MICROECONOMICS

Block	Topic	Subtopics	PRE Division
How Market Works	Economic Principles	Scarcity ★	-Explain the meaning of scarcity
		Factors of production ★ ★	-Identify and explain the four factors of production
		Opportunity cost ★	-Explain why a choice must be made -Describe the trade-offs -Identify the opportunity cost
		Economic systems ★ ★	-Distinguish between market economy and command economy, especially in terms of resource allocation
		Production possibility curve (PPC) ★ ★ ★	-Understand the concept of PPC -Identify factors that shift the PPC
	Demand	The law of demand ★ ★ ★	-Identify the law of demand
		The demand curve ★ ★ ★	-Identify the demand curve
		The non-price determinants of demand (factors that change demand or shift the demand curve) ★ ★	-Identify factors that change demand
		Movements along and shifts of the demand curve ★ ★ ★	-Identify movements along and shifts of the demand curve
	Supply	The law of supply ★ ★ ★	-Identify the law of supply -Identify the positive relationship between price and quantity supplied.
		The supply curve ★ ★ ★	-Identify the supply curve -Understand that the supply curve shows the relationship between price and quantity supplied.
		The non-price determinants of supply (factors that change supply or shift the supply curve) ★ ★	-Identify factors that change supply -Understand that changes in non-price determinants can shift the supply curve.
		Movements along and shifts of the supply curve ★ ★ ★	-Distinguish between movements along the supply curve and shifts of the supply curve. -Understand that price changes cause movements along the supply curve, while non-price factors cause shifts of the supply curve.
	Market Equilibrium	Market equilibrium, disequilibrium and changes in equilibrium ★	-Understand how the market force (supply and demand) determine the price of goods -Explain the meaning of market equilibrium
	Elasticity and its Application	Price elasticity of demand and its determinants ★ ★ ★	-Understand the meaning of price elasticity of demand -Calculate price elasticity of demand using a simple formula -Identify the main factors that affect price elasticity of demand
		Applications of price elasticity of demand ★ ★	-Understand how price elasticity of demand affects total revenue -Identify how firms and governments may use price elasticity of demand in decision-making
		Cross price elasticity of demand and its determinants ★ ★	-Understand the meaning of cross price elasticity of demand -Distinguish between substitutes and complements using cross price elasticity of demand
		Applications of cross price elasticity of demand ★	-Understand how the price change of one good may affect demand for another good -Apply cross price elasticity of demand to analyse

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			relationships between related goods
	Controls on Prices	Price ceilings (maximum prices): rationale, consequences and examples ★ ★	-Understand the concepts of price ceilings and price floors -Analyze the price ceilings and price floors: rationale, consequences and examples
		Price floors (minimum prices): rationale, consequences and examples ★ ★	
The Economics of Public Sector	Government Intervention	Direct & Indirect taxes ★ ★	-Understand the role of taxes in government intervention -Distinguish between direct taxes and indirect taxes
		Subsidies ★ ★	-Understand the meaning of subsidies -Identify why governments may provide subsidies to support certain goods or services
		Specific (fixed amount) taxes and ad valorem (percentage) taxes ★ ★	-Distinguish between specific taxes and ad valorem taxes -Understand that different types of taxes may affect market outcomes in different ways
		Impacts on market outcomes ★	-Explain how taxes and subsidies affect price and quantity -Understand how government intervention may affect consumers, producers, and government
	Market Failure and Efficiency	Negative externalities of production and consumption ★ ★ ★	-Understand the meaning of negative externalities -Identify how negative externalities can arise from production and consumption
		Positive externalities of production and consumption ★ ★ ★	-Understand the meaning of positive externalities -Identify how positive externalities can arise from production and consumption
		Social costs and benefits ★ ★	-Understand the meaning of marginal cost and marginal benefit -Identify the difference between private costs, external costs, and social costs -Identify the difference between private benefits, external benefits, and social benefits
		Cost-benefit analysis ★ ★	-Understand that cost-benefit analysis compares the costs and benefits of a decision
		Dead-weight loss ★	-Understand the meaning of deadweight loss -Understand that market failure or government intervention may lead to a loss of economic welfare
	Public and Private Goods	Classification of goods and services ★ ★	-Identify different types of goods -Describe the key features of private goods, public goods, merit goods, demerit goods, and free goods
		Asymmetric information ★ ★	-Understand the meaning of asymmetric information -Identify how unequal information may affect consumers, producers, and market outcomes
Firm Behavior	The Cost of Production	The production function ★ ★ ★	-Understand that production uses inputs to produce output -Identify how changes in inputs may affect total output
		Short-run production costs ★ ★ ★	-Define fixed cost, variable cost, total cost, average cost, and marginal cost -Calculate simple short-run production costs using given data -Understand that firms aim to maximize profit by comparing cost and revenue
		Long-run production costs ★ ★ ★	-Understand that firms can change all inputs in the long run -Identify that production costs may change when firms expand production

