

**ZIMBABWE SCHOOL EXAMINATIONS COUNCIL**



*For Performance Measurement*

**ZGCE ADVANCED LEVEL SYLLABUS**

**ECONOMICS  
9158**

**EXAMINATION SYLLABUS FOR 2013 - 2016**

# **ECONOMICS**

## **ZGCE ADVANCED LEVEL**

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### **NOTE**

Additional copies of this syllabus and the specimen paper booklet can be ordered from ZIMSEC.

## 1 INTRODUCTION

- 1.1 The aim of this syllabus is to enable Centres to develop an Economics course that is suitable for Advanced Level candidates.
- 1.2 Three methods of assessment are used (multiple choice, data response questions and essays).
- 1.3 Candidates must offer papers 1, 2 and 3.
- 1.4 No previous study of the subject is assumed by the syllabus.

## 2 AIMS

- 2.1 The syllabus is intended to encourage a course that will:
  - (a) provide a basis of factual knowledge of economics,
  - (b) encourage the development in the student of:
    - (i) a facility for self-expression, not only in essay form but also using additional aids such as statistics and diagrams where appropriate,
    - (ii) the habit of using works of reference as sources of data specific to economics,
    - (iii) the habit of reading critically to gain information about the changing economy in which we live,
    - (iv) an appreciation of the methods of study used by the economist and of the most effective ways in which economic data may be analysed, correlated, discussed and presented.

## 3 ASSESSMENT OBJECTIVES

These indicate the skills that the examination will be designed to test in conjunction with the subject matter listed in the syllabus.

- 3.1 Candidates are expected to:
  - 1 DEMONSTRATE KNOWLEDGE AND UNDERSTANDING of the specified content,
  - 2 INTERPRET economic information presented in verbal, numerical or graphical form,

- 3 EXPLAIN AND ANALYSE economic issues and arguments, using relevant economic concepts, theories and information,
- 4 EVALUATE economic information, arguments, proposals and policies, taking into consideration relevant information and theory, and distinguishing facts from hypothetical statements and value judgements,
- 5 ORGANISE, PRESENT AND COMMUNICATE economic ideas and informed judgements in a clear, logical and appropriate form.

3.2 The Multiple Choice component (Paper 1) will seek to test particularly Assessment Objectives 1, 2 and 3.

The Data response component (Paper 2) will seek to test particularly Assessment Objectives 2 and 3, and to a lesser extent Assessment Objectives 1, 4 and 5.

The Essay component (Paper 3) will seek to test particularly Assessment Objectives 1, 3, 4 and 5 and to a lesser extent Assessment Objective 2.

## Scheme of Assessment

Three compulsory papers will be set as follows:

<i>Paper</i>		<i>Duration</i>		<i>Mark Weighting</i>
1	Multiple Choice	1½ hours	40 items, all to be attempted	30%
2	Data Response	1¼ hours	2 questions, both to be answered	20%
3	Essays	3 hours	4 questions to be answered from a choice of about 12	50%

Papers 1 and 2 will be timetabled in the same session with a short break between the papers.

Candidates must offer Papers 1, 2 and 3.

### *Paper 1 Multiple Choice*

All the multiple choice items will be of the simple type with **four** responses suggested for each item. Multiple choice questions will be set on the whole syllabus. Of the forty questions, no more than ten (25%) will test knowledge alone and no less 30 (75%) for skills 2 and 3 (interpretation, explanation and analysis).

### *Paper 2 Data Response*

This paper aims to test particular skills rather than specific areas of knowledge, and for this reason each paper will contain two compulsory questions carrying 20 marks each. No question will demand knowledge of a particular economy, and data will be included from various economies. The data may be presented in graphical or tabular or textual format.

Within each question there will be a number of sub-questions, and it is the examiners' intention that earlier sub-questions will test skills of definition, description, identification and observation. Later sub-questions will test the skills of application, analysis and evaluation by inviting candidates to use their knowledge of economic principles to solve specific problems that can be observed in the data before them.

Although all the sub-questions will be related to the data presented in each question, each of the sub-questions will present separate aspects so that success in any particular sub-question will not be dependent on success in earlier sub-questions.



