

2025 Edition

Worksheets for
Economics
2nd Year
A Level

A-Z Business Training Ltd

ECONOMICS

Worksheet Suggested Teaching Order: 2nd Year A Level Economics

| No. | Micro Worksheets | No. | Macro Worksheets |
|-----|--|-----|---|
| 1 | The Role of Firms 1 - Types and Size | 51 | Reasons for Trade - Comparative Advantage 1. |
| 2 | The Role of Firms 2 - Growth | 52 | Reasons for Trade - Comparative Advantage 2. |
| 3 | Concentration ratios (Barriers to entry) | 53 | Other Reasons for Trade |
| 4 | Costs 1 - The different types | 54 | Reasons for Protection - 1. |
| 5 | Costs 2 - Total, average and marginal | 55 | Reasons for Protection - 2. |
| 6 | Costs 3 - short run | 56 | Methods of Protection - An Introduction |
| 7 | Costs 4 - long run | 57 | Methods of Protection - Quotas |
| 8 | Revenue 1 | 58 | Methods of Protection - Tariffs |
| 9 | Revenue 2 | 59 | European Union & Institutions |
| 10 | Profits 1 - Introduction | 60 | Exchange rates - An Introduction |
| 11 | Profits 2 - Profit Maximisation | 61 | Exchange rates - Floating |
| 12 | Costs, revenue and profit - consolidation | 62 | Exchange rates - Fixed |
| 13 | Alternative Objectives 1 | 63 | EU/Monetary Union - Advantages |
| 14 | Alternative Objectives 2 | 64 | EU/Monetary Union - Disadvantages |
| 15 | Alternative Objectives 3 | 65 | Balance of Payments - Components |
| 16 | Perfect competition 1 | 66 | Balance of Payments - Problems & Solutions |
| 17 | Perfect competition 2 | 67 | Balance of Payments - Correcting a deficit |
| 18 | Perfect competition 3 | 68 | Globalisation - causes |
| 19 | Monopoly 1: an introduction | 69 | Globalisation - good or bad? |
| 20 | Monopoly 2 v. perfect competition | 70 | Competitiveness - Measures |
| 21 | Monopoly 3: price discrimination | 71 | Competitiveness - Lack of and solutions |
| 22 | Monopolistic Competition | 72 | Competitiveness - Productivity |
| 23 | Oligopoly 1 - An Introduction | 73 | Foreign Direct Investment - Advantages |
| 24 | Oligopoly 2: Game theory | 74 | Foreign Direct Investment - Disadvantages |
| 25 | Oligopoly 3 - Kinked demand curve | 75 | Development - Constraints to growth |
| 26 | Oligopoly 4: collusion | 76 | Development - Constraints to growth (2) |
| 27 | Market structures - Transport market | 77 | Development - Harrod-Domar |
| 28 | Market structures - Leisure market | 78 | Development - Growth Models |
| 29 | Market structures - Pharmaceuticals market | 79 | Development - Consolidation |
| 30 | Monopsony | 80 | Macroeconomic Policy Objectives 1: Growth |
| 31 | Contestability | 81 | Macroeconomic Policy Objectives 2: Inflation |
| 32 | Pricing strategies 1 - Predatory & Limit | 82 | Macro Policy Objectives 3: Unemployment |
| 33 | Pricing strategies 2 - Consolidation | 83 | Role of Central Banks |
| 34 | Competition policy 1: an introduction | 84 | Monetary Policy Revision 1: Demand for money |
| 35 | Competition policy 2: UK law | 85 | Monetary Policy Revision - Credit Creation |
| 36 | Competition policy 3: in an EU context | 86 | Monetary Policy Revision - Quantity Theory |
| 37 | Behavioural economics | 87 | Market failure in finance |
| 38 | Privatisation | 88 | Fiscal Policy Revision |
| 39 | Regulation | 89 | Multiplier |
| 40 | Regulation 2: PPP and PFI | 90 | Supply Side Policy Revision |
| 41 | Demand for labour and MRP | 91 | Consolidation - Macro Policy Review |
| 42 | Supply of labour | 92 | Philips Curve - Short run |
| 43 | Wage determination | 93 | Taxation - Introduction |
| 44 | Trade unions and monopsony | 94 | Taxation, expenditure and the deficit |
| 45 | Minimum wage and functional distribution | 95 | Taxation: Automatic/Discretionary Fiscal Policy |
| 46 | Labour market issues | 96 | Taxation - The impact of a budget deficit |
| 47 | Market structures: consolidation | 97 | Taxation - International Context |
| 48 | Types and measures of poverty | 98 | Taxation - Impact of changes |
| 49 | Policies to reduce inequality and poverty | 99 | Conflicts between macro- objectives 1. |
| 50 | Causes of inequality and poverty | 100 | Conflicts between macro- objectives 2. |

