

Cambridge Pre-U Syllabus

Cambridge International Level 3
Pre-U Certificate in
ECONOMICS

For examination in 2010, 2011 and 2012

Cambridge
Pre-U

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UNIVERSITY of CAMBRIDGE
International Examinations

Economics (9772)

Cambridge International Level 3
Pre-U Certificate in Economics (Principal)

For examination in 2010, 2011 and 2012

QAN 500/3670/1

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Syllabus Updates

This syllabus is for teaching from 2008 and is valid for examination in 2010, 2011 and 2012.

If there are any changes to this syllabus CIE will write to Centres to inform them. This syllabus will also be published annually on the CIE website (www.cie.org.uk/cambridgepreu). The version of the syllabus on the website should always be considered as the definitive version.

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Cambridge International Level 3 Pre-U Certificate

Economics

9772

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Introduction

The Cambridge Pre-U Diploma aims to equip candidates with the skills required to make a success of their subsequent studies at university, involving not only a solid grounding in each specialist subject at an appropriate level, but also the ability to undertake independent and self-directed learning and to think laterally, critically and creatively. The Cambridge Pre-U curriculum is underpinned by a core set of educational principles:

- A programme of study which supports the development of well-informed, open and independent-minded individuals capable of applying their skills to meet the demands of the world as they will find it and over which they may have influence.
- A curriculum which retains the integrity of subject specialisms and which can be efficiently, effectively and reliably assessed, graded and reported to meet the needs of universities.
- A curriculum which is designed to recognise a wide range of individual talents, interests and abilities and which provides the depth and rigour required for a university degree course.
- A curriculum which encourages the acquisition of specific skills and abilities, in particular the skills of problem solving, creativity, critical thinking, team working and effective communication.
- The encouragement of 'deep understanding' in learning – where that deep understanding is likely to involve higher order cognitive activities.
- The development of a perspective which equips young people to understand a range of different cultures and ideas and to respond successfully to the opportunity for international mobility.

All Cambridge Pre-U syllabuses are linear. A candidate taking a Principal Subject must take all the components together at the end of the course in one examination session.

Prior knowledge

The syllabus builds on the knowledge, understanding and skills typically gained by candidates taking Level 2 qualifications. No prior study of Economics is assumed. It is recommended that candidates have attained communication and literacy skills at a level equivalent to IGCSE/GCSE Grade C in English.

Progression

The course will provide key knowledge and develop transferable skills that will prepare candidates to study Economics or other subjects at university.

Aims

The purpose of the syllabus is to enable Centres to devise courses that will provide candidates with the opportunity to:

- analyse and evaluate the economic concepts and theories that underpin the workings of a modern-day economy;
- develop quantitative skills through the appreciation and use of various relevant statistics;
- understand and apply the concepts of causality and interdependence, on both a macro and a micro scale;
- critically and independently assess the effectiveness of policy decisions, both internal and external, that have influenced the UK economy over the past 10 years as far as areas contained within the syllabus are concerned (a longer-term perspective, where relevant, will clearly aid understanding);
- communicate their reasoning and conclusions fully and effectively.

Assessment Objectives

Candidates should:

A01	demonstrate knowledge and understanding;
A02	apply theoretical knowledge and understanding to real-life situations presented to them;
A03	analyse economic problems and issues and have a good knowledge of statistical methods used within the discipline;
A04	evaluate and reach well-informed and considered conclusions. Candidates must be able to make a critical assessment of the relevance and appropriateness of assumptions made within models.

Scheme of Assessment

For the Cambridge Pre-U qualification in Economics, candidates take all three components in the same session.

Component	Component Title	Duration	Weighting (%)	Type of Assessment
Paper 1	Multiple Choice, Short Answers and Data Response	2 hours 15 minutes	40	Written paper, externally set and marked
Paper 2	Essay Paper	2 hours 15 minutes	40	Written paper, externally set and marked
Paper 3	Investigation	1¼ hours	20	Essay, written in examination conditions and externally marked

Description of Papers

Paper 1: Multiple Choice, Short Answers and Data Response

Paper 1 will consist of:

- **Section A:** 30 compulsory multiple-choice questions on the whole syllabus content
- **Section B:** 4 compulsory short-answer questions
- **Section C:** 1 compulsory data-response question.