The two questions in a paper will therefore aim to test the candidate's ability to answer:

- (a) basically straightforward questions in which the data required are fairly obvious,
- (b) questions that require some simple re-arrangement or summarising of the data,
- (c) more complex questions that require candidates to search the data to select relevant material for their answer,
- (d) a final sub-question that will require candidates to evaluate and analyse aspects of the data in relation to their understanding of some of the central concepts of economics.

*Paper 3 Essays*

Candidates will be required to answer any **four** questions.

**SPECIFICATION GRID**

<b>SKILL</b>	<b>PAPER 1</b>	<b>PAPER 2</b>	<b>PAPER 3</b>
1 Knowledge and understanding	20-25%	20%	28%
2 Interpretation	50-55%	40%	16%
3 Analysis	20-25%	30%	20%
4 Evaluation	---		36%
5 Organisation, Presentation and Communication	---	10%	

**NB** Each question in Paper 3 will test up to the highest skill.

**4 CURRICULUM CONTENT**

**1 Basic Economic Ideas**

- (a) Scarcity, choice and resource allocation
  - (i) Meaning of scarcity and the inevitability of choices at all levels (individual, firms, governments)
  - (ii) Opportunity cost
  - (iii) Basic questions of what will be produced, how and for whom
- (b) Different allocative mechanisms

- (i) Market economies
  - (ii) Planned economies
  - (iii) Mixed economies
- (c) Production possibility curve - shape and shifts
  - (d) The margin: decision making at the margin
  - (e) Positive and normative statements
  - (f) Ceteris paribus
  - (g) Factors of production: land, labour, capital, enterprise
  - (h) Division of labour
  - (i) Efficient resource allocation: concept of economic efficiency; productive and allocative efficiency.

## 2 **Theory of Demand**

- (a) Individual demand curves
- (b) Aggregation of individual demand curves to give market demand
- (c) Factors influencing demand
- (d) Movements along and shifts of a demand curve
- (e) Price, income and cross-elasticities of demand
  - (i) Meaning and calculation
  - (ii) Factors affecting
  - (iii) Implications for revenue and other business decisions
- (f) Utility Theories
  - (i) Marginal Utility Theory:
    - Law of diminishing marginal utility and its relationship to derivation of an individual demand schedule and curve.
    - Equi-marginal principle
    - Limitations of marginal utility theory.
  - (ii) Indifference Curves Theory

- Budget lines: Income and substitution effects of a price change.

(g) Consumer surplus

### 3 Theory of Supply

- (a) Individual firm's supply curves
- (b) Aggregation of individual firm's supply curves to give market supply.
- (c) Factors influencing market supply, including indirect taxes and subsidies. Movements along and shifts of a supply curve.
- (d) Price elasticity of supply, determinants, implications for speed/ease with which businesses react to changed market conditions.
- (e) Short-run production function; fixed and variable factors of production, total product, average product and marginal product. Law of diminishing returns (Law of variable proportions).
- (f) Long-run production function: returns to scale.
- (g) Economist's versus accountant's definition of costs  
  
Marginal cost and average cost.  
Short-run cost function - fixed costs versus variable costs  
Explanation of shape of SRAC.
- (h) Long-run cost function.  
Explanation of shape of LRAC: economies and diseconomies of scale  
Internal and external economies and diseconomies of scale.
- (i) Survival of small firms  
Growth of firms
- (j) Relationship between elasticity, marginal, average and total revenue for a downward-sloping demand curve.

### 4 Theory of the Firm

- (a) Price and output determination:
  - Interaction of demand and supply: equilibrium price and quantity; price as a rationing and allocative mechanism,
  - meaning of equilibrium and disequilibrium,

- effect of changes in supply and demand on equilibrium price and quantity,
  - applications of demand and supply analysis.
- (b) Concepts of the firm and industry.
- (c) Traditional objective of the firm - profit maximisation. Normal and abnormal profit. An awareness of other objectives of the firm.
- (d) Different market structures - perfect competition, monopoly, monopolistic competition, oligopoly. Structure of markets as explained by number of buyers and sellers, nature of product, degree of freedom of entry and nature of information. Contestable markets.
- (e) Conduct of firms - pricing policy and non-price policy, including price discrimination, price leadership models and mutual interdependence in the case of oligopolies.
- (f) Performance of firms - in terms of output, profits and efficiency.

