MINISTRY OF EDUCATION

NAMIBIA SENIOR SECONDARY CERTIFICATE (NSSC)

ECONOMICS SYLLABUS
HIGHER LEVEL
SYLLABUS CODE: 8337
GRAPDES 11 - 12

FOR IMPLEMENTATION IN 2010
FOR FIRST EXAMINATION IN 2011

DEVELOPED IN COLLABORATION WITH
UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
This syllabus replaces previous NSSC syllabuses and will be implemented in 2010 in Grade 11.
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1. INTRODUCTION

The Namibia Senior Secondary Certificate (NSSC) for Economics: Higher Level is designed as a two-year course for examination after completion of the Junior Secondary Certificate. The syllabus is designed to meet the requirements of the Curriculum Guide for Formal Senior Secondary Education for Namibia and has been approved by the National Examination, Assessment and Certification Board (NEACB).

The Namibia National Curriculum Guidelines:

• recognise that learning involves developing values and attitudes as well as knowledge and skills;
• promotes self-awareness and an understanding of the attitudes, values and beliefs of others in a multilingual and a multicultural society;
• encourage respect for human rights and freedom of speech;
• provide insight and understanding of crucial “global” issues in a rapidly changing world which affect quality of life: the AIDS pandemic, global warming, environmental degradation, maldistribution of wealth, expanding and increasing conflicts, the technological explosion and increased connectivity;
• recognise that, as information in its various forms becomes more accessible, learners need to develop higher cognitive skills of analysis, interpretation and evaluation to use information effectively;
• seek to challenge and to motivate learners to reach their full potential and to contribute positively to the environment, economy and society.

Thus the Namibia National Syllabi provide opportunities for developing essential, key skills across the various fields of study. Such skills cannot be developed in isolation and may differ from context to context according to the field of study.

Economics contributes directly to the development of the 8 skills marked*:

• Communication skills*
• Numeracy skills*
• Information skills*
• Problem-solving skills*
• Self-management and Competitive skills*
• Social and Co-operative skills*
• Physical skills
• Work and study skills*
• Critical and creative thinking skills*

2. RATIONALE

Economics is the participation in the social, civic, political, economic, cultural and natural environment and is central to this area of learning. It includes understanding and interpreting past and present human behaviour and experience, and how they influence events, circumstances and the environment.
3.  **AIMS**

The aims of the syllabus are the same for all learners. These are set out below and describe the educational purposes of a course in Economics for the NSSCH examinations. They are not listed in order of priority.

The aims are to enable learners to:

1. develop a sound knowledge and critical understanding of economic terminology, principles and theory together with an awareness of current economic issues;

2. develop economic numeracy and literacy and the ability to understand, interpret and present economic data including graphs and diagrams;

3. use the tools of economic analysis to apply their knowledge and critical understanding to current issues and problems;

4. identify and discriminate between different sources of information; and to distinguish between facts and value judgements in economic issues;

5. employ economic skills, with reference to individuals, groups and organisations in order to better understand the world in which they live;

6. participate more fully in decision-making processes, as consumers and producers and as citizens of the local, national and international community;

7. develop an ability to make rational and consistent choices in matters where economic influences are at work;

8. develop an understanding of the economies of developed and developing nations and of the relationships between them; and to appreciate these relationships from the perspective of both developed and developing nations.

9. Acquire knowledge and understanding of how different economic systems affect natural resources and environmental quality; the need for government to control on the use of natural resources; and the economic implications of HIV and AIDS.

4. **LEARNING CONTENT**

The content is divided into nine modules and these are:

