

A NICE PILE OF QUESTIONS FOR GOOD STUDENTS
ECONOMICS B – PAPER 1 (THEME 1 &4)

THEME 1 QUESTIONS	
1	Explain why some entrepreneurs may have different business objectives
2	What is meant by satisficing, for whom might it be a likely business objective?
3	Why might some firms have social rather than profit objectives?
4	Explain, using a current example, what Schumpeter meant by “creative destruction”.
5	Why are entrepreneurs important in a market economy?
6	Explain, using a real example, what is meant by “adding value”.
7	What is the role of profit in a free market economy?
8	What non-financial motives might entrepreneurs have for starting and running a business?
9	Explain, using an example, what is meant by stakeholders
10	To what extent are stakeholders likely to have conflicting objectives? (Use examples)
11	What is meant by Corporate Social Responsibility?
12	To what extent is CSR a real aim of a business, and to what extent is it a public relations exercise ?
13	Explain with an example what is meant by the division of labour.
14	Why does specialisation lead to greater economic welfare?
15	Can an economy ever be too specialised?
16	What is meant by a mass market? (Use an example)
17	What is meant by a niche market (Use an example)
18	What are the advantages and disadvantages of operating in a mass market? (Use an example)
19	What are the advantages and disadvantages of operating in a niche market? (Use an example)
20	Explain with examples what is meant by primary market research
21	Explain with examples what is meant by secondary market research
22	What are the advantages and disadvantages of primary research?
23	What are the advantages and disadvantages of secondary market research?
24	Why does market research reduce the risk of entrepreneurship?
25	Why might market research sometimes not work effectively?
26	Why is sample size and choice important for effective market research?

27	Using examples explain how and why firms might categorize customers into segment groups
28	How does market mapping or market positioning help a business to market a product or service successfully?
29	Why does the owner of a business benefit from turning the firm into a company?
30	For what purposes might a new firm need extra money? (credit)
31	Why might a business choose to rent some assets instead of buying them? (examples)
32	What is meant by an overdraft? In what circumstances might a business need one?
33	In what circumstances might a firm want to use trade credit?
34	Why might a company need to keep a balance between money raised from long term loans and the sale of shares when it is raising finance?
35	Explain why modern methods of finance such as “peer to peer” funding and crowd funding have become so popular
36	Why is 60% of all business finance still internal funds rather than external?
37	Why might a small firm find credit more difficult to find than bigger, more established firms?
38	Why do we need banks?
39	Why is the average cost curve U shaped?
40	Explain how break even may be calculated from price, fixed costs and variable costs
41	Why is it important for a business to allow a margin of safety in its business planning?
42	“Gross profit is interesting but not useful” Why?
43	“Profit is vanity, cash is sanity” What on earth does that mean?
44	If a business predicts that it may only just survive in the next few months, suggest some strategies the firm might adopt
45	Why do more firms fail due to cash flow problems than because they are not making a long term profit?
46	Explain the basic economic problem
47	Use examples to explain the importance of opportunity cost to producers, consumers and government
48	How are factors of production used in the production of a good or service of your choosing?
49	What is meant by effective demand?
50	Explain the main conditions of demand
51	What is meant by supply?
52	Explain the main conditions of supply
53	Use a diagram to show how price and quantity are determined in a market
54	Use a diagram to show how market forces eliminate excess demand and excess supply

55	Draw diagrams to show the impact of an increase in demand and an increase in supply on price and quantity
56	Explain the main limitations of the supply and demand model
57	Show how different firms will be affected differently by a rise in interest rates
58	Assess the potential impact of the depreciation in the value of the £ on UK firms
59	What is hedging and how can it protect firms from exchange rate fluctuations?
60	Use examples to explain the difference between direct and indirect taxation
61	Explain the difference between progressive and regressive taxation
62	Use a supply and demand diagram to show the impact of a rise in VAT on a product
63	Assess the case for a cut in taxation
64	To what extent will a firm be affected by a rise in unemployment?
65	What is inflation and what are its main causes?
66	Assess the impact of rising inflation on firms
67	“High inflation is more of a problem to firms than rising unemployment”, discuss
68	What is market failure?
69	Explain the main causes of market failure
70	Explain how markets work well when social benefits exceed social costs
71	Explain how externalities can lead to an overconsumption of certain goods
72	Explain how externalities can lead to an overproduction of certain goods
73	Evaluate strategies to reduce market failure associated with the overconsumption of unhealthy foods
74	Assess the case for a minimum price for alcohol
75	Assess the case for a tax on sugar sweetened drinks
76	Assess the case for the NHS making e cigarettes available on prescription
77	Explain the main types of government failure
78	Explain how higher taxation on tobacco may lead to government failure
79	Explain the main functions of the price mechanism
80	Evaluate the price mechanism as a means to solve the basic economic problem

