Saint Benedict
Catholic Voluntary Academy

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BE PREPARED

Economics

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Catholic Multi Academy Trust

A Level Economics B
Be Prepared Booklet

Theme 1: Markets, Consumers and Firms
Sections 1.1–1.3
Estimated completion time: 2 hour

1.1 Scarcity, Choice and Potential Conflicts

What you need to know

Economics begins with the problem of scarcity. Human wants are unlimited but resources such as labour, land, capital and enterprise are limited. Because resources are scarce, individuals, businesses and governments must make choices. Every choice involves an opportunity cost – the value of the next best alternative that is given up.

Businesses also have different objectives. Whilst many seek to maximise profit, others may prioritise growth, market share or ethical behaviour. Different stakeholder groups (owners, employees, customers, suppliers and governments) often have conflicting objectives.

Example:
A government spends £5 billion building a new railway. The opportunity cost may be improving hospitals or schools instead. Similarly, a business investing in a new factory cannot use the same money to increase wages.

Structured Independent Research

Research the UK Government's latest spending priorities.
1. Identify one area where the government is increasing spending.
2. Suggest one opportunity cost of this decision.
3. Explain which stakeholder groups benefit most.
4. Write a 150-word summary using economic vocabulary.

Knowledge Check

1. Explain why scarcity exists.
2. Define opportunity cost.
3. Identify four stakeholder groups.

4. Explain one conflict between shareholders and employees.
5. Why might a business prioritise growth over profit?

Extension Challenge

Write a 6-mark style response explaining how this topic links to a real business or current economic event.

My Notes

1.2 Enterprise, Business and the Economy

What you need to know

Entrepreneurs combine the four factors of production (land, labour, capital and enterprise) to produce goods and services. Successful entrepreneurs organise resources, take calculated risks and add value by selling output for more than the cost of inputs.

Specialisation and division of labour allow workers to focus on specific tasks. This increases productivity and efficiency but may reduce motivation through repetitive work. Businesses are also influenced by changes in inflation, interest rates, taxation, unemployment and exchange rates.

Example:
Henry Ford introduced assembly line production. Workers specialised in one task, allowing cars to be produced much faster and at lower cost.

Structured Independent Research

Choose a well-known entrepreneur (e.g. James Dyson, Deborah Meaden or Elon Musk).
1. Research how they identified a business opportunity.
2. Explain how they added value.
3. Identify two entrepreneurial qualities they demonstrated.
4. Produce a one-page profile including images where appropriate.

Knowledge Check

6. Name the four factors of production.
7. Explain two advantages of division of labour.
8. Explain one disadvantage of specialisation.
9. How might rising interest rates affect a business?
10. Why do entrepreneurs take risks?

Extension Challenge

Write a 6-mark style response explaining how this topic links to a real business or current economic event.

My Notes

1.3 Introducing the Market

What you need to know

Markets bring together buyers and sellers. Demand represents consumers' willingness and ability to buy a product at different prices, while supply represents producers' willingness and ability to sell.

Price changes cause movements along demand or supply curves, whereas non-price factors shift the entire curve. Market equilibrium occurs where demand equals supply. The price mechanism allocates scarce resources by signalling shortages, providing incentives and rationing goods.

Example:
If poor weather destroys coffee crops, supply decreases. Supply shifts left, causing prices to rise and quantity sold to fall. Higher prices encourage producers to grow more coffee in the future.

Structured Independent Research

Choose one product (e.g. petrol, chocolate or games consoles).
1. Find a recent news article affecting demand or supply.
2. Explain whether demand or supply changed and why.
3. Predict what happened to equilibrium price and quantity.
4. Draw and label a supply and demand diagram to support your explanation.

Knowledge Check

11. Define demand and supply.
12. State three factors that shift demand.
13. State three factors that shift supply.
14. Explain equilibrium price.
15. Describe one function of the price mechanism.

Extension Challenge

Write a 6-mark style response explaining how this topic links to a real business or current economic event.

My Notes

Reflection

After completing this booklet:

- List five key economic terms you have learned.
- Identify your strongest topic.
- Identify one topic you would like to revise before September.
- Write one question you would like to ask your teacher.