1. WHAT IS ECONOMICS?

2. NATURE AND FUNCTIONS OF ORGANISATIONS AND FINANCIAL INSTITUTIONS

3. THE MARKET

4. OCCUPATION, INCOME AND EXPENDITURE OF INDIVIDUALS

5. PRODUCTION

6. ROLE OF GOVERNMENT IN AN ECONOMY

7. MAIN ECONOMIC INDICATORS

8. DEVELOPED AND DEVELOPING ECONOMIES

9. CONFLICTS OF INTEREST
## THEME 1: WHAT IS ECONOMICS?

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
<th>SPECIFIC OBJECTIVES</th>
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<tbody>
<tr>
<td></td>
<td>Learners will:</td>
<td>Learners should be able to:</td>
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<tr>
<td>1.1</td>
<td>Basic economic problem: scarcity and exercise of choice</td>
<td>• understand and analyse the nature of the economic problem</td>
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<td></td>
<td></td>
<td>• describe the nature of the economic problem (limited resources and unlimited wants)</td>
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<td>• explain and illustrate opportunity cost</td>
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<td></td>
<td>• evaluate the implications of specific courses of action in terms of opportunity cost</td>
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<td></td>
<td></td>
<td>• describe and evaluate the causes of market failure through monopolies and externalities and in relation to the provision of public and merit goods</td>
</tr>
<tr>
<td>1.2</td>
<td>Types of economic systems and economic resources</td>
<td>• demonstrate understanding of economic resources in different economic systems</td>
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<tr>
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<td>• explain allocation of resources in market, planned and mixed economic systems</td>
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<td></td>
<td>• evaluate the merits and effectiveness of different economic systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• describe and evaluate the causes of market failure through monopolies and externalities and in relation to the provision of public and merit goods</td>
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<tr>
<td>1.3</td>
<td>Specialisation and division of labour</td>
<td>• appreciate the importance of specialisation and the division of labour</td>
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<td></td>
<td></td>
<td>• analyse the advantage and disadvantages of specialisation and the division of labour</td>
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</table>
## THEME 2: NATURE AND FUNCTIONS OF ORGANISATIONS AND FINANCIAL INSTITUTIONS

<table>
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<tr>
<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
<th>SPECIFIC OBJECTIVES</th>
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</table>
| **2.1 Business organisations** | • understand and analyse the different forms of business organisations in the public and private sector | • Explain the difference between the private and public sector  
• describe the different forms of business organisations: sole proprietors, partnerships, private companies, public companies, multi-nationals, co-operatives, close corporations, public corporations  
• describe and evaluate the effects of changes in structure of business organisations |
| **2.2 Trade unions** | • know and understand the role of trade unions in business organizations and the economy | • define a trade union  
• identify the aims of trade unions  
• describe the advantages of joining a trade union  
• describe the types of trade unions in Namibia (e.g. white collar, blue collar, craft unions)  
• discuss the factors affecting trade union activities in Namibia  
• describe and evaluate the role of trade unions |
| **2.3 Financial institutions** | • demonstrate an understanding of the importance and activities of financial institutions | • explain the need for exchange  
• explain the functions, quality and types of money  
• define exchange rate  
• describe and evaluate the functions of central banks, stock exchanges and commercial banks |
## THEME 3: THE MARKET

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
<th>SPECIFIC OBJECTIVES</th>
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</thead>
</table>
| **3.1 What is a market?** | • demonstrate an understanding of the role of a market | • explain a market  
• explain different types of markets |
| **3.2 Market forces** | • apply the principles of demand and supply | • define demand and supply  
• discuss and illustrate the principle of equilibrium price  
• analyse simple market situations with changes in supply and demand  
• discuss the causes of changes in demand and supply conditions and analyse such changes to show effects on price |
| **3.3 Price elasticity** | • understand the concept of price elasticity | • define price, income- and cross- elasticity  
• discuss price, income- and cross- elasticity of demand and supply  
• perform simple calculations of elasticity and inelasticity of demand and supply  
• demonstrate the usefulness of elasticity in particular situations, e.g. tax yield, turnover |
| **3.4 Advertising** | • demonstrate an understanding of the role of advertising | • define advertising  
• describe the purpose, methods and consequences of advertising |
<p>| <strong>3.5 Policies</strong> | • understand the importance of pricing and output policies in business | • discuss and evaluate pricing and output policies in perfect competition and monopoly |</p>
<table>
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<tr>
<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
<th>SPECIFIC OBJECTIVES</th>
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</thead>
<tbody>
<tr>
<td>4.1 Occupational choices</td>
<td>• acquire knowledge of factors affecting choice of occupation</td>
<td>• differentiate between and discuss wage and non-wage factors affecting an individual’s choice of occupation</td>
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<tr>
<td>4.2 Earnings</td>
<td>• demonstrate an understanding of the factors determining earnings</td>
<td>• identify and analyse the factors determining earnings</td>
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<td></td>
<td></td>
<td>• describe and explain the differences in earnings between different occupational groups and different economic sectors (male/female; skilled/unskilled; private/public; agricultural/manufacturing/services)</td>
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<td>• analyse and discuss changes in earnings over time between occupations and between economic sectors</td>
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<td>• explain economic rent and transfer earnings</td>
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<td>4.3 Expenditure</td>
<td>• acquire knowledge of spending, saving and borrowing</td>
<td>• describe how and why different income groups have different expenditure patterns (spending, saving, borrowing)</td>
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<td></td>
<td></td>
<td>• analyse the different motives for spending, saving and borrowing</td>
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<td>• analyse and discuss changes in patterns of expenditure between groups and over a period of time</td>
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## THEME 5: PRODUCTION