	THEME 4 QUESTIONS
81	Use examples to explain the difference between private costs and external costs
82	Use examples to explain the difference between private benefits and external benefits
82	How is society impacted if prices do not reflect both private and external costs?
84	Assess the environmental externalities associated with the production of energy
85	What is a merit good?
86	Assess the case for the government providing health care that is free at the point of consumption
87	E cigarettes are a merit good, discuss
88	What is a demerit good?
89	Assess the case for further government intervention to reduce alcohol consumption
90	Use a diagram to show the impact of a tax on tobacco
91	Compare command and control, taxation and tradeable permits as methods to deal with market failure related to pollution
92	Explain how factor immobility leads to the labour market working less effectively than it should
93	Explain the consequences to the economy, of labour being occupational and geographically immobile
94	Examine strategies that can be used to improve occupational and geographical mobility of labour
95	What is meant by asymmetric information?
96	Explain how imperfect information can lead to market failure
97	Use examples to explain how government intervention can close the information gap in specific markets
98	What is climate change?
99	What are the potential economic costs of climate change? Assess if these are likely to be more significant in the short term or long term?
100	Use the tragedy of the commons to explain why it is so hard to reduce global CO2 emissions
101	Explain the characteristics of a public good
102	Explain why public goods generally have to be provided by the state
103	Discuss the view that the BBC is a public good
104	Draw and fully label an AD/AS diagram to show how the price level and output are determined in an economy
105	Illustrate and explain the circular flow of income
106	Explain the main components of Aggregate Demand
107	Draw an Aggregate Supply Curve – why is it this shape?

108	Explain how Aggregate Supply is affected by changes in the cost of inputs and productivity
109	What is meant by full capacity output and why is this important?
110	Use a diagram to show how an increase in AD will impact inflation and output, when the economy is close to full capacity
111	Use a diagram to show how an increase in AD will impact inflation and output, when the economy is in a recession
112	Draw a diagram to show how an increase in AD will lead to non-inflationary growth, if AS also increases
113	Use the circular flow of income to explain the multiplier effect
114	Explain the importance of the marginal propensity to consume when looking at the multiplier
115	Explain the difference between monetary and fiscal policy
116	Explain how fiscal policy can be used to deal with a recession
117	Explain how monetary policy can be used to control inflation
118	What is meant by a liquidity trap? Explain why this can reduce the effectiveness of monetary policy
119	Explain how quantitative easing works. What are the potential costs and benefits of this policy?
120	Use diagrams to show the impact of expansionary and contractionary economic policies
121	Compare monetary and fiscal policy as ways to manage the macro economy
122	What are the weaknesses/limitations of monetary policy?
123	What are the weaknesses/limitations of fiscal policy?
124	Discuss the potential policy conflicts and trade-offs of demand-side economic policies
125	What are supply side policies and how are they supposed to work?
126	Discuss different supply side policies to: <ul style="list-style-type: none"> ● increase incentives ● promote competition ● reform the labour market ● improve the skills and quality of the labour force ● improve the infrastructure
127	Compare market based and interventionist supply side policies
128	Discuss the strengths and weaknesses of different supply side policies
129	Compare demand side and supply side policies as methods of achieving economic objectives
130	Discuss the potential policy conflicts of supply side economic policies
131	What are the main macroeconomic objectives?
132	Why is it difficult to achieve all of these simultaneously? What trade-offs might there be and why?
133	How does the model of perfect competition explain how markets work?

134	What is the impact of market structure on pricing decisions?
135	Why is non-price competition more likely in some competitive situations?
136	To what extent is the model of perfect competition really useful if it doesn't really exist?
137	What are barriers to entry and exit? How do they affect competition in real markets?
138	Why are oligopolists not keen to compete on price?
139	Why is the government keen to prevent cartels?
140	Explain, with examples what is meant by natural monopoly?
141	Why might the government block a merger or take-over such as Tesco buying Booker?
142	To what extent should privately owned (PLC) privatised utilities be regulated by the government?
143	What is the role of the Competition and Markets Authority?
144	How is EU competition policy different from UK competition policy?
145	What are the probable costs and benefits of regulation? Is it better to leave business alone?
146	How are the following calculated: Average cost, average revenue, marginal cost, marginal revenue?
147	Explain what is meant by productive and allocative efficiency?
148	Why are economists so concerned about what happens on "the margin"?
149	How might productivity (and productive efficiency) be improved?
150	What is the role of the financial sector in a successful economy?
151	Why did the UK financial sector fail in 2007?
152	What is the role of the Bank of England?
153	Is it possible for there to be another global financial crisis?