

Section 3 Micro-economic decision makers

- Chapter 16 Money and banking

- Money

- Forms of money

- coins
 - notes
 - bank accounts
 - not legal

- The functions of money

- medium of exchange
 - store of value unit of account
 - standard of deferred payments

- The **characteristics** of money

- generally acceptable
 - limited supply
 - durable
 - portable
 - divisible
 - homogeneous
 - recognizable

- Banking

- Commercial

- The role and importance of commercial banks

- Traditional functions

- accept deposits
 - lend
 - enable customers to make payments

- Ways of borrowing

- overdraft
 - taking a loan

- Other functions of commercial banks

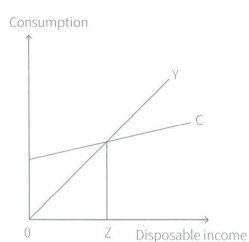
- provide advice and help with financial matters

- The aims of commercial banks

- make a profit for its shareholders
 - balance profitability and liquidity
 - having some assets earning high interest but being illiquid
 - having others earning low or no interest but being liquid.
 - Islamic finance
- Central
 - most important and influential bank in the country
 - The role and importance of central banks
 - Acts as a banker to the government
 - Operates as a banker to the commercial banks
 - Acts as a lender of last resort
 - Manages the national debt
 - Holds the country's reserves of foreign currency and gold
 - Issues bank notes
 - Implements the government's monetary policy
 - Controls the banking system
 - Represents the government
 - Independence of central banks
 - decide the rate of interest

• Chapter 17 Households

- Spending
 - Influences on spending
 - disposable income
 - wealth
 - confidence
 - the rate of interest
 - the distribution of income
 - advances in technology
 - Income and consumption
 - average propensity to consume (APC)

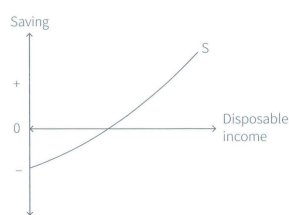


- Pattern of expenditure

- Different income groups tend to have different patterns of spending
- Spending patterns vary within income groups in a country
 - household composition
 - tastes
 - age...

- Saving

- Types
 - Contractual saving
 - Non-contractual saving
- Reasons for saving
 - target
 - finance children's education
 - leave an inheritance
 - cope with emergencies or unexpected problems
 - increase their current income
- Influences on saving
 - Income
 - Wealth
 - The rate of interest
 - The tax treatment of savings
 - The range and quality of financial institutions
 - Age structure
 - Social attitudes
- Income and saving
 - average propensity to save (APS)



- Borrowing

- The influences affecting the amount of money people borrow
 - The availability of loans and overdrafts
 - The rate of interest
 - Confidence
 - Social attitudes

- Chapter 18 Workers
 - Factors influence --- occupation
 - Wage factors (monetary / pecuniary factors)
 - Wages
 - Overtime pay
 - Bonuses
 - Commission
 - Non-wage factors
 - Job satisfaction
 - Type of work
 - Working conditions
 - Working hours
 - Holidays
 - Pensions
 - Fringe benefits
 - Job security
 - Career prospects
 - Size of the firms
 - Location
 - Limiting factors
 - Occupational choice and opportunity cost
 - Wage determination and the reasons for differences in earnings
 - Demand and supply
 - Relative bargaining power of employers and workers
 - Government policies
 - Public opinion
 - Discrimination
 - Why earnings of occupations change over time
 - Change in demand and supply of labor
 - demand
 - An increased demand for the product. Demand for labor is a derived demand
 - A rise in labor productivity
 - A rise in the price of capital
 - supply
 - A fall in the labor force.

- A rise in the qualifications or length of training required to do the job
 - A reduction in the non-wage benefits of a job
 - A rise in the wage or non-wage benefits in other jobs
- Changes in the stages of production
- Changes in bargaining power
- Changes in government policy
- Changes in public opinion
- Changes in the earnings of individuals over time
- The extent to which earnings change
 - Elasticity of **demand** for labor
 - Elasticity of **supply** of labor
- Specialization and division of labor
 - Productivity increase
 - Reduced productivity
- Chapter 19 Trade unions
 - Types of trade unions
 - Craft unions
 - General unions
 - Industrial unions
 - White collar unions
 - The role of the trade unions
 - Collective bargaining
 - Factors affecting the strength of a trade union
 - Factors that empower unions
 - A high level of economic activity
 - A high number of members
 - A high level of skill
 - A consistent demand for the product produced by the workers
 - Favorable government legislation
 - Industrial action
 - strike
 - Measure
 - the number of strikes
 - the number of workers involved
 - the number of working days lost