If the short-answer questions are predominantly micro then the data-response question will be predominantly macro, and vice versa.

Paper 2: Essay Paper

Paper 2 will contain three essays – one to be chosen from three predominantly micro questions, one from three predominantly macro questions and one free choice from the remaining titles.

Paper 3: Investigation

Paper 3 will involve a single piece of extended writing resulting from independent thinking and learning within a supported environment.

The paper will contain one essay title on each of four current issues in economics, namely:

- Transport and the Environment
- China and the Global Economy
- Expansion of the EU
- The Pensions Crisis

This list will change over time to reflect current economic issues.

Teachers are expected to make the choice of topic, and candidates will be required to write one essay in the examination.

The intention is to encourage candidates to apply their knowledge and understanding of economic concepts, combined with detailed individual research into the topic chosen from this list. However, before undertaking their own research into a topic, candidates will need to be given guidance on the economic background to the topic, and help with identifying the main issues, problems and possible research strands. Candidates will then be expected to do much of their own reading and research, but that work should be supported by the opportunity to discuss progress, report findings, ask questions and develop understanding, and contribute to seminars and discussions. Teachers will also want to take the opportunity to monitor and evaluate progress. All of this is to take place in a teaching environment.

Paper 3 is thus intended to give teachers and candidates the chance to structure the course in collaboration, and is based on a model of teaching and learning that promotes open-ended but focused exploration.

Specification Grid

The relationship between the assessment objectives and the units of assessment is shown in the specification grid below.

Paper	Paper 1	Paper 2	Paper 3	Total
Assessment Objectives	Percentage of Principal Qualification			
1 Knowledge	12±4	8±4	3±2	23
2 Application	12±4	8±4	3±2	23
3 Analysis	10±4	12±4	5±3	27
4 Evaluation	6±3	12±4	9±4	27
Weighting of Paper	40%	40%	20%	100%

Curriculum Content

1 Microeconomics

Candidates should develop a good understanding of the issues involved within the following areas:

- (a) The Basic Economic Problem of Unlimited Wants and Limited Means
- (b) The Market Mechanism and Demand and Supply Analysis
- (c) Costs of Production, Profit and the Theory of the Firm
- (d) Causes of Market Failure
- (e) Government Intervention in the Market
- (f) The Labour Market

(a) The Basic Economic Problem of Unlimited Wants and Limited Means

Candidates should appreciate that much of the rationale behind the study of economics is based on this fundamental issue. They should have a thorough understanding of the following concepts and be able to use them to explain the issues involved.

- factors of production
- production possibility curves
- opportunity cost
- specialisation and the division of labour
- the three fundamental questions of 'What, How and For Whom?'
- how different types of economies answer these questions
- different economic agents
- assumed maximising goals of profit, consumer satisfaction and social welfare and potential conflicts
- questioning of the concept of rational economic behaviour

(b) The Market Mechanism and Demand and Supply Analysis

Candidates should understand how prices work within a market mechanism and have knowledge of the following functions of the mechanism:

- signalling
- incentive
- rationing
- allocating

Candidates are expected to know the basic shape of demand and supply curves – including an understanding of why the demand curve usually slopes downwards. Knowledge of both marginal utility analysis and indifference curve analysis, covering both income and substitution effects, is required. Candidates are also expected to know how the two curves interact and the causes and effects of a change in either one. Candidates should also appreciate that a demand curve represents average revenue and hence understand that both marginal revenue and total revenue can be derived from a demand curve.

Candidates should understand the difference between a shift in a curve – i.e. a change in demand or supply – and a movement along an existing curve – i.e. a change in quantity demanded or supplied.

Candidates should understand definitions, determinants, and implications – such as the link between average revenue, marginal revenue and total revenue – and be able to use the relevant formula in calculations of the following elasticities:

- own-price elasticity of demand
- cross-price elasticity of demand
- income elasticity of demand
- elasticity of supply

Candidates should understand the concept of equilibrium within a market.

Candidates should understand that certain markets are interrelated and be able to analyse the effect that a change in one market has on another market. They should be able to analyse the effect of government-imposed taxes and subsidies as well as maximum and minimum prices.