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		Production in the long run: returns to scale ⋆ ⋆	-Understand the meaning of returns to scale. -Distinguish between increasing returns to scale, constant returns to scale, and decreasing returns to scale.
	Profit, Firm Decisions and Objectives	Total revenue, average revenue and marginal revenue ⋆	-Define and calculate total revenue, average revenue, and marginal revenue.
		Economic profit (or abnormal profit) and normal profit (zero economic profit occurring at the break-even point) ⋆ ⋆ ⋆	-Distinguish between economic profit and normal profit. -Understand that normal profit occurs when economic profit is zero. -Understand that the break-even point occurs when a firm earns normal profit.
		Profit maximization in the short run ⋆ ⋆ ⋆	-Identify the profit-maximizing output in the short run. -Explain that profit is maximized where marginal revenue equals marginal cost.
Market Structure	**Competitive Market**	**Assumptions of the model ⋆ ⋆**	-Understand the relationship between market competition and individual firms' price-taking behavior.
		Revenue curves ⋆ ⋆ ⋆	-Understand the meaning of total revenue, average revenue, and marginal revenue in a competitive market. -Identify the basic relationship between market price and a firm's revenue.
		Profit maximization in the short run ⋆ ⋆ ⋆	-Understand the objective of profit maximization in the short run. -Identify the condition under which a firm maximizes profit.
		Profit maximization in the long run ⋆ ⋆ ⋆	-Understand how entry and exit affect firms' profits in the long run. -Identify the long-run outcome of a competitive market.
		The efficiency of competitive market ⋆ ⋆	-Understand the concept of efficiency in a competitive market. -Identify how competition can affect prices, output, and resource allocation.
	Monopoly	**Assumptions of the model ⋆ ⋆**	-Identify the main assumptions of a monopoly market. -Understand the relationship between market power and price-setting behavior.
		Barriers to entry ⋆ ⋆ ⋆	-Understand the meaning of barriers to entry. -Identify how barriers to entry help a firm maintain monopoly power.
		Revenue curves ⋆ ⋆ ⋆	-Understand the meaning of total revenue, average revenue, and marginal revenue in a monopoly market. -Identify how a monopolist's pricing decision affects revenue.
		Natural monopoly ⋆ ⋆ ⋆	-Understand the meaning of natural monopoly. -Identify why some markets may be dominated by a single producer.
		Monopoly and efficiency ⋆ ⋆ ⋆	-Understand why governments may regulate monopoly power. -Identify the main purposes of monopoly regulation.
		Policies to regulate monopoly power ⋆ ⋆	-Understand the relationship between market competition and individual firms' price-taking behavior.
		The advantages and disadvantages of monopoly compared with perfect competition ⋆ ⋆	-Compare the key characteristics of monopoly and perfect competition. -Identify the potential advantages and disadvantages of monopoly from the perspectives of firms, consumers, and