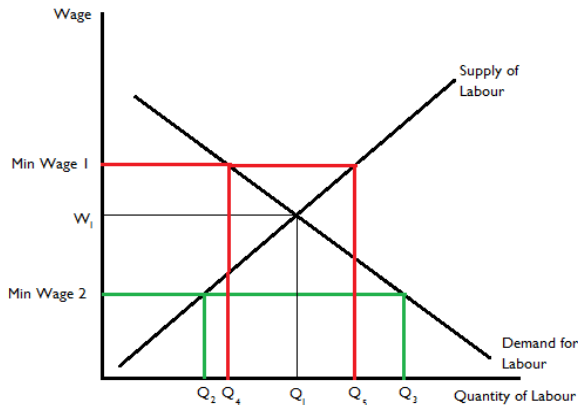
45. National Minimum Wage, Economic rent & functional distribution of income

1. **Fill in the missing words** - Definition: A national minimum wage is a _____ enforced minimum that employers must pay employees.

2. **Advantages & Disadvantages of a NMW – identify 2 advantages and 2 disadvantages of a NMW**

| Advantages | Disadvantages |
|------------|---------------|
| 1. | 1. |
| 2. | 2. |

3. **Answer questions 3.1 – 3.3 about the Minimum Wage diagram**



3.1 Where is the market determined equilibrium wage rate?

3.2 If a minimum wage equal to Min Wage 2 is imposed what impact will it have on employment?

3.3 If a minimum wage equal to Min Wage 1 is imposed what impact will it have on employment?

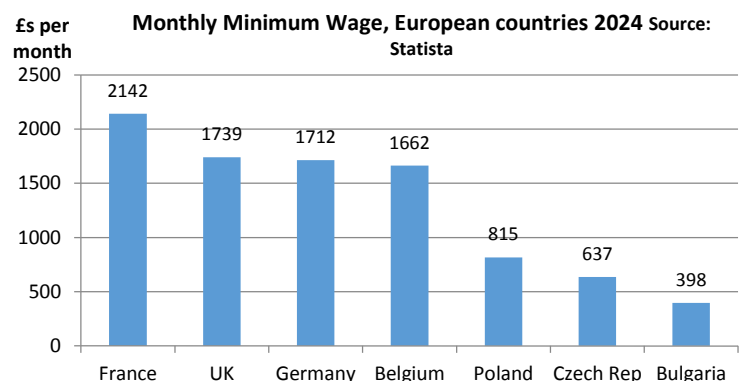
3.4 Considering the EU Minimum wage rates (below)

What impact could different minimum wage rates in the EU have on levels of:

3.4i Investment into the UK _____

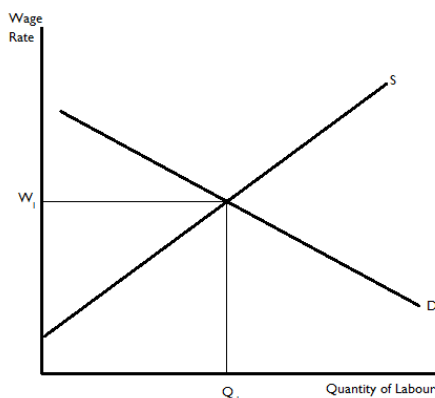
3.4ii Investment into the Czech Republic _____

3.4iii. Flows of labour from Bulgaria to the UK _____



4. Economic Rent & Transfer Earnings (Fill in missing words)

4.1 Definitions: **Transfer Earnings:** This is the _____ payment needed to keep the factor of production in its present use. In other words if a banker is paid £350 000 a year, but could earn only £150 000 in the next best possible job, then the transfer earning would be: £_____. This is the _____ cost of employing the banker.