Comparisons with regard to economic efficiency, barriers to entry, price competition, non-price competition and collusion.

## **5 Theory of Distribution**

- (a) Factors of production: Labour, Land, Capital and Enterprise.
- (b) Rewards to factors of production: wages, rent, interest and profits; share in the national income.
- (c) Wages
- (i) Demand for Labour as a derived demand
- meaning and factors affecting demand
  - derivation of an individual firm's demand for a factor using marginal revenue product theory.
- (ii) Supply of Labour
- meaning and factors affecting supply
  - net advantages and the long run supply of labour.

- (iii) Wage determination under free market forces (competitive product and factor markets)
  - The role of trade unions and government in wage determination; collective bargaining.
  - wage differentials, economic rent and quasi-rent.
- (d) Rent: Supply factors peculiar to land in general and for particular uses.
- (e) Interest: Difficulties in the concept of capital. Structure of interest rates. Loanable funds theory of interest rates and its limitations. Liquidity preference theory of interest rates and its limitations. Interest rate determination in practice, including role of government and of international influences.
- (f) Profit: Accountant's and economist's concepts of profit.
 

Normal profit as transfer earnings.  
Abnormal profit. Role of profit.

## **6 Government Intervention in the Price System**

- (a) Sources of market failure
  - (i) Externalities
  - (ii) Meaning of deadweight losses
  - (iii) Market imperfections - existence of monopolistic elements.
  - (iv) Public goods and merit goods
- (b) Cost Benefit Analysis
  - (i) Social costs as the sum of private and external costs.
  - (ii) Social benefits as the sum of private benefits and external benefits.
- (c) Conditions for allocative efficiency.
- (d) Objectives of government microeconomic policy: efficiency, equity.
- (e)
  - (i) Policies to correct market failure: regulation: maximum price controls, price stabilisation, taxes, subsidies, direct provision of goods and services, production quotas, butter stock.
  - (ii) Policies towards income and wealth redistribution.
  - (iii) Effectiveness of government policies.
- (f) Decision making using cost benefit analysis

- (g) Commercialisation and Privatisation

Problems of transition when central planning in an economy is reduced.

## **7 International Trade**

- (a) Principles of absolute and comparative advantage, and their real-world limitations.  
Other explanations/determinants of trade flows e.g. political  
Opportunity cost concept applied to trade.
- (b) Arguments for free trade and motives for protection
- (c) Types of protection and their effects
- (d) Economic integration: free trade area, customs union, economic union:  
advantages and disadvantages.  
Its real world significance to developing and developed countries.
- (e) The role and impact of commodity agreements.
- (f) Terms of trade: calculation, meaning, trends. Relationship to Balance of Payments.
- (g) Balance of Payments (BOP)

### Components of Balance of Payments

Its nature and meaning in terms of current and capital transactions. The Balance of Payments - composition of the trading and non-trading accounts. Significance of net property income from abroad and capital transactions in developed and developing economies.

### Balance of Payments problems

- (i) Meaning of BOP equilibrium and disequilibrium
  - (ii) Causes of BOP disequilibrium
  - (iii) Consequences of BOP disequilibrium on domestic and external economy.
- (h) Fluctuations in foreign Exchange Rates
    - (i) Definitions and measurements of exchange rates - nominal, real, trade-weighted exchange rates.
    - (ii) Determination of exchange rates-floating, fixed, managed float.
    - (iii) Factors underlying fluctuations in exchange rates.

- (iv) effects of changing exchange rates on the economy.
- (i) Policies designed to (i) correct BOP disequilibrium (ii) influence the exchange rate.

## **8 Theory and Measurement in the Macroeconomy**

- (a) The circular flow of income between households, firms, government and the international economy.
- (b) National Income Statistics
  - (i) Measurement of national income
  - (ii) Use of National income statistics as measures of economic growth and living standards.
  - (iii) Money and real data; Gross Domestic Product (GDP) deflator.
  - (iv) Comparison of economic growth rates and living standards over time and between countries: purchasing power parity theory.
  - (v) Other indicators of living standards and economic development.
- (c) National Income Determination
  - (i) Main schools of thought on how the macroeconomy functions. Keynesian and Monetarist views.
  - (ii) Aggregate Expenditure function (AE)  
Meaning, components of AE and their determinants.  
Income determination using AE - income approach and withdrawal/injection approach.  
Inflationary and deflationary gaps; full employment level of income versus equilibrium level of income.  
The multiplier  
Autonomous and induced investment; the accelerator.
  - (iii) Shape and determinants of AD  
Shape and determinants of AS  
Interaction of AD and AS: determination of level of output, prices and employment.