(c) Costs of Production, Profit and the Theory of the Firm

Candidates should understand the reasoning behind, the relationships between and the relevant curves for the following costs:

- fixed
- variable
- total
- average
- marginal

A sound understanding of the difference between the short run and the long run is required to explain reasons behind, and differences between, the 'Law of Diminishing Returns to a Fixed Factor' and 'Economies and Diseconomies of Scale'.

Candidates should understand how firms maximise profits. Knowledge of the concepts of normal profit, supernormal profit and loss situations is required in the context of the theories of the firm considered below.

Candidates should understand the various market structures that can exist and should have a sound knowledge of all the following models:

- perfect competition
- monopoly
- monopolistic competition
- oligopoly

Candidates should understand definitions of all these models and the assumptions upon which they are based. Knowledge of the associated cost and revenue diagrams for both the short run and the long run is required – including that of short-run shut-down points. Limitations arising from assumptions made should be considered.

The concepts of allocative, productive and dynamic efficiency should be used to consider the relative merits of perfect competition and monopoly. Within this comparison, a study should be made of the concept of ‘Contestable Markets’.

The importance of the separation between ownership and control of a firm must be known and the reasons behind this split and its implications fully understood. A detailed knowledge is required of all the potential aims that a firm may have, if the assumption of profit maximisation is relaxed. These include growth maximisation, revenue maximisation, volume of sales maximisation, ‘not for profit’ businesses and the concept of satisficing, subject to a minimum profit constraint.

Within the study of oligopoly, the concept of ‘interdependence’ should be stressed, both in terms of collusive and competitive oligopolies. An understanding of various theories, such as the kinked demand curve, to suggest why outcomes in such markets occur as they do, is required. Knowledge of various pricing policies and of non-price competition should also be considered. The concept of game theory, covering at least the prisoner’s dilemma, should be studied.

Candidates should have a good understanding of price discrimination, as opposed to price differentiation, and know the conditions necessary for it to be successfully applied.

(d) Causes of Market Failure

Candidates should understand that the market mechanism may not correctly allocate resources for reasons of both inefficiency and inequity. Where applicable, candidates should understand that the degree of 'failure' perceived may depend upon a value judgement. The areas to be studied are as detailed below:

- **Positive and negative externalities in consumption and production:** The use of the appropriate marginal diagrams is required, including an understanding of the concept of 'deadweight welfare loss'. Particular attention should be paid to externalities affecting the environment.
- **Public goods:** Candidates should understand that such goods are 'non-rival' and 'non-excludable' and know why the problems of 'non-revealed preference' and the 'free-rider' arise. Knowledge of 'quasi-public goods' is also required.
- **Merit and demerit goods:** Candidates must appreciate that both the existence of externalities **and** the lack of perfect information can be relevant for such goods and that these are private goods which will be respectively under- and over-consumed/supplied in a free market.
- **Monopoly:** Knowledge of how monopolies may restrict output and choice and charge higher prices than might be the case with competitive markets should be understood. The concept of welfare loss, using terms such as consumer and producer surplus and appropriate diagrams, is required.
- **Inequitable distribution of income:** Candidates should realise that different societies will have varying views on what ought to be available to particular citizens, e.g. basic housing, healthcare, and appreciate the link between effective demand and the distribution of income.

(e) Government Intervention in the MarketRationale for Government Intervention

Candidates should understand the reasons for government intervention in areas such as health, education, transport, energy, agriculture and the environment. Candidates should understand the various methods open to a government to use, including indirect taxation, subsidies, price controls, buffer stocks, tradable permits, extending property rights, state provision and regulation, in order to correct for market failure. They should also appreciate that the government needs to take a long-term view and the concept of sustainability should be explored. Candidates should have knowledge of UK competition policy and how EU legislation in this area affects the UK economy.

Public Ownership vs Privatisation and Regulation vs De-regulation of Markets

Candidates should:

- understand the arguments for and against such policies
- be able to evaluate their impact on economic performance

While knowledge of government policies to alleviate poverty and to influence the distribution of income and wealth is required, this is covered under fiscal policy.