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<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
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<tr>
<td></td>
<td>Learners will:</td>
<td>Learners should be able to:</td>
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<tr>
<td>5.1</td>
<td>The private firm as producer and employer</td>
<td>be familiar with the aims of firms</td>
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<tr>
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<td>demonstrate understanding of production</td>
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<td>5.2</td>
<td>Productivity</td>
<td>be familiar with the importance of productivity as a way of measuring performance</td>
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<tr>
<td>5.3</td>
<td>Production costs and revenue</td>
<td>acquire knowledge and skill in determining the costs of and revenue from production</td>
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## THEME 5: PRODUCTION

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<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
<th>SPECIFIC OBJECTIVES</th>
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</table>
| 5.4  Economies and diseconomies of scale | • demonstrate an understanding of integration, economies and diseconomies of scale | • define and identify the different types of integration  
• explain and illustrate the various economies of scale  
• explain and illustrate the various diseconomies of scale  
• discuss how the economies and diseconomies of scale affect business costs  
• discuss the main reasons for the different sizes of firms (size of market; capital; organization), and the different factors that influence the size of a firm |
### THEME 6: ROLE OF GOVERNMENT IN AN ECONOMY

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>GENERAL OBJECTIVES Learners will:</th>
<th>SPECIFIC OBJECTIVES Learners should be able to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Government as producer and employer</td>
<td>• understand the role of government in production</td>
<td>• describe the government as a producer of goods and services and as an employer</td>
</tr>
</tbody>
</table>
| 6.2 Government economic policies          | • demonstrate an understanding of the economic policies of the government | • define government economic policy  
• discuss the aims of government policy and why they should be achieved  
  - full employment  
  - prevention of inflation  
  - economic growth  
  - redistribution of income  
  - balance of payments stability  
• analyse and discuss the means of government intervention in the economy through monetary and fiscal policy, legislation and incomes policy, and regional development policy  
• describe the different types of taxation  
• discuss how taxes are used by the government to influence business activities and the role of the budget  
• discuss and reach reasoned conclusions on:  
  - the government’s influence on private producers  
  - the possible conflicts between government aims  
  - the impact and incidence of taxation  
• describe how the government can use the interest rates to influence business activity |
### THEME 6: ROLE OF GOVERNMENT IN AN ECONOMY

<table>
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<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
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<tr>
<td></td>
<td>Learners will:</td>
<td>Learners should be able to:</td>
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<tr>
<td>6.3 Government control</td>
<td>• acquire knowledge and understanding of the need for the control of business activity by the government</td>
<td>• explain how the government controls production of goods and services</td>
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<td></td>
<td></td>
<td>• discuss how consumers are protected in Namibia</td>
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<td>• discuss how employees are protected by the State</td>
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<td>• discuss how the government can protect people with HIV and AIDS at the workplace</td>
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<td>• explain the reasons for government intervention in business</td>
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</table>
**THEME 7: MAIN ECONOMIC INDICATORS**