- Influence on the supply of labor
 - insist the entry of new workers into the industry, occupation or craft
- Advantages and disadvantages of trade union membership
- Trade unions and the government
- Chapter 20 Firms
 - Classification of firms
 - The stages of production
 - primary sector
 - secondary sector
 - tertiary sector
 - quaternary sector
 - Ownership of firms
 - The size of firms
 - The age of the firms
 - The availability of financial capital
 - The type of business organisation
 - Internal economies and diseconomies of scale
 - The size of the market
 - Small firms
 - The small size of the market
 - Preference of consumers
 - Owner's preference
 - Flexibility
 - Technical factors
 - Lack of financial capital
 - Location
 - Cooperation between small firms
 - Specialization
 - Government support
 - Causes of the growth of firms
 - Internal
 - External
 - horizontal merger
 - vertical merger
 - a conglomerate merger

- Mergers
 - Horizontal merger
 - Vertical merger
 - Vertical merger backwards
 - Vertical merger forwards
 - Conglomerate merger
 - The effect of a merger on consumer
- Economies and diseconomies of scale
 - The meaning of economies of scale
 - internal economies of scale
 - Buying economies
 - Selling economies
 - Managerial economies
 - Labor economics
 - Financial economies
 - Technical economies
 - Research and development economies
 - Risk bearing economies
 - External economies of scale
 - A skilled labor force
 - A good reputation
 - Specialist suppliers of raw materials and capital goods
 - Specialist services
 - Specialist markets
 - Improved infrastructure
 - The meaning of diseconomies of scale
 - Internal diseconomies of scale
 - Difficulties controlling the firm
 - Communication problems
 - Poor industrial relations
 - External diseconomies of scale
 - competition for resources
 - increase in transport cost...
 - Internal economies and diseconomies of scale
 - One firm

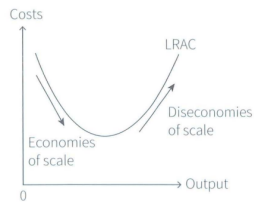


Fig. 20.2: Internal economies and diseconomies of scale

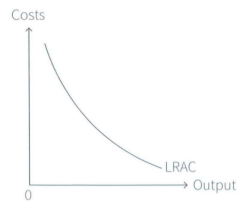


Fig. 20.3: Downward-sloping LRAC curve



Fig. 20.4: L-shaped LRAC curve

- External economies and diseconomies of scale

- a market

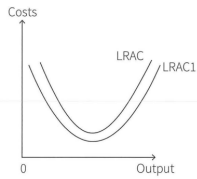


Fig. 20.5: The effect of external economies of scale

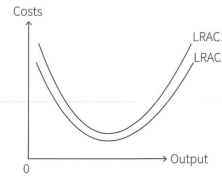


Fig. 20.6: The effect of external diseconomies of scale

- Chapter 21 Firms and production

- Demand for factors of production
 - What factors of production are employed
 - Altering factors of production
 - Combining the factors of production
 - Factors influencing demand for capital goods
 - Demand for land
 - Factors of production and sectors of production
- Labor-intensive or capital-intensive production
 -
- Production and productivity
 -

- Chapter 22 Firms, costs, revenue and objectives

- Calculating the costs of production
 - Total and average total cost
 - Fixed costs
 - Average fixed cost
 - Variable costs
 - Average variable cost
 - Fixed and variable costs
 - Average total cost
- Calculating revenue
 - total revenue
 - average revenue

- Objectives of firms
 - survival
 - growth
 - social welfare
 - profit satisficing
 - profit maximization
 - When profit maximization is achieved
 - $\text{profit} = \text{revenue} - \text{cost}$
 - $\text{cost} = \text{revenue} - \text{profit}$
 - Effect of changes in profits
 - Ways of increasing profit

- Chapter 23 Market structure

- Market structure
 - Very competitive
 - competitive
 - monopoly
- Competitive markets
 - The behavior of competitive firms
 - Performance of competitive firms
- Monopoly markets
 - The behavior of a monopoly
 - The performance of a monopoly
 - Characteristics of a monopoly
 - Why do monopolies arise?
 - Why do monopolies continue?
 - Occurrence of monopoly