyse the factors influencing demand and supply

Learners will be able to analyse the factors that determine demand and supply conditions in a range of markets (including commodity, product and factor markets).

Learners will be able to analyse shifts and movements along demand and supply curves, and be able to explain the concepts of consumer and producer surplus.

Learners should be aware that consumer surplus and producer surplus are maximised at the free market equilibrium. From this learners will be able to appreciate how this links in with the principles and allocative efficiency:

- re-allocating consumption, lowers consumer surplus
- re-allocating sales, lowers producer surplus
- changing quantities, lowers total surplus

2.2 Analyse the factors that influence the elasticity of demand and supply

Learners will understand the determinants and significance of the:

- price elasticity of demand
- price elasticity of supply
- income elasticity of demand
- cross elasticity of demand

Learners will be able to explain the relationship between the price elasticity of demand and total revenue and understand that the price elasticity of demand varies along a straight line downward sloping demand curve.

Learners will be able to explain why knowledge of price elasticity of demand is relevant to business decision making and how a business might try to influence the price elasticity of demand for its products.

Learners will also be able to explain the significance of the short run and long run in relation to the

price elasticity of supply. They will also be able to calculate and interpret numerical values of the elasticity of demand and supply.

### 2.3 Explain the functions of the price mechanism

Learners will understand the concept of equilibrium in a market and the impact on equilibrium price and quantity of changes in supply and demand conditions.

Learners will understand the role of price as a signal, incentive and rationing device. They will also understand the effect of shortages and surpluses, minimum and maximum prices and the impact of indirect taxes (specific and ad valorem) and subsidies.

The price mechanism may be considered in the context of product, commodity and labour markets.

Learners will be able to consider the principles of dead weight loss and welfare economics.

Learners will understand the factors which influence the demand and supply of labour and wage rates. They will also understand the concept of joint supply, composite demand and derived demand, normal, inferior and Giffen goods.

### 2.4 Assess the causes of market failure and methods of government intervention

Learners will be able to analyse market failures such as positive and negative externalities, public goods, merit goods, de-merit goods, immobility of factors of production, asymmetric information, information gaps and price instability.

Learners will also be able to analyse methods of government intervention to remedy market failure including indirect taxation, subsidies, buffer stocks, state provision, extending property rights, pollution permits regulating monopoly power. Learners should understand the possibility of government failure.

### Topic 3: Costs and revenues and profits in the short and long run

3 Be able to analyse costs, revenues and profits in the short and long run	3.1 Analyse productivity and business costs in the short run	Learners will be able to distinguish between the different types of cost e.g. fixed costs and variable costs, and understand what is meant by total costs (TC), average cost (AC) and marginal cost (MC).
		Learners will be able to apply the Law of Diminishing Returns, the total physical product (TPP), average physical product (APP) and marginal physical product (MPP), and consider factors that might influence labour productivity.
		Learners will understand the link between productivity and costs and how businesses might reduce costs.
	3.2 Analyse long run costs	Learners will be able to analyse the causes of economies of scale and diseconomies of scale, and how these influence business strategies (such as internal growth and integration) and market structure.
		Learners will understand the Minimum Efficient Scale and how businesses might try to avoid diseconomies of scale.
	3.3 Analyse revenue and profits	Learners will be required to distinguish between the following:
		<ul style="list-style-type: none"><li>▪ total revenue (TR)</li><li>▪ average revenue (AR)</li><li>▪ marginal revenue (MR)</li></ul>
		Learners will also be able to understand and calculate shut down and breakeven points, normal and abnormal profit, accounting versus economic profit, profit maximisation and the marginal condition (marginal revenue = marginal cost).

## Topic 4: Market structures

4 Know the different market structures in which businesses operate

4.1 Explain the characteristics of different market structures

Learners are required to identify the characteristics of the following market structures:

- Perfect competition
- Monopolistic competition
- Oligopoly
- Monopoly

Learners will be able to analyse the relationship between costs and revenues in different market structures.

They will also be able to analyse the price and output outcomes for each market in the short and long run and the allocative, productive and dynamic efficiency of each market.

Learners will understand the concept of contestable markets and analyse barriers to entry and price discrimination. In Oligopoly learners should be aware of the kinked demand curve model, cartels and basic game theory.

Learners will also be able to understand that a business will have its own objectives such as the maximisation of profit, revenue or market share, survival and social and community objectives.

Learners should be aware that businesses may 'satisfice' by pursuing more than one objective. Learners will appreciate what affects business in how they satisfice, by understanding its relationship to stakeholders, and their influence over how business objectives are decided (trade-off) and how it impacts upon profit.

## Topic 5: Macro-economic objectives

5 Be able to assess the main elements of macro-economics	5.1 Analyse aggregate demand and aggregate supply in an economy and the determinants of macro-equilibrium	Learners should have understanding of output, income and expenditure flows and injections to and withdrawals from the circular flow of income.  Learners should understand that the circular flow of income circulates through: <ul style="list-style-type: none"><li>▪ government</li><li>▪ international trade</li><li>▪ businesses</li><li>▪ households</li></ul>
	5.2 Analyse government macro-economic objectives	Learners should understand Gross Domestic Product (GDP) and Gross National Product (GNP) measures of national income including nominal, real and per capita values. A detailed knowledge of national income accounts is not required.  Learners will understand the limitations of measuring economic growth as a measure for standards of living, and consider aspects such as quality of life, the environment, health and education and the ageing population.  Learners will understand the elements of and influences on aggregate demand and aggregate supply. Learners will understand the factors determining the shape of the aggregate demand and aggregate supply curves and the difference between movements along and shifts in aggregate demand and supply.  Learners will be able to analyse the impact of changes in aggregate demand and aggregate supply on output, employment and prices.