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<tr>
<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
<th>SPECIFIC OBJECTIVES</th>
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<tbody>
<tr>
<td><strong>7.1 Prices</strong></td>
<td>• acquire knowledge and understanding of the importance of economic indicators in an economy (recent changes and current trends)</td>
<td>• define retail price index and show its simple calculation</td>
</tr>
<tr>
<td><strong>7.2 Employment</strong></td>
<td>• acquire knowledge of aspects relating to employment and unemployment</td>
<td>• describe and discuss the changing patterns and levels of employment • investigate the reasons for unemployment • investigate the consequences of unemployment • investigate remedies to unemployment</td>
</tr>
<tr>
<td><strong>7.3 Output</strong></td>
<td>• acquire knowledge on how to measure output and the reasons for measuring output</td>
<td>• define Gross Domestic Product, Gross National Product and National Income • describe the different methods of calculating the national income • explain reasons for measuring the national income • discuss national income and its relation to living standards • analyse the uses and limitations of national income statistics for comparison over time and between countries • describe and analyse the theory of income determination in closed and open economies • define injections and withdrawals and marginal and average propensities • analyse the effects of changes in injections and withdrawals including the multiplier • discuss the factors and policies that affect economic growth</td>
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</table>
## THEME 7: MAIN ECONOMIC INDICATORS

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<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
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<td></td>
<td>Learners will:</td>
<td>Learners should be able to:</td>
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<tr>
<td>7.4  International trade</td>
<td>• acquire knowledge of the importance of international trade</td>
<td>• describe the changing patterns of exports and imports and effects on the balance of payments</td>
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<td>• evaluate the structure of the Balance of Payments</td>
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<td>• discuss exchange rates and give reasons for their fluctuations</td>
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<td>• demonstrate the simple application of absolute and comparative advantage in trade</td>
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### THEME 8: DEVELOPED AND DEVELOPING ECONOMIES

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<th>GENERAL OBJECTIVES</th>
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<tr>
<td></td>
<td>Learners will:</td>
<td>Learners should be able to:</td>
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<tr>
<td><strong>8.1 Population</strong></td>
<td>• acquire knowledge and understanding relating to population</td>
<td>• describe developed and developing economies and reasons for different stages of development</td>
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<td></td>
<td></td>
<td>• discuss problems and consequences for developing countries as they develop</td>
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<td></td>
<td>• describe and evaluate the factors that affect population growth (birth rate, death rate, fertility rate, net migration) and reasons for rates of growth in Namibia and other countries</td>
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<td></td>
<td>• discuss the effects of changing size and structure of population on an economy</td>
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<tr>
<td><strong>8.2 Living standards</strong></td>
<td>• understand the effect of economic activity on living standards</td>
<td>• describe and evaluate simple measures and indicators of comparative living standards and explain reasons for disparities between developed and developing countries in productivity, investment and the structural organisation of economic activity, private and public sectors, formal and informal sectors</td>
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<td></td>
<td></td>
<td>• describe differences in living standards and discuss reasons for disparities within nations and between nations, both developed and developing countries</td>
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<td>• describe and evaluate the economic effects of changes in the distribution of population and increasing urbanisation</td>
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<td>• explain the effect of Information Technology on living standards</td>
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### THEME 9: CONFLICTS OF INTEREST

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<tr>
<th>TOPIC</th>
<th>GENERAL OBJECTIVES</th>
<th>SPECIFIC OBJECTIVES</th>
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<tbody>
<tr>
<td>9.1 Conflicts</td>
<td>• demonstrate an understanding of possible conflicts between the aims of individuals, firms and government</td>
<td>• discuss conflicts of interest in relation to:</td>
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<td></td>
<td>- social costs* and benefits, private costs and benefits,</td>
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<td>- short/long-term costs and benefits</td>
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<td>- conserving resources versus exploiting resources</td>
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<td>- free trade versus protection</td>
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<td>- public expenditure versus private expenditure</td>
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*Social costs are equal to the sum of private costs and external costs*
5. ASSESSMENT OBJECTIVES

The four assessment objectives in Economics are:

A Knowledge with understanding
B Application and Analysis
C Evaluation and Decision Making
D Investigation

A description of each assessment objective follows:

A KNOWLEDGE WITH UNDERSTANDING

Learners should be able to demonstrate their knowledge and understanding in relation to:
1. economic facts, phenomena, definitions, concepts, theories and principles;
2. economic vocabulary, terminology and conventions.

(Questions testing these objectives will often begin with words such as: define, describe, list, outline, state, identify.)

B APPLICATION AND ANALYSIS

Learners should be able to:
1. use economic data, to recognise patterns in such data, and to deduce relationships;
2. select, organise and interpret data;
3. analyse economic knowledge and understanding in verbal, numerical, diagrammatic, pictorial and graphical form;
4. recognise that economic theory is subject to various limitations and uncertainties.

