

# SQA Advanced Unit Specification

## General information

**Unit title:** Economics: Micro and Macro Theory and Application

**Unit code:** J5AX 48

**Superclass:** EB

**Publication date:** May 2021

**Source:** Scottish Qualifications Authority

**Version:** 01

## Unit purpose

This unit is designed to build on learners' knowledge of the microeconomic and macroeconomic environment. The unit exposes them to microeconomic and macroeconomic applications of theory. The unit allows the introduction of current issues in economics including mainstream and non-mainstream theories, and their application. The unit provides an opportunity for learners to assess and evaluate macroeconomic issues and related policy.

## Outcomes

On successful completion of the unit the learner will be able to:

- 1 explain the costs of the firm and the market structures within which firms operate
- 2 assess the impact of macroeconomic issues and evaluate related government macroeconomic policy

## Credit points and level

1 SQA unit credit at SCQF level 8: (8 SCQF credit points at SCQF level 8).

## SQA Advanced Unit Specification

### Recommended entry to the unit

Entry to this unit is at the discretion of the centre. However, it would be beneficial for learners to have good communication skills which could be demonstrated by the achievement of the Core Skill *Communication* at SCQF level 5 or equivalent. It will be beneficial if learners have prior knowledge of economics. This may be demonstrated by possession of the SQA Advanced Unit *Economic Issues: An Introduction* at SCQF level 7 or equivalent.

### Core Skills

Achievement of this unit gives automatic certification of the following Core Skills component:

Core Skill component                      Critical Thinking at SCQF level 6

There are also opportunities to develop aspects of Core Skills which are highlighted in the **support notes** of this unit specification.

### Context for delivery

If this unit is delivered as part of a group award, it is recommended that it should be taught and assessed within the subject area of the group award to which it contributes.

This unit is designed to introduce learners to fundamental issues in economics with a particular emphasis on the business environment. This unit is a mandatory unit within SQA Advanced Certificate/Diploma in Business and as such as a part of that group award it is designed to provide learners with the knowledge and skills for further study or employment in the context of economics. This unit may form part of other group awards or be delivered on a stand-alone basis.

### Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods, or considering alternative evidence.

Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

### Statement of standards

**Unit title:** Economics: Micro and Macro Theory and Application

Acceptable performance in this unit will be the satisfactory achievement of the standards set out in this part of the unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

Where evidence for outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Learners should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

#### Outcome 1

Explain the costs of the firm and the market structures within which firms operate.

##### Knowledge and/or skills

- ◆ Costs of the firm
- ◆ Market structures
- ◆ Price and output behaviour
- ◆ Profit maximisation
- ◆ Alternatives to profit maximisation

#### Outcome 2

Assess the impact of macroeconomic issues and evaluate related government macroeconomic policy.

##### Knowledge and/or skills

- ◆ Macroeconomic environment
- ◆ Trends, trade-offs and synergies
- ◆ Unemployment, measures, types and costs
- ◆ Inflation, measures, types and costs
- ◆ Macroeconomic policies: fiscal, monetary, supply side
- ◆ Non-mainstream macroeconomic policy considerations

### Evidence requirements for this unit

#### Outcome 1

- ◆ Explain a minimum of three costs of the firm.
- ◆ Describe the characteristics, and price and output behaviour of two different market structures.
- ◆ Use relevant diagrams to support the description of two different market structures.
- ◆ Explain objectives of the firm, including profit maximisation and at least one alternative objective.

Assessment of Outcome 1 will take place under open-book unsupervised conditions in a single assessment.

## SQA Advanced Unit Specification

### Outcome 2

- ◆ Explain the UK macro-economic environment including trends, trade-offs and synergies between variables.
- ◆ Identify one type of macroeconomic issue and clearly outline and assess the main causes of the problem.
- ◆ Analyse the impact of one macroeconomic issue on both individuals and businesses.
- ◆ Evaluate the use of one type of government macroeconomic policy in the UK.
- ◆ Explain and evaluate at least one relevant non-mainstream macro-economic policy.

Evidence for the knowledge and skills in this outcome will be provided on a sample basis. A different sample of the knowledge and skills is required each time the outcome is assessed.