Cost-Benefit Analysis

Candidates should:

- understand the principles of cost-benefit analysis
- be able to analyse and evaluate the advantages and disadvantages of using cost-benefit analysis
- have knowledge of techniques such as discounting and shadow pricing

Government Failure

Government failure can include inadequate information, conflicting objectives, excessive administrative costs and the 'law of unintended consequences'. Candidates should appreciate that government intervention may:

- create rather than remove market distortions
- not necessarily result in an improvement in economic welfare

Candidates should also be able to analyse and evaluate sources of government failure.

(f) The Labour Market

Candidates should appreciate that labour is just one of the inputs available to firms and should know the various factors determining both the supply of, and demand for, labour including detailed knowledge of the concept of marginal revenue product. Clear understanding that labour is not a homogeneous factor of production is essential.

Candidates should be able to explain how wages are determined in both competitive and monopsonistic labour markets. Causes of discrimination within the labour market should be considered, as should relevant government legislation in both this area and that of minimum wages. The role played by trade unions in labour markets should be understood.

2 The National Economy

Candidates should develop a good knowledge and understanding of recent trends and developments in the UK economy over the past ten years. (Knowledge over a longer period will also help to put more recent events into context.) Candidates will be expected to use this knowledge in answering essay questions.

Candidates should develop a good understanding of:

- (a) Standards of Living
- (b) Economic Growth and Economic Cycle
- (c) Employment and Unemployment
- (d) Inflation and Deflation
- (e) Distribution of Income
- (f) Current Account of Balance of Payments
- (g) Productivity and International Competitiveness

For each issue candidates should study:

- Meaning and Measurement
- Causes and Consequences
- Evidence and Policy Responses

Candidates are also required to have knowledge of relevant:

- (h) Macroeconomic Theory
- (i) Government Policy

Candidates should also be able to compare the performance of the UK economy with other national economies in these areas, but specific knowledge of any other economy is not expected.

(a) Standards of Living

Candidates should be able to use GDP and similar data to compare the living standards of the residents of different countries. They should be able to evaluate the use of such data and have some knowledge of alternative measures. Comparisons over time and associated problems should also be understood.

Note: Detailed knowledge of national income accounting is **not** required.

(b) Economic Growth and Economic Cycle

Candidates should be able to define economic growth, both as an increase in the productive capacity of the economy and also as an increase in real national income. A distinction should be made between short- and long-run growth. A production possibility diagram should also be used to illustrate economic growth.

Candidates should understand the factors determining the rate of economic growth and that supply-side factors, such as investment, education, training and technological change, are likely to determine the underlying trend rate of economic growth.

Candidates should be able to discuss whether economic growth is sustainable or desirable or both, and be able to evaluate the impact of growth on individuals and the environment.

Candidates should understand the economic or trade cycle and some of the causes of the cycle including supply-side shocks.

(c) Employment and Unemployment

Knowledge is required in the following areas:

- Definitions and measures of unemployment
- Types and causes of unemployment
- Trends and patterns in employment and unemployment
- Consequences of unemployment

(d) Inflation and Deflation

Candidates should understand how index numbers are calculated and used to measure inflation. They should be aware that there are different measures of inflation and should have specific knowledge of the Consumer Price Index (CPI). Knowledge of the definitions of inflation and deflation is required. Causes and consequences of both inflation and deflation should be understood.

(e) Distribution of Income

Candidates should have knowledge of recent trends for the UK in this area. They should also be aware of distinctions between relative and absolute poverty and know how Lorenz curves and Gini coefficients can be used to demonstrate the distribution of income and wealth.

(f) Current Account of Balance of Payments

Candidates should have a basic understanding of the current account (trade in goods, trade in services, investment income and transfers) and they should understand the meaning of a deficit and a surplus on current account.

Note: a detailed knowledge of the structure of the balance of payments account is not required.

(g) Productivity and International Competitiveness

Candidates should know the meaning of productivity (both labour productivity and total factor productivity) and how these can be measured. The implications of relative productivity and unit labour costs for international competitiveness should also be understood.

(h) Macroeconomic Theory

Circular Flow of Income

Candidates should understand the basic rationale behind the model using households, firms, the government sector and the international economy. They should know the injections into and withdrawals from the circular flow.

Aggregate Demand (AD)

Candidates should be able to explain and analyse the determinants of consumption, investment, government expenditure and net exports. They should also, as a corollary, specifically understand factors affecting the level of savings in an economy.