(Questions testing these objectives will often contain words such as: analyse, calculate, comment, compare, contrast, describe, determine, distinguish, explain, illustrate.)

C EVALUATION AND DECISION MAKING

Learners should be able to:
1. distinguish between evidence and opinion, make reasoned judgements and communicate them in an accurate and logical manner;
2. evaluate the social and environmental implications of particular courses of economic action;
3. observe and record accurately and systematically using suitable techniques;
4. make decisions and suggest proposals based on novel data that will be provided.

(Questions testing these objectives will often contain words such as: assess, discuss, evaluate, examine, illustrate, justify, relate, review.)

D INVESTIGATION

Learners should be able to:
1. draw conclusions from economic data presented in various forms;
2. communicate conclusions in a logical and concise manner.

(Questions testing these objectives will often contain words such as: assess, consider, discuss, examine, imagine, interpret, suggest, what might, what would, you are asked to.)
6. ASSESSMENT

All learners will offer Paper 1 and Paper 2

DESCRIPTION OF PAPERS

Paper 1 (2½ hours) (Structured essay questions)
Learners will be required to answer four structured essay questions (4 x 25 marks) from this paper – one compulsory question in section A of the paper and a choice of three questions from five in section B of the paper. Questions in this paper will seek to cover the assessment objectives A (Knowledge with understanding), B (Application and Analysis), and C (Evaluation and Decision Making).

Paper 2 (2 hours) (Data response, case studies and investigation questions)
Learners will be asked to answer three compulsory questions (3 x 25 marks)
Questions in this paper will seek to cover all four assessment objectives. Novel data will be presented for interpretation and analysis of a real economic situation.

With regard to Assessment Objective D (Investigation), some sub-sections will assess the potential understanding, ability and skills of the candidates to carry out a piece of research involving the following stages:

Selection e.g. Identification of data which needs to be collected.
Collection e.g. Use of primary and/or secondary sources.
Sorting e.g. Sampling, ordering, tabulating relevant facts, figures, etc.
Analysis e.g. Statistical manipulation, application of theories.
Evaluation e.g. Identifying and testing statements of opinion. Making judgements on the issue.
Presentation e.g. Logical layout and a variety of presentation techniques.

WEIGHTING OF PAPERS
Paper 1 50 %
Paper 2 50 %
7. SPECIFICATION GRID

The relationship between the assessment objectives and components of the scheme of assessment.

<table>
<thead>
<tr>
<th>Assessment Objectives</th>
<th>Paper 1</th>
<th>Paper 2</th>
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</thead>
<tbody>
<tr>
<td>A   Knowledge with understanding</td>
<td>20 %</td>
<td>20 %</td>
</tr>
<tr>
<td>B   Application and Analysis</td>
<td>40 %</td>
<td>35 %</td>
</tr>
<tr>
<td>C   Evaluation and Decision Making</td>
<td>40 %</td>
<td>30 %</td>
</tr>
<tr>
<td>D   Investigation</td>
<td></td>
<td>15 %</td>
</tr>
<tr>
<td>Total marks</td>
<td>100</td>
<td>75</td>
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<tr>
<td>Weighting</td>
<td>50 %</td>
<td>50 %</td>
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</table>

The assessment objectives are weighted to give an indication of their relative importance. They are not intended to provide a precise statement of the number of marks allocated to particular assessment objectives.
8. GRADE DESCRIPTIONS

Grade descriptions are provided to give a general indication of the standards of achievement likely to have been shown by learners awarded particular grades. The grade awarded will depend in practice upon the extent to which the learner has met the assessment objectives overall and it might conceal weakness in one aspect of the examination which is balanced by above average performance in some other. Learners will be graded on a scale of 1 to 4. The descriptors for judgemental thresholds (1, 3, 4) are given below.

A Grade 1 learner should demonstrate:

A Knowledge with understanding
1. An excellent ability to identify detailed facts and principles in relation to the content of the syllabus.
2. An excellent ability to describe graphs, diagrams and tables.
3. An excellent ability to define the concepts of the syllabus.