Each time the learners are assessed they must provide evidence of:

- ◆ the UK macro-economic environment including trends, trade-offs and synergies between variables

Each time learners are assessed they must provide evidence of either:

- ◆ unemployment, measures, types and impact
- or
- ◆ inflation, measures, types and impact

Each time learners are assessed they must provide evidence of one of the related policies:

- ◆ fiscal
- ◆ monetary
- ◆ supply side

Each time learners are assessed they must provide evidence of:

- ◆ evaluating one non-mainstream policy option

Assessment of Outcome 2 will take place under open-book unsupervised conditions.

### Support notes

**Unit title:** Economics: Micro and Macro Theory and Application

Unit support notes are offered as guidance and are not mandatory.

While the exact time allocated to this unit is at the discretion of the centre, the notional design length is 40 hours.

#### Guidance on the content and context for this unit

This unit is designed to provide learners with a knowledge and understanding of introductory economics and expose them to microeconomic and macroeconomic applications of theory. This unit can build on the knowledge and skills contained in *Economic Issues: An Introduction*. This unit is mandatory within the SQA Advanced Diploma in Business but may form part of other group awards and may be delivered as a stand-alone unit.

Outcome 1 introduces the costs of the firm in both the short run and the long run. This will include fixed, variable, total, average and marginal costs. This will also include the factors that influence costs in both the short run and the long run including the law of diminishing returns, economies and diseconomies of scale. Outcome 1 introduces the various market structures in which a firm may operate. The relationship between price and output is explored. The characteristics of the spectrum of market structures such as monopoly, oligopoly and perfect competition are investigated allowing the learner to appreciate the number of firms in the market, entry to the market, type(s) of good(s) in the market, market share and the influence of a firm on the market. Learners are also introduced to the objective of profit maximisation and should understand that alternatives to this exist — managerial theories and behavioural theories. These may include sales revenue maximisation, satisficing behaviour or another recognised objective. This outcome may assist in providing a brief introduction to themes that will be revisited in Outcome 2 such as imperfect markets and intervention.

Outcome 2 introduces learners to the macro economic environment, issues and government policy including strains and synergies which drive macroeconomic policy. Learners should be encouraged to assess and evaluate issues affecting the larger economic environment and how government has to make decisions based on alternative scenarios and policy options. Learners will study the broad range of macroeconomic variables but in particular the unit focuses on unemployment and inflation as problems which have affected the UK economy in the past.

The options and problems facing government in raising revenue and the choices that have to be made on what to spend the income should be highlighted using current economic policy. The effects of these decisions should be investigated and evaluated. Although UK economic policy will dominate, the policy of devolved administrations, where they differ from the UK government could be considered to enhance learners' study and knowledge.

## SQA Advanced Unit Specification

The unit introduces the learner to different schools of economic thought, including consideration of non-mainstream economic policies and theories in both micro and macroeconomic thinking.

### Guidance on approaches to delivery of this unit

When delivered as part of SQA Advanced Certificate or Diploma in Business, this unit is regarded as the second within a group of three Economics units. Ideally learners will have a foundation in economics from the unit *Economic Issues: An Introduction*. This unit could be delivered within the first or second year of SQA Advanced Diploma delivery.

Current learning resources should be used to allow learners to relate economic theory to real life examples and events. Learners should be encouraged to take an investigative approach and use a variety of information sources.

### Guidance on approaches to assessment of this unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

Assessment of Outcome 1 will take place under open-book unsupervised conditions, assessed in a single assessment. The assessment could take the form of an investigative exercise resulting in an essay, report or presentation of approximately 1,200 words or equivalent. The assessment could be based on a case study or stimulus material selected from a newspaper, journal or internet, or through the learner's own research. It is expected that the learner will not be supervised during the research and production of the evidence. Learners should reference all sources of information.

Assessment of Outcome 2 will take place under open-book unsupervised conditions Outcome 2 and could be assessed using an investigative assignment containing a number of extended response questions. Learners should investigate the macro economic environment and apply knowledge and skills learned within this outcome. Learners may be provided with current stimulus material, particularly in relation to the evaluation of macroeconomic policies. This assignment will be conducted under unsupervised conditions and learners should reference all sources of information. Responses should be approximately 1,800 words or equivalent.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

### Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this unit. By e-assessment, we mean assessment which is supported by Information and Communication Technology, such as e-testing or the use of e-portfolios or social software. Centres wishing to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment — as specified in the evidence requirements — are met,

