

1.2 – Business economics

Subject content	What students need to learn:
1.2.1 Production	<p>a) The factors of production:</p> <ul style="list-style-type: none"> • land • labour • capital • enterprise. <p>b) Sectors of the economy:</p> <ul style="list-style-type: none"> • primary • secondary • tertiary. <p>c) Changes in the importance of these sectors in terms of employment and output over time in developing and developed economies.</p>
1.2.2 Productivity and division of labour	<p>a) Definition of productivity.</p> <p>b) Factors affecting productivity:</p> <ul style="list-style-type: none"> • land – use of fertiliser, drainage, irrigation, reclamation • labour – quality of labour, including improved human capital through education and training and impact of migration • capital – increased quantity and technological advances. <p>c) Definition of division of labour.</p> <p>d) Advantages and disadvantages of the division of labour to workers and businesses.</p>

Subject content	What students need to learn:
1.2.3 Business costs, revenues and profit	<p>a) Definition and use of formulae to calculate:</p> <ul style="list-style-type: none"> • total revenue • total costs • total fixed costs • total variable costs • average (total) costs • profit. <p>b) Economies of scale:</p> <ul style="list-style-type: none"> • definition of economies of scale • definition of internal economies of scale • types of internal economies of scale: <ul style="list-style-type: none"> ○ purchasing (bulk buying) ○ marketing ○ technical ○ financial ○ managerial ○ risk bearing. • definition of external economies of scale • types of external economies of scale: <ul style="list-style-type: none"> ○ skilled labour ○ infrastructure ○ access to suppliers ○ similar businesses in area. <p>c) Diseconomies of scale:</p> <ul style="list-style-type: none"> • definition of diseconomies of scale • types of diseconomies of scale: <ul style="list-style-type: none"> ○ bureaucracy ○ communication problems ○ lack of control ○ distance between top management and workers at bottom of the organisation • the use of long run average cost (LRAC) curve diagram, annotated to show internal economies of scale and diseconomies of scale and where the business will be most efficient.

Subject content	What students need to learn:
1.2.4 Business competition	<p>Competition</p> <p>a) Advantages and disadvantages of competition to firms, consumers and the economy, including:</p> <ul style="list-style-type: none"> • efficiency • choice • quality • innovation • price. <p>b) Advantages and disadvantages of large firms and small firms.</p> <p>c) Factors influencing the growth of firms:</p> <ul style="list-style-type: none"> • government regulation • access to finance • economies of scale • the desire to spread risk • the desire to take over competitors. <p>d) Reasons firms stay small:</p> <ul style="list-style-type: none"> • size of market • nature of market – niche • lack of finance • aims of the entrepreneur. <p>Monopoly</p> <p>e) Definition of monopoly.</p> <p>f) Main features of monopoly:</p> <ul style="list-style-type: none"> • one business dominates the market • unique product • price-maker • barriers to entry: <ul style="list-style-type: none"> ○ legal barriers ○ patents ○ marketing budgets ○ technology ○ high start-up costs.

Subject content	What students need to learn:
	<p>g) Advantages and disadvantages of monopoly:</p> <ul style="list-style-type: none"> • efficiency • choice • quality • innovation • price • economies of scale. <p>Oligopoly</p> <p>h) Definition of oligopoly.</p> <p>i) Main features of oligopoly:</p> <ul style="list-style-type: none"> • few firms • large firms dominate • different products • barriers to entry • collusion • non-price competition • price competition. <p>j) Advantages and disadvantages of oligopoly:</p> <ul style="list-style-type: none"> • choice • quality • innovation • collusion and cartels fixing high prices • price wars between oligopolies.
1.2.5 The labour market	<p>a) Factors affecting the demand for labour:</p> <ul style="list-style-type: none"> • demand for the final product (derived demand) • availability of substitutes, including machines • productivity of workforce. <p>b) Factors affecting the supply of labour:</p> <ul style="list-style-type: none"> • population size • migration • age distribution of population • retirement age • school-leaving age • female participation • skills and qualifications • ability to move geographic locations/move to different types of employment.

Subject content	What students need to learn:
	<p>c) Importance of the quantity and quality of labour to business.</p> <p>d) Impact of education and training on human capital and quality of labour.</p> <p>e) The use of labour market diagrams showing:</p> <ul style="list-style-type: none"> • supply of labour, demand for labour, market equilibrium wage and quantity of labour (employment) • effect of shifts in demand for labour and supply of labour. <p>f) Trade union involvement in the labour market:</p> <ul style="list-style-type: none"> • impact of trade union activity to improve working conditions and increase wages.
1.2.6 Government intervention	<p>a) Government policy to deal with externalities:</p> <ul style="list-style-type: none"> • taxation • subsidies • fines • regulation • pollution permits. <p>b) Advantages and disadvantages of each government policy.</p> <p>c) Government regulation of competition to:</p> <ul style="list-style-type: none"> • promote competition • limit monopoly power • protect consumer interests • control mergers and takeovers. <p>d) Government intervention in the labour market:</p> <ul style="list-style-type: none"> • reasons for minimum wage • advantages and disadvantages of minimum wage • the use of diagrams to show impact of the introduction of a minimum wage and the increase of a minimum wage.