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			market efficiency.
	Monopolistic Competition	Abuse of monopoly power ⋆	-Understand the meaning of monopoly power. -Identify how firms with market power may influence prices, output, or consumer choice.
		Assumptions of the model ⋆ ⋆	-Identify the main assumptions of monopolistic competition. -Understand that firms compete while selling differentiated products.
		Revenue curves ⋆ ⋆ ⋆	-Understand that firms in monopolistic competition have some control over price. -Identify the basic relationship between product differentiation, price, and revenue.
		Profit maximization in the short run ⋆ ⋆ ⋆	-Understand that firms aim to maximize profit in the short run. -Identify the condition under which a firm maximizes profit.
		Profit maximization in the long run ⋆ ⋆ ⋆	-Understand how entry and exit affect profits in the long run. -Identify that long-run economic profit tends to decrease as competition increases.
		Non-price competition ⋆ ⋆	-Understand the meaning of non-price competition. -Identify how firms compete through product differentiation, branding, quality, and service.
		Monopolistic competition and efficiency ⋆ ⋆	-Understand how monopolistic competition may affect market efficiency. -Identify the possible trade-off between product variety and efficient resource allocation.
		Monopolistic competition compared with perfect competition and monopoly ⋆ ⋆	-Compare the key features of monopolistic competition, perfect competition, and monopoly. -Identify the differences in market power, product differentiation, competition, and efficiency.
	Oligopoly	Assumptions of the model ⋆ ⋆	-Identify the main assumptions of an oligopoly market. -Understand that oligopoly markets are characterized by a small number of interdependent firms.
		Interdependence and game theory ⋆ ⋆ ⋆	-Understand the meaning of interdependence between firms. -Identify how one firm's decision may influence the decisions and outcomes of other firms.
		Collusive and non-collusive oligopoly ⋆ ⋆ ⋆	-Distinguish between collusive and non-collusive oligopoly. -Understand how firms may compete or coordinate their decisions in an oligopoly market.
		Evaluating oligopoly ⋆ ⋆	-Identify the possible advantages and disadvantages of oligopoly. -Understand how oligopoly may affect prices, output, consumer choice, and market efficiency.

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Measuring of a Nation's Income and the Cost of Living	The Economy's Income and Expenditure	The circular flow of income ★ ★	-Draw and label a circular flow diagram and explain the interrelated roles of households, businesses, and government in the economy
	GDP and Economic Growth	Real v. nominal GDP ★ ★	-Identify the components of GDP -Explain what is included in each component of GDP -Distinguish between real and nominal GDP Determine the GDP per capital for a certain country
		Limitations of GDP ★	
		The meaning and significance of economic growth ★ ★ ★	-Explain the meaning and significance of economic growth
		Causes and consequences of economic growth ★ ★ ★	-Explain the causes and consequences of economic growth
	CPI and Inflation	Measuring inflation and deflation ★ ★	-Explain the meaning of inflation and deflation. -Understand how changes in the general price level are measured.
		Problems of CPI ★	-Understand that CPI may not perfectly measure changes in the cost of living. -Identify basic limitations of CPI as a measure of inflation.
		Causes and types of inflation ★ ★ ★	-Identify the main causes of inflation. -Distinguish between demand-pull inflation and cost-push inflation.
		Costs of inflation ★ ★ ★	-Understand the main costs of inflation for households, firms, and the economy. -Identify how inflation may affect purchasing power, saving, borrowing, and economic stability.
Macroeconomic Cyclical Fluctuations	Unemployment	Measuring unemployment ★ ★ ★	-Describe unemployment -Calculate the unemployment rate
		Types and causes of unemployment ★ ★ ★	-Identify various types of unemployment
	Economic Fluctuations	Business cycle, short-term fluctuations and long-term trend ★ ★ ★	-Explain the concept of a business cycle -Identify different phases of a business cycle
Macroeconomic Equilibrium	Aggregate Demand and its Curve	The AD curve ★ ★ ★	-Explain the concept of aggregate demand -Identify the diagram of an AD curve
	Aggregate Supply and its Curve	Short-run and long-run aggregate supply curve★ ★ ★	-Explain the concept of aggregate supply -Identify the diagram of an AS curve
Macroeconomics Policy	Fiscal Policy	Fiscal policy and short-term demand management ★ ★ ★	-Explain the concept of fiscal policy -Identify different tools and the respective goals of fiscal policy
	Monetary Policy	The money market ★ ★	-Explain the concept of money supply and monetary policy
		Definition, measurement, and functions of money ★ ★	-Explain the definition and the functions of money
		Banking and the expansion of the money supply ★ ★ ★	-Describe the role of central banks as regulators of commercial banks and bankers to governments. -Understand that central banks are usually made responsible for interest rates in order to achieve macroeconomic objectives.
		Monetary policy and short-term demand management ★ ★ ★	-Identify different tools and the respective goals of monetary policy

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