

Subject	Year	Term
Economics (micro)	Year 13	Autumn 1
<b>Topic</b>		
<b>4.1.4 Production, costs and revenue</b>		
<b>Content (Intent)</b>		
<b>Prior Learning</b>		
<ul style="list-style-type: none"> <li>• Sections 4.1.1, 4.1.2, 4.1.3, 4.1.8 (parts 1 and 2)</li> <li>• The following topics are particularly helpful: How markets function, the determinants of demand/supply, market failure and production possibility diagrams</li> </ul>		
<b>This section of the syllabus is split into 8 topics (4.1.4.1 to 4.1.4.8)</b>		
<p><b>4.1.4.1. Production and productivity</b></p> <ul style="list-style-type: none"> <li>• Production converts inputs, or the services of factors of production such as capital and labour, into final output.</li> <li>• The meaning of productivity, including labour productivity.</li> </ul>		
<p><b>4.1.4.2. Specialisation, division of labour and exchange</b></p> <ul style="list-style-type: none"> <li>• The benefits of specialisation and division of labour.</li> <li>• Why specialisation necessitates an efficient means of exchanging goods and services, such as the use of money as a medium of exchange.</li> </ul>		
<p><b>4.1.4.3. The law of diminishing returns and returns to scale</b></p> <ul style="list-style-type: none"> <li>• The difference between the short run and the long run.</li> <li>• The difference between marginal, average and total returns.</li> <li>• The law of diminishing returns.</li> <li>• Returns to scale.</li> <li>• The difference between increasing, constant and decreasing returns to scale.</li> </ul>		
<p><b>4.1.4.4. Costs of production</b></p> <ul style="list-style-type: none"> <li>• The difference between fixed and variable costs.</li> <li>• The difference between marginal, average and total costs.</li> <li>• The difference between short-run and long-run costs.</li> <li>• The reasons for the shape of the marginal, average and total cost curves.</li> <li>• How factor prices and productivity affect firms' costs of production and their choice of factor inputs</li> </ul>		
<p><b>4.1.4.5. Economies and diseconomies of scale</b></p> <ul style="list-style-type: none"> <li>• The difference between internal and external economies of scale.</li> <li>• Reasons for diseconomies of scale.</li> <li>• The relationship between returns to scale and economies or diseconomies of scale.</li> <li>• The relationship between economies of scale, diseconomies of scale and the shape of the long-run average cost curve.</li> <li>• The L-shaped long-run average cost curve.</li> <li>• The concept of the minimum efficient scale of production.</li> </ul>		
<p><b>4.1.4.6. Marginal, average and total revenue</b></p> <ul style="list-style-type: none"> <li>• The difference between marginal, average and total revenue.</li> <li>• Why the average revenue curve is the firm's demand curve.</li> <li>• The relationship between average and marginal revenue.</li> <li>• The relationship between marginal revenue and total revenue.</li> </ul>		

#### 4.1.4.7. Profit

- Profit is the difference between total revenue and total costs.
- The difference between normal and abnormal (supernormal) profit.
- The role of profit in a market economy.

#### 4.1.4.8. Technological change

- The difference between invention and innovation.
- Technological change can affect methods of production, productivity, efficiency and firms' costs of production.
- Technological change can lead to the development of new products, the development of new markets and may destroy existing markets.
- Technological change can influence the structure of markets

#### Future Learning:

This section of the syllabus analyses the decision making of firms. It provides depth to the determinants of supply. It adds insights about how markets function. Technological change is a theme that runs throughout the remainder of the course – influencing market structures, labour markets and policy recommendations.

#### How will knowledge and skills be taught? (Implementation)

- This topic will involve, but not be limited to:
- Teacher led lesson content
  - Independent learning tasks
  - Group discussion/debates and questioning
  - Using economic terminology
  - Reference to economic examples throughout

#### How will your understanding be assessed & recorded (Impact)

- Past Paper responses and essays. Marked and feedback given.
- Verbal responses. Individual and class feedback given.

#### How can parents help at home?

- Discussing ideas and content at home & linking it to real world situations that they are aware of.
- Watch the news and/or read a good quality newspaper
- Watch any topical films or documentaries that link to economics e.g. Panorama, dispatches etc.
- Support us with our department's high expectations of spelling, grammar, punctuation, and minimum standards.

#### Helpful further reading/discussion

##### Reading

- Economics A level textbooks
- Tutor 2u website and YouTube channel
- [www.econplusdal.com](http://www.econplusdal.com)
- <https://www.tutor2u.net>
- BBC website for current economics articles
- Exam board subject website <https://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136>
- CIA website for international economic data <https://www.cia.gov/the-world-factbook/>

##### Vocabulary Key Words

- Production
- Input
- Output
- Productivity
- Specialisation
- Division of labour
- Exchange
- Medium of exchange
- Short run
- Long run
- Returns
- Marginal, average and total returns
- The law of diminishing returns
- Returns to scale
- Increasing, constant and decreasing returns to scale
- Fixed and variable costs
- Marginal, average and total costs
- Short-run costs and long-run costs
- Factor prices
- Productivity
- Costs of production
- Internal economies of scale
- External economies of scale
- Diseconomies of scale

##### Careers Links

A level economics develops skills and knowledge that help in a wide range of careers. An understanding of how changes in economic variables impacts the economic environment that firms operate in is useful for careers in a wide range of industries. Data handling and interpretation skills, along with the ability to construct alternative arguments to a problem before drawing conclusions are valued in many careers.

	<ul style="list-style-type: none"><li>• Long-run average cost curve</li><li>• L-shaped long-run average cost curve</li><li>• Minimum efficient scale of production</li><li>• Marginal, average and total revenue</li><li>• Profit</li><li>• Normal profit</li><li>• Abnormal (supernormal) profit</li><li>• Invention and innovation</li><li>• Technological change</li><li>• Market structures</li><li>• Creative destruction</li></ul>	
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