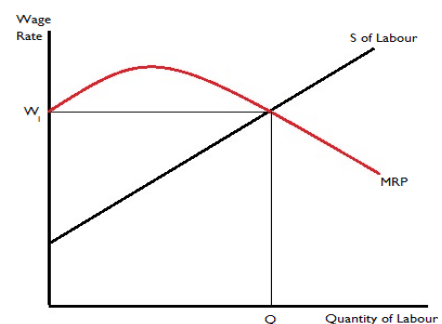


Economic Rent: This is the _____ over and above the _____ needed to keep the factor in their current use, in other words the difference between what they currently earn and their _____.

4.2 On the diagram (left) label the economic rent and transfer earnings.

5. Functional Distribution of Income

The functional distribution of income shows the distribution of income between the four factors of production _____, labour, _____ & _____.



5.1 Using the diagram provided (right) show a. Total wages paid & b. Total revenue received by the firm

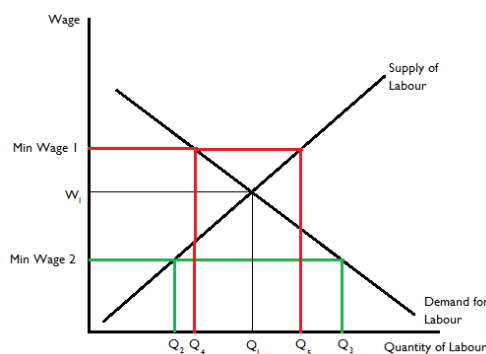
45. ANSWERS: National Minimum Wage, Economic rent & functional distribution of income

1. National Minimum Wage

1. Fill in the missing words - Definition: A national minimum wage is a **legally** enforced minimum that employers must pay employees.

2. Advantages & Disadvantages of a NMW – identify 3 advantages and disadvantages of a NMW

| Advantages | Disadvantages |
|--|---|
| 1. Reduces poverty | 1. Reduces money available for training |
| 2. Reduces numbers on low pay | 2. Makes UK business less competitive |
| 3. Reduces numbers needing working family tax credits | 3. Creates unemployment if above the equilibrium |



3. Answer questions 3.1-3.3 about the Minimum Wage diagram

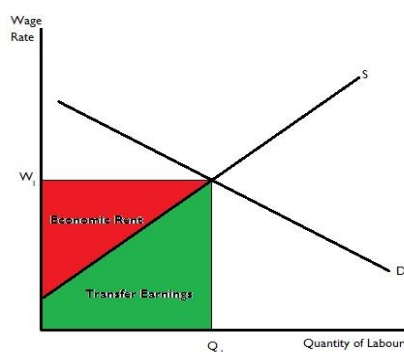
- 3.1 Where is the market determined equilibrium wage rate? **W_1 & Q_1**
 3.2 If a minimum wage equal to Min Wage 2 is imposed what impact will it have on employment? **None – below the equilibrium wage rate therefore no impact on the eq wage W_1**
 3.3 If a minimum wage equal to Min Wage 1 is imposed what impact will it have on employment? **D for lab falls to Q_4 and S increases to Q_3 so there is unemployment equal to $Q_4 - Q_3$**
 3.4 Considering the EU Minimum wage rates

What impact could different minimum wage rates in the EU have on levels of

- 3.4 i Investment into the UK **Reduce it**
 3.4 ii Investment into the Czech Republic **Increase it as it is a cheaper place to operate**
 3.4 iii Flows of labour from Bulgaria to the UK **Even without free movement of labour there will an undercurrent of people from Bulgaria moving to the UK, if they can find a way.**

4. Economic Rent & Transfer Earnings (Fill in the missing words)

4.1 Definitions:



Transfer Earnings: This is the **minimum** payment needed to keep the factor of production in its present use. In other words if a banker is paid £350 000 a year, but could earn only £150 000 in the next best possible job, then the transfer earning would be **£150 000**. This is the **opportunity** cost of employing the banker.