Knowledge of the multiplier process is required, so that candidates understand why a final change in output can be greater than an initial change in one of the components of AD. They should be able to

calculate a simple multiplier $k = \frac{1}{1-mpc}$

The shape of the AD curve and the rationale behind it should be understood.

Aggregate Supply (AS)

The shape of the short-run AS curve and the rationale behind it should be understood.

Knowledge and implications of a vertical long-run AS curve is required.

Candidates should be able to use the interaction of AD and AS both in the determination of levels of output, prices and employment and also in explaining macroeconomic problems such as the causes of inflation and demand-deficient unemployment.

(i) Government Policy

Candidates should study:

- Objectives of macroeconomic policies
- Types of policies
- Conflicts between objectives

Objectives of Macroeconomic Policies

These include stable and sustainable growth, low and stable inflation, low levels of unemployment, an acceptable balance of payments position and an acceptable distribution of income and wealth.

Types of Policies

Candidates should know the aims and instruments of fiscal policy, monetary policy and supply-side policies and be able to evaluate the effectiveness of each in achieving the macroeconomic objectives. Candidates should have a broad knowledge and understanding of policies used in recent years and any changes in emphasis between different policies.

Candidates should understand that the 'rules vs discretion' debate is central to an understanding of contemporary policy-making, as is the concept of 'policy sovereignty'.

Fiscal policy

- Candidates should know the major taxes used (or considered for use) in the UK and be able to assess the relative merits of these.
- They should know and understand the 'canons' or principles of taxation.
- They should be able to understand and evaluate the significance of changes in the level and distribution of public expenditure.
- They should understand the importance of the balance between government revenue and expenditure and should appreciate that fiscal policy has microeconomic as well as macroeconomic effects.

Monetary policy

- **Interest rate determination in theory and practice:** Candidates should understand the role of the Monetary Policy Committee of the Bank of England in setting the rate of interest.

They should understand the relationship between changes in interest rates and the demand for credit created by banks.

Note: a detailed knowledge of UK financial markets is not required.

- **Exchange rate policy:** Candidates should understand the relationship between interest rates and the exchange rate and appreciate the difficulties involved in using the exchange rate as an instrument of policy.

- **Money supply:** Candidates should have a basic understanding of money and liquidity, the money multiplier, the monetary transmission mechanism and the Quantity Theory of Money. They should understand the difference between broad and narrow money.

Supply-side policies

- Candidates should understand the various forms that such policies can take and that they can be aimed at either the macro or the micro level.
- The links between supply-side policies, economic growth and, in particular, the trend rate of economic growth should be emphasised.

Conflicts Between Objectives

Candidates should be able to apply their knowledge of economic theory to explain potential conflicts between policy objectives, including the historical 'Phillips Curve relationships', and explanation of more recent experiences.

3 International Economics

Candidates should develop a good understanding of the issues involved within the following areas:

- (a) The Theory of Free Trade
- (b) The Pattern of Trade
- (c) Protectionism
- (d) The Current Account and Exchange Rates
- (e) Development Economics and Globalisation
- (f) The European Union

(a) The Theory of Free Trade

Candidates should understand the rationale behind free trade and use the models of absolute advantage and comparative advantage to explain the theoretical gains from trade.

Candidates should appreciate how the assumptions behind models such as comparative advantage may limit their realism.

(b) The Pattern of Trade

Candidates should have an overview of the typical pattern of trade between the UK and other countries or groups of countries such as Europe, USA and the rest of the world.

Candidates should appreciate the influences on the pattern of trade: the free trade movement, historical and political factors, and trading blocs.

(c) Protectionism

Candidates should understand the types of protection that may arise and appreciate the impact of protectionism on consumers and producers inside and outside protective agreements.

Candidates should understand the arguments in favour of and against protectionism.

(d) The Current Account and Exchange Rates

Candidates should understand the terms *imports* and *exports* and know what is meant by *surplus*, *balance* and *deficit* on the current account. They should appreciate that the current account measures net exports and is a component of aggregate demand.

Candidates should understand that floating exchange rates are determined by activity in the FOREX market through trade, speculation and hot money flows.