## **9 Money and the Price Level**

- (a) Money: its functions and characteristics
- (b) Money supply
  - Broad and narrow money supply
  - Government accounts; government budget, deficit financing
  - Sources of money supply in an open economy (commercial banks/credit creation, central bank, deficit financing, total currency)

flow).

(c) The demand for money

- Interest rate determination
- Liquidity preference theory and loanable funds theory.

(d) General Price Level: price indices

- Inflation:
- (i) definition of inflation and degrees of inflation
  - (ii) causes of inflation
  - (iii) consequences of inflation
  - (iv) policies to cure inflation.

## 10 Macroeconomic Problems and Policies

(a) Economic Growth and Development

- (i) Definition of economic growth and development
- (ii) Indicators of comparative development and underdevelopment in the world economy - economic, monetary, non-monetary and demographic indicators.
- (iii) Characteristics of developing economies: population growth and structure, income distribution, economic structure, employment composition, external trade and urbanisation in developing economies, the nature of dependency, including the role of multinational corporations.
- (iv) Actual versus potential growth in national output.
- (v) Factors contributing to economic growth
- (vi) Costs and benefits of growth
- (vii) Policies for development: analysis of factors in the development process; policies of trade, aid and industrialisation; development through borrowing and its implications in terms of external debt, the debt crises. The role of international financial institutions e.g. IMF and World Bank.

(b) Unemployment

- (i) Definition of unemployment, full employment and natural rate of unemployment
- (ii) Difficulties involved in measuring unemployment; employment statistics; patterns and trends in unemployment/employment.
- (iii) Size and components of labour force; labour productivity
- (iv) Causes and types of unemployment
- (v) Solutions to unemployment

- (c) Inflation (see Money and price level)
- (d) BOP (see International trade)
- (e) Exchange rate fluctuations (see International trade)
- (f) Inter-connectedness of problems:
  - Links between macroeconomic problems and their interrelatedness, for example
  - relationship between internal and external value of money
  - relationship between balance of payments and inflation
  - relationship between inflation and unemployment; trade-off between inflation and unemployment.
- (g) Objectives of macroeconomic policy
  - Stabilisation: price stability, equity, full employment, BOP equilibrium, growth and development.
- (h) Types of policy: Aims and instruments of each policy; how each is used to control inflation, stimulate employment, stimulate growth, correct balance of payment disequilibrium; the effectiveness of each
  - (i) Fiscal policy
  - (ii) Monetary policy
  - (iii) Exchange rate policy
  - (iv) Supply side policies
  - (v) Incomes policy
  - (vi) Trade Policy
  - (vii) Price Policy
- (i) Conflicts between policy objectives and evaluating policy options to deal with problems.

## **COMPARISON OF CURRICULUM CONTENT WITH A LEVEL SYLLABUS 9058**

Compared with the A Level Economics syllabus 9058,

The following topics are **deleted** or **downgraded** so that **they will not be the subject of specific questions**:

- ◆ free goods
- ◆ Giffen goods
- ◆ factor rewards linked to costs
- ◆ nationalisation
- ◆ objectives of public sector firms
- ◆ official definitions of money
- ◆ description of credit creation process

and the following topics are **added** or **upgraded** so that **they could be the subject of specific questions**:

- ◆ contestable markets
- ◆ interaction of aggregate demand and aggregate supply
- ◆ exchange rate policy and supply side policies as macroeconomic policies.

**RESOURCE LIST**

This is NOT a list of prescribed texts, but merely an attempt to provide a range of alternatives from which teachers may like to choose.