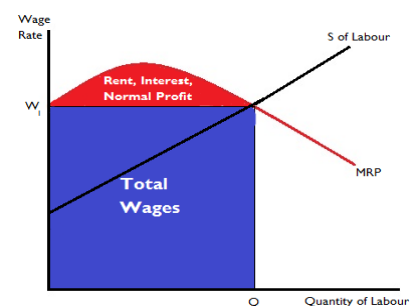
Economic Rent: This is the **payment** over and above the **minimum** needed to keep the factor in their current use, in other words the difference between what they currently earn and their **transfer earnings**.

4.2 On this diagram label the economic rent and transfer earnings.

5. Functional Distribution of Income

The functional distribution of income shows the distribution of income between the four factors of production **land, labour, capital & entrepreneurship**. Using the diagram provided (right) show

- a. Total wages paid
 b. Total revenue received by the firm – **The total below the MRP**
 The difference between the wages (paid to labour) and revenue received is the amount available to pay the other factors of production.

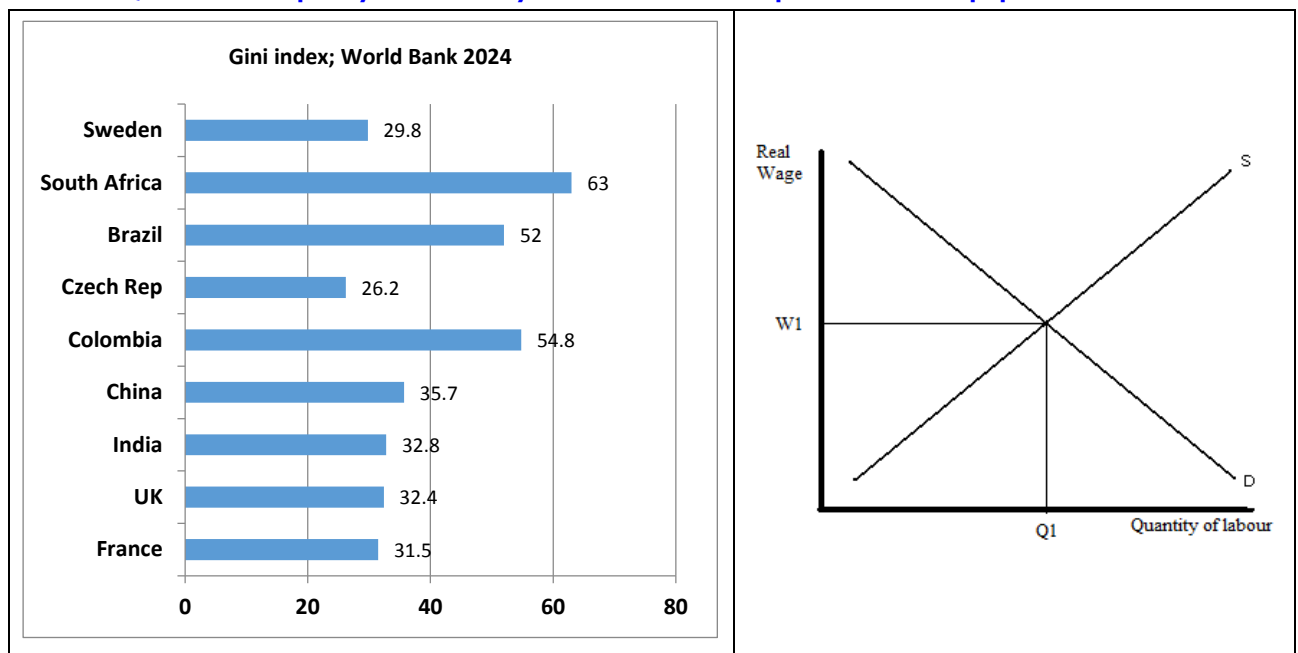


50. The causes of inequality and poverty

I. Multiple choice

| | Question | Possible answers | Key |
|-----|--|---|-----|
| 1.1 | Structural unemployment could worsen if | A Tax rates are reduced. | |
| | | B Education spending is reduced. | |
| | | C Labour productivity rises. | |
| | | D Interest rates are cut. | |
| 1.2 | The poverty trap is most likely to occur if | A The effective marginal tax rate increases. | |
| | | B The average tax rate decreases. | |
| | | C Tax free allowances are increased. | |
| | | D Starting rates of tax are reduced. | |
| 1.3 | Wages are initially determined by market forces at £12 per hour. If a national minimum wage is introduced at £14 per hour, theory predicts the result will be: | A Some workers obtaining £14 and others being made redundant. | |
| | | B All workers receiving £14 per hour. | |
| | | C The supply of labour shifting out to the right. | |
| | | D The demand for labour shifting out to the right. | |

2. Data Question: Inequality – continue your answers on a separate sheet of paper



2.1 With reference to the data, explain which countries have the most equal and unequal income distribution.

2.2 Explain what is meant by wealth, income and disposable income inequality and which of the three are most unevenly distributed?