5.3 Analyse economic policies used by the government to manage the economy

Learners will be able to understand government objectives relating to

- unemployment
- inflation
- international trade
- economic growth

Learners will understand how inflation and unemployment is measured and the causes and costs of inflation upon society and in particular for a businesses.

Learners will understand the determinants, benefits and costs of economic growth for businesses.

Learners will understand the economic cycle and the implications for businesses.

Learners will be able to analyse the main economic policies used by the government to manage economic activity and achieve their objectives including:

- Fiscal policy
- Monetary policy
- Supply-side policies

Learners will understand the effect of such policies on businesses and that economic policies can result in government failure.

## Topic 6: International trade

### 6 Understand issues relating to international trade

#### 6.1 Analyse the advantages and disadvantages of international trade

Learners will be able to examine the case for and against free trade. Learners will understand the concepts of:

- Absolute advantage
- Comparative advantage
- Competitive advantage
- Terms of trade

Learners will be able to analyse the impact of protectionist measures.

Learners will be aware of:

- institutions that influence international trade e.g. World Trade Organisation
- the importance of emerging economies
- the effects of free trade areas and customs unions

Learners will be able to analyse the determinants of demand for and supply of a currency.

Learners will be able to analyse the effects of a change in demand and supply conditions on an exchange rate.

#### 6.2 Explain the determinants of the value of a currency and the impact of exchange rate changes

Learners should understand the meaning of:

- Fixed exchange rates
- Floating exchange rates
- Managed exchange rates
- Equilibrium exchange rate
- Effective exchange rate

Learners should be able to analyse the effects of change in the external value of a country's currency on an economy and businesses within it.

#### 6.3 Explain the significance of the balance of payments and the current account

Learners will understand the meaning and significance of the balance of payments and of a current account surplus or deficit.

Learners will be able to analyse policies a government might take in response to a current account deficit.

## **ADDITIONAL INFORMATION**

### **Diversity, access and inclusion**

EDI qualifications address diversity, access and inclusion issues through a) guidance provided to authors of assessment material, b) assessment arrangements and c) guidance to centres.

The assessments generated by EDI are designed to be inclusive and free from bias. This is built into the task-setting specifications on which the assessments are based. EDI administers external assessments in line with the latest recommended procedures for ensuring accessibility and fair treatment of all.

EDI has procedures in place for making reasonable adjustments to assessments for those learners with particular assessment requirements, provided that this does not invalidate the assessment requirements of the qualification. For full details, please refer to EDI's guidance notes for centres on reasonable adjustments for candidates with particular assessment requirements. This document can be downloaded by EDI approved centres from the EDI website [www.ediplc.com](http://www.ediplc.com).

EDI's centre guidance uses plain language which is free from bias or discrimination in wording or content. The guidance highlights a range of equality issues to support centres in ensuring their delivery does not discriminate. This approach is designed to be helpful to centres without unduly intruding on the integrity of the specification. They are available from our website in a range of accessible formats and have been tested by accessibility experts. Staff involved in developing and administering EDI qualifications are trained in ensuring equality and centres registering with EDI are required to ensure that their staff are equally prepared and that the fabric of the centre ensures access for candidates in accordance with equalities legislation.

### **Entry requirements**

There are no formal entry requirements for this qualification. However, candidates should have a minimum level of English equivalent to the LCCI Level 3 English for Business (Council of Europe B2-C1) or JETSET 5 (Council of Europe B2) to meet the communication requirements for this qualification.

Candidates should also be numerate and be able to carry out arithmetical calculations comparable with those of Level 2 mathematics qualification.

### **Guided Learning Hours**

EDI recommends that 140 - 160 guided learning hours (GLHs) will provide suitable course duration for an 'average' candidate at this level. This GLH indicates the number of direct contact hours typically required to cover the taught content for this qualification. In addition it is expected that students will carry out independent study. For this qualification a student will typically engage in independent study for 100-140 hours. Ultimately, however, it is the responsibility of centres to determine the appropriate course duration based on their candidates' ability and level of existing knowledge.

## Recommended Reading List and Support Materials

### Reading List

Title	Authors(s)	Publisher	ISBN Code
Economics and The Business Environment 3rd edition	J Sloman E Jones	Prentice Hall	978-0273-73480-2
Business Economics	A Gillespie	Oxford University Press	978-0-19-956518-4
Managerial Economics and Business Strategy	M Baye	McGraw Publishing International Edition	
Essential Economics 5th edition 2010	J Sloman D Garratt	Prentice Hall	978-0-273-72241-0
Foundation of Economics 2nd edition	A Gillespie	Oxford University Press	978-0-19-958654-7

### Support Material

A sample paper and mark scheme is available from the LCCI website, [www.lcci.org.uk](http://www.lcci.org.uk).

### How to offer this qualification

To offer this qualification you must be an LCCI IQ registered examination centre. To gain Centre approval please contact International Enquiries on +44 (0) 24 76518951 between the hours of 08.30 to 17.00 Monday to Friday, or via email on [internationalenquiries@ediplc.com](mailto:internationalenquiries@ediplc.com).

Alternatively you may contact your Regional LCCI IQ Office or Co-ordinating Authority.

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