Author	<i>Title</i>	Publisher	ISBN	Date
Anderton, AG	<i>Economics</i>	Causeway	1873929374	1995
Beardshaw, J	<i>Economics: A Student's Guide</i>	Longman	0582303486	1998
Begg, David et al	<i>Economics</i>	McGraw Hill	0077094123	1997
Davies, Brinley et al	<i>Investigating Economics</i>	Macmillan	0333638085	1996
Dunnett, A	<i>Understanding the Market</i>	Longman	0582325064	1998
Grant, Susan	<i>Workbook for Stanlake, Introductory Economics</i>	Addison Wesley Longman	0582302560	1997
Hardwick, Philip et al	<i>Introduction to Modern Economics</i>	Addison Wesley Longman	0582357152	1999
Heather, Ken	<i>Understanding Economics</i>	Prentice Hall	0136501699	1997
Ison, Stephen	<i>Economics</i>	F T Management	0273634275	1999
Lipsey, Richard and Chrystal, K Alec	<i>Introduction to Positive Economics</i>	OUP	0198774257	1995
Livesey, Frank	<i>Textbook of Core Economics</i>	Longman	0582238676	1995
Slovan, John	<i>Essentials of Economics</i>	Prentice Hall	013779844X	1997
Stanlake, GF and Grant S	<i>Introductory Economics</i>	Longman	0582246148	1995

## Dictionaries

Bannock, Graham et al. (eds)	<i>Penguin Dictionary of Economics</i>	Penguin	014053760	1998
Pearce, David (ed.)	<i>Macmillan Dictionary of Modern Economics</i>	Macmillan	0333576934	1992
Wall, Nancy et al.	<i>The Complete A - Z Economics and Business Studies Handbook</i>	Hodder	0340669853	1996

Internet:

Teachers will also find useful material on website <http://www.bized.ac.uk/>

**CHECKLIST OF ECONOMIC TERMS AND CONCEPTS**

**NB** A checklist such as this is neither exhaustive nor prescriptive: unless it is indicated as 'not required', the omission of an item from this list does not mean that examiners will not refer to it, while teachers may find it helpful or desirable in their courses to introduce terms and concepts even if they lie outside the scope of the examined syllabus.

## TOPIC

## TOPIC

abnormal profit

average propensity

absolute advantage

average revenue

accelerator

average variable cost

active balances

balance for official financing

ad valorem tax

balance of payments

aggregate demand

balance of trade

aggregate expenditure

balanced Budget

aggregate supply

balancing item

allocative efficiency

Bank Rate

appreciation (exchange rate)

barriers to entry

at constant prices

barriers to exit

at current prices

barter

at factor cost

base date

at market prices

bilateral trade

automatic stabilisers

birth rate

autonomous

broad money supply

average cost

budget line

average fixed cost

average product

canons of taxation

cross-elasticity of demand

capital	current account of Balance of Payments
capital account of Balance of Payments	customs unions
capital gain	cyclical unemployment
capital market	deadweight losses
capital: output ratio	death rate
cartels	deficit
cash ratio	deficit financing
cash ratio deposits	deflation
central bank	deflationary gap
ceteris paribus	demand
change in demand	demand conditions
change in quantity demanded	demand curve
cheques	demand-deficiency unemployment
circular flow of income	demand-pull inflation
closed economy	demand schedule
closed shop	demerit good
coincidence of wants	dependency ratio
collective bargaining	depreciation (of capital)
command economy	depreciation (exchange rate)
commercial banks	derived demand
commodity agreements	devaluation
comparative advantage	development
comparative costs	diminishing marginal utility
complementary goods	diminishing returns
concentration, industrial	direct taxation
consumer surplus	discount houses
consumption	diseconomies of scale
contestable markets	dissaving
cost of living	distribution of income
cost benefit analysis	division of labour
cost of production	dumping
craft union	economic efficiency
credit creation	economic growth
credit multiplier	economic union
	economic rent
economies of large dimensions	free trade