## SQA Advanced Unit Specification

regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at: [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

### Opportunities for developing Core and other essential skills

There are opportunities to develop the Core Skill of:

- ◆ the component Written Communication (Reading) of the Core Skill *Communication* at SCQF level 6

Both outcomes, and the evidence requirements associated with them, ie two open-book assessments, may contribute to aspects of this Core Skill. In all cases, the Core Skill could be developed without formal certification. Learners taking this unit are expected to read and understand complex written information — the general skill of this component. They are expected to make use of micro and macro-economic concepts and will have to read relevant material relating to these ideas. This information may be obtained from textbooks, articles and websites which contain complex subject specific material. Learners will have to evaluate how well materials meet their needs. Learners will be required to read and prepare notes from such sources which will require that they identify and summarise relevant ideas and supporting details through their reading of the information available. Learners will have to prepare for two written assignments, this will include research, planning, reading and summarising of notes and other materials before the creation of reports/assignments.

- ◆ the component Written Communication (Writing) of the Core Skill *Communication* at SCQF level 6

The evidence requirements for this unit requires learners to produce extended pieces of writing. The written communication should present an analysis and evaluation of economic concepts and government policy. Responses should be clear, structured in a logical and coherent manner and demonstrate the correct use of economic terms. A balanced appraisal of economic issues should be provided and will be based on a description and explanation of government policy.

- ◆ the component Critical Thinking of the Core Skill *Problem Solving* at SCQF level 5

The assessments will provide the opportunity for learners to analyse a situation or situations, and to clarify the relationship between variables. These variables will include policy demands, and alternative possible solutions to economic problems. They should evaluate the situation and draw conclusions from their analysis.

The Critical Thinking component of Problem Solving at SCQF level 6 is embedded in this unit. When a learner achieves the unit, their Core Skills profile will also be updated to include this component.

## History of changes to unit

Version	Description of change	Date

© Scottish Qualifications Authority 2021

This publication may be reproduced in whole or in part for educational purposes provided that no profit is derived from reproduction and that, if reproduced in part, the source is acknowledged.

SQA acknowledges the valuable contribution that Scotland’s colleges have made to the development of SQA Advanced Qualifications.

### Further information

Call SQA’s Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our [Centre Feedback Form](#).



### General information for learners

**Unit title:** Economics: Micro and Macro Theory and Application

This section will help you to decide whether this is the unit for you by explaining: what the unit is about; what you should know or be able to do before you start; what you will need to do during the unit; and opportunities for further learning and employment.

This unit introduces you to microeconomic theory, in Outcome 1, where you are looking at the costs and the behaviour of firms within the economy. You are then introduced to macroeconomic theory and related government policy in Outcome 2. Here you look at the economy as a whole. In both outcomes you will consider mainstream economic theory and alternative approaches.

The unit has two outcomes, introducing you to:

- ◆ costs of the firm, market structures and the objective of profit maximisation
- ◆ the macroeconomic environment, and issues/problems which occur within it and Government policy options in response to these issues and problems

Outcome 1 introduces the costs of the firm in the short run and the long run and the market structures within which a firm operates. You will also learn about the role of profit and the objective of profit maximisation as well as alternative objectives of the firm. In Outcome 2 you will study the macroeconomic environment and examples of major issues which occur within that environment including unemployment and inflation. You will consider the causes and effects of unemployment and inflation. You will explore government policy and the choices governments have to make with regard to revenue and spending. You will consider the use of both fiscal, monetary and supply side policies. You will also consider non-mainstream economic policy options.

Throughout the unit you will be involved in researching economic concepts and economic trends using a variety of information sources.

To complete this unit, you will be asked to complete two assessment tasks. Both of these assessment tasks will be completed on an open-book unsupervised basis. The first assessment could be in the form of an essay, report or presentation. The second will be an investigative assignment during the completion of which you will be able to access a variety of learning resources.

You will be able to prepare for the assessments through your own research using newspaper articles, the internet and textbooks. This research may involve making notes containing graphs, tables and studying material relevant to the subject.

During this unit you may have the opportunity to develop Core Skills in *Communication and Information and Communication Technology* at SCQF level 6.

The Critical Thinking component of Problem Solving at SCQF level 6 is embedded in this unit. When a learner achieves the unit, their Core Skills profile will also be updated to include this component.