Candidates should understand why and how a government may intervene in the FOREX market to influence the exchange rate of their currency. An appreciation of the relative merits of fixed and floating exchange rate regimes is required.

Candidates should understand the terms *appreciation*, *depreciation*, *devaluation* and *revaluation*.

Candidates should appreciate the factors that may lead to a sustained surplus or deficit on the current account and the issues raised by a sustained imbalance for both the domestic and other economies.

Candidates should understand what policies may be used to correct a current account surplus or deficit and the difference between expenditure-increasing/reducing and expenditure-switching policies.

Candidates should understand that a change in the exchange rate will influence the current account, and the importance of time and elasticity of demand on this effect. Candidates should be able to use the J-curve, reverse J-curve and the Marshall-Lerner condition to explain such changes.

(e) Development Economics and Globalisation

Candidates should understand the meaning and definition of economic development and the measurement and limitations of statistics such as the Human Development Index.

Candidates should appreciate the differences between MEDCs, LEDCs and NICs.

Candidates should understand why countries may develop at different rates and be able to use economic theory to explain these differences. Whilst an explicit understanding of economic development models is not required, it is necessary for candidates to appreciate the concept of sustainable development.

Candidates should understand the particular problems faced by LEDCs.

Candidates should understand how national governments can use policies to promote economic development, and the arguments for and against state planning of economic development.

Candidates should understand what is meant by globalisation and appreciate the challenges and opportunities the process offers for MEDCs such as the UK, and for LEDCs and NICs.

Candidates should understand the role of the World Trade Organisation (WTO) and appreciate the arguments for and against WTO influence on the global economy.

(f) The European Union

Candidates should understand the benefits and costs of UK membership of the EU with reference to issues already covered in the syllabus, such as trade and protectionism.

Candidates should appreciate that the Common Agricultural Policy (CAP) is a form of protectionism and understand the impact of EU enlargement on issues such as the CAP and the EU budget.

Candidates should understand why countries have undergone European Monetary Union and the arguments for and against UK adoption of the euro.

Appendix 1: Grade Descriptors

The following grade descriptors indicate the level of attainment characteristic of the given grade in Economics at Pre-U. They give a general indication of the required standard at each specific grade. The descriptors should be interpreted in relation to the content outlined in the syllabus; they are not designed to define that content.

The grade awarded will depend in practice upon the extent to which the candidate has met the Assessment Objectives overall. Shortcomings in some aspects of the examination may be balanced by better performances in others.

Distinction (D2)

Candidates will demonstrate outstanding knowledge and critical understanding of a comprehensive range of relevant economic theories and concepts.

They will apply this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, using many appropriate numerical and non-numerical techniques accurately. They will effectively evaluate evidence and arguments, making full reasoned judgements to present appropriate and well-supported conclusions, which demonstrate originality or an ability to think 'outside the box'.

Merit (M2)

Candidates will demonstrate a substantial knowledge and understanding of a range of economic theories and concepts.

They will accurately apply this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, using appropriate numerical and non-numerical techniques. They will evaluate evidence and arguments to present appropriate reasoned and wide-ranging conclusions.

Pass (P2)

Candidates will demonstrate either a limited knowledge and understanding of a range of economic theories and concepts or a reasonably comprehensive understanding of a far more limited subset of relevant theories and concepts.

They will show some ability to use this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, making some use of numerical and non-numerical techniques.

Candidates' evaluation of evidence and arguments will be present but will either fail to cover all the relevant areas or will be lacking in depth.

Appendix 2: Additional Information

Guided Learning Hours

It is intended that each Principal Subject should be delivered through 380 hours of guided learning. This is a notional measure of the substance of the qualification. It includes an estimate of the time that might be allocated to direct teaching or instruction, together with other structured learning time such as directed assignments or supported individual study and practice. It excludes learner-initiated private study.

Certification Title

This qualification is shown on a certificate as:

- Cambridge International Level 3 Pre-U Certificate in **Economics (Principal)**

The qualification is accredited at Level 3 of the UK National Qualifications Framework and provides a solid grounding for candidates to pursue a variety of progression pathways.

Entries

For Entry information please refer to the *Pre-U E3 Booklet*.