economies of scale		free trade areas
effective demand		frictional unemployment
efficiency		full employment
elastic		funding
elasticity of demand		general government final consumption
elasticity of supply		general unemployment
enterprise		general union
entrepreneur		government expenditure
equi-marginal utility		gross domestic product
equilibrium		gross domestic product deflator
equilibrium price		gross national product
equilibrium quantity		horizontal integration
equity (fairness)		household expenditure
exchange control		hyperinflation
Exchange Rate Mechanism		IBRD (the World Bank)
excise duties		idle balances
exports	IMF	
external balance		immobility of labour
external benefit		impact of a tax
external economies		imperfect competition
externalities		imperfections
factor cost adjustment		import penetration
factor of production		imports
financial economies of scale		incidence of a tax
fiscal boost, inflationary		income effect
fiscal drag, inflationary	income	elasticity of demand
fiscal policy		income tax
fixed capital		incomes policy
fixed capital formation		increasing returns
fixed costs		indices
fixed exchange rates		indifference curves
floating exchange rates		indirect tax
foreign exchange		induced investment
industrial union		
		marginal physical product

inelastic	marginal propensity
infant industries argument	marginal revenue
inferior goods	marginal revenue product
inflation	marginal tax rates
inflationary gap	marginal utility
infrastructure	market
injections	market economy
integration	market failure
interest	market system
interest rate	marketing economies
intermediation, financial	Marshaall-Lerner Condition
internal economies of scale	maximisation
investment	measure of value
invisible balance	medium of exchange
J-curve	menu costs of inflation
Keynesian	merit goods
labour	microeconomics
laissez-faire	migration
land	Minimum Lending Rate
law (economic)	mixed economy
law of demand	mobility of labour
law of supply	Monetarism
leakages	monetary policy
liquidity	money
liquidity preference	money supply
liquidity ratio	monopolistic competition
liquidity trap	monopoly
loanable funds theory	monopsony
Lome Convention	multilateral trade
long run	multinationals
Maastricht, Treaty of	multiplier
Macroeconomic	narrow money supply
managed floating	National Debt
marginal cost	notational income
	natural increase
natural rate of unemployment	perfectly inelastic

natural monopoly	Phillips Curve
near-money	planned economy
negative externalities	point elasticity
net advantage	positive externalities
net domestic product	positive statement
net national product	poverty trap
net property income from abroad	precautionary demand for money
nominal	price agreements
non-excludability	price competition
non-pecuniary advantages	price discrimination
non-price competition	price elasticity of demand
non-rivalness	price leadership
normal goods	price mechanism
normal profit	primary sector
normative statement	principle of multiples in economies of scale
occupational mobility	private benefits
official financing	private costs
oligopoly	private goods
open economy	private sector liquidity
open market operations	privatisation
opportunity cost	producers' surplus
optimum output	production possibility curve
optimum population	productive efficiency
optimum resource allocation	productivity
other things being equal	profit
paradox of thrift	profit maximisation
paradox of value	progressive taxation
Pareto optimality	proportional taxation
patents	protectionism
paternalism	PSBR
pecuniary advantages	PSDR
pensions	public goods
perfect competition	purchasing power parity
perfectly elastic	quality of life
Quantity Theory of Money	specific tax

quasi-rent  
quotas  
rate of interest  
rationing  
real  
rectangular hyperbola  
reflation  
regional policies  
regressive taxation  
rent  
reserve currencies  
resources  
Restrictive Practices Court  
retail banks  
Retail Prices Index  
reevaluation  
risk-bearing economies of scale  
sales maximisation  
sales revenue maximisation  
satisficing profits  
saving  
scarcity  
seasonal unemployment  
second best theory  
secondary sector  
services  
shares  
shoe leather cost of inflation  
short run  
Smith, Adam  
social benefits  
social costs  
special deposits  
Special Drawing Rights  
specialisation  
unstable equilibrium  
speculative demand for money  
standard of deferred payments  
standard of living  
store of wealth  
structural unemployment  
subsidy  
substitute goods  
substitution effect  
supernormal profit  
supply  
supply conditions  
supply curve  
supply-side economies  
surplus  
sustainability  
tariffs  
taxation  
technical economies  
technical unemployment  
terms of trade  
tertiary sector  
total currency flow  
total revenue  
trade creation  
trade cycle  
trade diversion  
trade unions  
trading possibility curve  
transactions demand for money  
transfer earnings  
transfer payments  
Treasury Bills  
unemployment  
unit of account  
unitary elasticity

urbanisation  
utility  
value added  
variable costs  
variable proportions  
velocity of circulation  
vertical integration  
visible balance  
voluntary unemployment  
wage differentials  
wage drift  
wages  
weights  
withdrawals  
working capital  
yield