2.3 With the use of the labour supply and demand diagram, analyse how globalisation might cause income inequality.

2.4 Analyse at least TWO other factors that might influence the distribution of income and wealth?

50. ANSWERS: The impact and causes of inequality and poverty

- 1.1 B – those lacking the necessary skills to compete in a modern day knowledge based economy will find it harder to accumulate the skills with less spent on education and training.
- 1.2 A – this means it is less rewarding to move from benefits in to work.
- 1.3 A – there will be an extension along the supply of labour curve and at the same time the demand for labour will contract, resulting in a difference i.e. unemployment.

2.1. Czech Republic has the most equal income distribution – Gini index 26.2; most unequal is South Africa – Gini index 63.0

2.2 Wealth is the stock of money, income is a flow of money, and disposable income is income after paying taxes and receiving benefits (including government transfer payments such as pensions). Inequalities in each can be measured through Lorenz curves and Gini coefficients. Wealth is the most unequally distributed, then income, then disposable income, although the differences between the three can vary significantly by country.

2.3 Annotations will depend on how the labour market diagram is labelled, for example whether it's for the global labour market or a country or a specific sector of an economy.

- Globalisation and labour supply — (supply of labour shifts right and so wages fall) as open up to China, India etc. — could link to offshoring (a fall in labour demand within some sectors in some countries), wage competition, or immigration.
- Globalisation and labour demand (demand for labour shifts right and wages rise for high skill workers) — for example, increasing wages in technology and finance in developed countries. This could be linked to marginal revenue product, and so higher skills/MPP or higher MR.

2.4

- Inequality between countries based on country of citizenship. Passports, borders and the need for work permits limit the economic opportunities people from different countries face i.e. geographical immobility
- Inequality within countries, for example:
- Discrimination by ethnicity (caste system in India, racial barriers in countries such as South Africa) or gender
- Differences in access to and quality of education — this determines the marginal revenue product of labour (demand for labour) and wage levels.
- Type of employment — higher rewards to skilled labour with bonuses, share options and performance-related pay (greater marginal product of labour and so demand for labour)
- Ownership and inheritance of wealth — current owners of wealth may receive incomes from buy-to-let investors, those who receive additional rental income, or interest from savings or payment of dividends. Children of the wealthier tend to be richer than the children of the poor due to the financial support that rich parents give to their children, both during the parents' lifetimes and at death in the form of bequests.
- Pension rights — index-linked pensions are likely to rise less quickly than average earnings.

76. Economic Development- Constraints to Growth (2)

1. Data Analysis-Corruption in LDCs

Transparency International's Corruption Perceptions Index 2023 (score 0-100, 100 least corrupt)

| Rank | Country | Index |
|------|-------------|-------|
| 1 | Denmark | 90 |
| 2 | Finland | 87 |
| 3 | New Zealand | 85 |
| 9 | Germany | 78 |
| 16 | Japan | 73 |
| 20 | UK | 71 |
| 24 | USA | 69 |
| 76 | China | 42 |
| 93 | India | 39 |
| 145 | Nigeria | 25 |
| 180 | Somalia | 11 |

Every region is either stagnant in its overall corruption efforts or showing signs of decline. However, a few countries have significantly improved their scores in the last decade, showing that progress is possible in any environment.

While Western Europe and the European Union remains the top-scoring region, its regional average score dropped to 65 this year, as checks and balances weaken and political integrity erodes. Despite improvement in some countries, Sub-Saharan Africa maintains the lowest average at 33, with democracy and the rule of law under pressure.

The rest of the world remains stagnant with all other regions having averages under 50. Eastern Europe and Central Asia grapples with the dysfunctional rule of law, rising authoritarianism and systemic corruption.