Grading and Reporting

The Cambridge International Level 3 Pre-U Certificates in the Principal Subjects are qualifications in their own right. They are acceptable as an alternative to A Level (or other Level 3 qualifications) for entry into Higher Education or employment. Each individual Principal Subject is graded separately on a scale of nine grades: Distinction 1, Distinction 2, Distinction 3, Merit 1, Merit 2, Merit 3, Pass 1, Pass 2, Pass 3.

Subjects can also be combined with two core components to meet the requirements for eligibility for the Cambridge International Level 3 Pre-U Diploma. More details about the Diploma requirements and the core components can be found in a separate Diploma syllabus. The results of the individual Principal Subjects are reported on a separate certificate to the Diploma result.

Classification Code for UK Centres

In the UK, every syllabus is assigned to a national classification code that indicates the subject area to which it belongs. UK Centres should be aware that candidates who enter for more than one qualification with the same classification code will have only one grade (the highest) counted for the purpose of the School and College Performance Tables.

The classification code for this syllabus is **4410**.

Language

This syllabus and the associated assessment materials are available in English only.

Procedures and Regulations

This syllabus complies with the *CIE Code of Practice* and *The Statutory Regulation of External Qualifications 2004*.

Further information about the administration of Cambridge Pre-U qualifications can be found in the *CIE Handbook for Cambridge Pre-U Centres* available from CIE Publications or by contacting international@cie.org.uk

Spiritual, Moral, Ethical, Social, Legislative, Economic and Cultural issues

Economic issues are the essence of the syllabus. The syllabus is presented in such a way as to include, where appropriate, the spiritual, moral, ethical, social and cultural dimensions of Economics. For example the study of market failure, including inequitable distribution of income (Section 1d), has major moral and ethical dimensions. The rationale for government intervention in the market (Section 1e), government action on minimum wages and discrimination in the labour market (Section 1f), and the purposes and methods of alternative government macroeconomic policies (Section 2i), occur within a legislative framework.

Environmental Education and Sustainable Development

In Section 2b candidates study whether economic growth is sustainable or desirable. In Section 3e they further study sustainable development in the context of Development Economics. The environment is also considered in the study of market failure and government intervention (Sections 1d and 1e).

The European and International Dimension

CIE has developed this syllabus in line with UK, European and international legislation. Candidates study several aspects of International Economics in Section 3 of this syllabus, including the European Union specifically in Section 3f. Material on the European economy may be introduced across the syllabus to aid economic knowledge and understanding, and the development of appropriate skills.

Avoidance of bias

CIE has taken great care in the preparation of this syllabus and associated assessment materials to avoid bias of any kind.

Key Skills

The nature of the subject and the skills it involves mean that the syllabus provides opportunities for the development of the Key Skills of *Communication, Application of Number, Information Technology, Working with Others, Improving Own Learning and Performance* and *Problem Solving* at Levels 2 and/or 3. However, the extent to which evidence can be created to fulfil the Key Skills criteria at these levels will be dependent on the style of teaching and learning adopted for this syllabus. With careful planning, assignments could be set for classroom or personal study that could be used as part of the portfolio of evidence for the Key Skills assessments. In addition, some or all of the research and planning conducted as preparation for Paper 3 may be suitable for use in a Key Skills portfolio.

The Key Skills awarding bodies and the regulatory authorities have produced a suite of example portfolios that will help to give candidates and practitioners a clear understanding of the requirements for the Key Skills portfolio. These are available on the QCA Key Skills website (www.qca.org.uk/keyskills). Full details of the requirements for certification can be obtained from the awarding bodies that are approved to offer Key Skills. For further information about Key Skills assessment, including the current standards, please see the document *The Key Skills Qualifications Standards and Guidance* published by the Qualifications and Curriculum Authority 2004 (ISBN 1 85838 548 2).

The following table indicates where opportunities **may** exist for at least some coverage of the various Key Skills criteria at Levels 2 and/or 3 for this syllabus.

Section	Communication	Application of Number	IT	Working with Others	Improving Own Learning and Performance	Problem Solving
Microeconomics	✓	✓	✓	✓	✓	✓
The National Economy	✓	✓	✓	✓	✓	✓
International Economics	✓	✓	✓	✓	✓	✓
Paper 3	✓	✓	✓	✓	✓	✓

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