Sources: all adapted from www.transparency.org

Provide 3 reasons why corruption creates an obstacle to economic growth and development in LDCs.

2. Data Response-Population Growth in Developing Economies

Burundi-Population Growth and real GDP growth

| Year | Population (m) | Real GDP (US\$, bn) At PPP | Real GDP/capita (US\$) | Real GDP growth rate | Real GDP/capita growth rate |
|------|----------------|-------------------------------|------------------------|-------------------------|--------------------------------|
| 2020 | 11.9 | 9.17 | | | |
| 2021 | 12.4 | 10.84 | | | |
| 2022 | 12.9 | 11.05 | | | |
| 2023 | 13.7 | 11.35 | | | |

2.1 Complete the final 3 columns of the table. What happened to real GDP per capita over the period in Burundi? Was this true for all time periods? If not, why not? What may be the consequence of the overall change?

2.2 Calculate the growth in real GDP in Burundi for the whole period. _____

2.3 What are the advantages of an expanding population? _____

2.4 What problems may arise from an expanding population, other than declining levels of real GDP per capita?

2.5 Another issue faced by developing economies is urban migration (where rural workers move to cities and urban areas in search of employment at a higher wage). What are the potential dangers of such migration, and what advantages might exist?

76. ANSWERS: Economic Development- Constraints to Growth (2)

1.

- 1.1. Corruption often affects the poorest groups in society the most, even though they are in the weakest position to act against it.
- 1.2. Corruption leads to a breakdown in the enforcement of property rights (vital for the operation of the free market).
- 1.3. Money paid as bribes reduces the income available for purchasing necessity goods and services (food, shelter, education).
- 1.4. Corruption at local or national government level often results in an inefficient allocation of resources, and the use of tax revenue and foreign aid for personal gain rather than improving the infrastructure of the economy and providing public services (e.g. schools/healthcare).
- 1.5. Corruption tends to be associated with political instability, and can act as a deterrent to FDI.
- 1.6. Corrupt governments have also historically burdened their economies with huge international debts.
- 1.7. Civil uprisings may result in response to current administrations, resulting in military conflict and further damage to infrastructure and factors of production.

Note to students: bottom on the corruption list is Somalia, in sub-Saharan Africa. But beware of sounding naïve about corruption more locally. It's quite shocking that the UK's position is so poor compared with countries such as Denmark and Germany.

2.

| Year | Population (m) | Real GDP (US\$, bn) At PPP | Real GDP/capita (US\$) | Real GDP growth rate | Real GDP/capita growth rate |
|------|----------------|-------------------------------|------------------------|-------------------------|--------------------------------|
| 2020 | 11.9 | 9.17 | 771 | | |
| 2021 | 12.4 | 10.84 | 874 | 18.2% | 13.4% |
| 2022 | 12.9 | 11.05 | 857 | 1.9% | -1.9% |
| 2023 | 13.7 | 11.35 | 828 | 2.7% | -3.4% |

2.1 Real GDP per capita has risen over the period. However, real GDP per capita fell between 2021 and 2023, even though real GDP grew. This is because GDP growth has been unable to keep pace with population growth. The overall change means that the average household in Burundi now has a higher income to spend on goods and services, increasing living standards, but only marginally over the period 2020-2023.

2.2 23.8% $(11.35\text{bn} - 9.17\text{bn}) / 9.17\text{bn} \times 100 = 23.8\%$

2.3 A growing population can support economic growth with an increase in the size of the labour force available to firms. A rising population usually means a relatively young population, i.e. not too many elderly dependents, who can be involved in the workforce. A growing population should also result in higher levels of consumption and a larger tax base, resulting in higher levels of government revenue.

2.4 Issues include: an increasing dependency ratio (large number of children and non-income earners that need support), pressure on scarce resources (food, healthcare, education), downward pressure on wages with a larger pool of surplus labour and higher rates of unemployment, environmental impact (resource depletion).

2.5 Large-scale urban migration has led to the growth of 'shanty-towns' based on the outskirts of urban centres. These are often areas where crime is high, disease is rife, and education is poor. It is also common for an informal economy to develop, which lacks regulation and is not taxed or recorded. However, the large pool of labour allows firms to reduce wages offered, making their goods more competitive. Governments can often benefit from economies of scale when providing public services to a larger urban population.