B Application and Analysis
1. An excellent ability to apply and comment on economic information.
2. An excellent ability to apply this information in a logical and well-structured manner to illustrate the application of a piece of economic analysis to a particular situation.

C Evaluation
1. An excellent ability to discriminate between more complex and varied information and to distinguish clearly between facts and opinions.
2. An excellent ability to make clear, reasoned judgements and communicate them in an accurate and logical manner.
3. A sound ability to make rational and consistent choices in matters where economic influences are at work.

D Investigation
1. A thorough ability to classify, order and interpret information.
2. A thorough ability to draw conclusions from this information, data and present these in a clear manner.
A Grade 3 learner should demonstrate:

A Knowledge with understanding
1. A good ability to identify detailed facts and principles in relation to the content of the syllabus.
2. A good ability to describe clearly graphs, diagrams, tables.
3. A good ability to define the concepts and ideas of the syllabus.

B Application and Analysis
1. A good ability to apply and comment on economic information presented in a non-verbal as well as a verbal form.
2. A good ability to apply this information to illustrate the application of a piece of economic analysis to a particular situation.

C Evaluation
1. A sound ability to discriminate between complex and varied information and to distinguish clearly between facts and opinions.
2. A sound ability to make clear, reasoned judgements and communicate them in an accurate and logical manner.
3. A sound ability to make rational and consistent choices in matters where economic influences are at work.

D Investigation
1. A good ability to classify, order and interpret information.
2. A good ability to draw conclusions from this information and data.

A Grade 4 learner should demonstrate:

A Knowledge with understanding
1. Some ability to identify specific facts and principles in relation to the content of the syllabus.
2. Some ability to describe graphs, diagrams, tables.
3. Some ability to define the central concepts and ideas of the syllabus.

B Application and Analysis
1. Some ability to apply data and comment on economic information.
2. Some basic ability to apply the tools of economic analysis to particular situations.

C Evaluation
1. A limited ability to discriminate between complex and varied information and to distinguish clearly between facts and opinions.
2. A limited ability to make rational and consistent choices in matters where economic influences are at work.

D Investigation
1. A limited ability to classify, order and interpret information.
2. A limited ability to draw conclusions from this information and data.
9. GLOSSARY

**Abnormal profits:** These profits are earned when a firm earns profits greater than the profits which could be earned in the best alternative business.

**Average cost (AC):** The total costs (TC) divided by the total number of units produced (Q).

The formula is: \( AC = \frac{TC}{Q} \)

**Average revenue (AR):** The revenue per unit sold.

The formula is: \( AR = \frac{TR}{Q} \) of units

**Complementary good:** A good that is usually used together with another good.

**Cross elasticity of demand:** The responsiveness of the quantity of a good demanded to changes in the prices of related goods.

The formula is: \( \text{Cross elasticity of demand} = \frac{\% \Delta Q}{\% \Delta P} \)

**Demand:** How much of a good will be bought at a particular price. As the price of a good rises, the quantity demanded will fall. As the price of a good falls, the quantity demanded will rise.

**Elasticity:** How much the quantity demanded will change when another factor, such as price or income, changes. When a good is price elastic, an increase in its price will decrease revenues. When a good is price inelastic, an increase in its price will increase revenues.

**Equilibrium:** Where supply is equal to demand.

**Factors of production:** Land, labour, capital and enterprise.

**Fixed costs:** Costs remain the same no matter how much is produced.

**Implicit costs:** The non-monetary costs of production.

**Income elasticity of demand:** The sensitivity of the quantity of a good demanded to changes in income.

The formula is: \( \text{Income elasticity of demand} = \frac{\% \Delta Q}{\% \Delta Y (income)} \)

**Law of comparative advantage:** People should specialise in the production of goods in which their opportunity cost is the lowest; and trade these for other goods.

**Law of diminishing returns:** When more of a variable factor of production is added to fixed factors, the rate at which output increases will eventually slow down.

**Law of increasing opportunity cost:** As more of a particular factor of production is used, the opportunity cost of that factor increases.

**Long-run:** The period in which the firm can alter all its costs – both its fixed costs and its variable costs.

**Margin:** The imaginary line between the last unit produced or consumed and the next unit which will be produced or consumed.

**Marginal benefit:** The benefit gained from the next unit produced or consumed.

**Marginal costs (MC):** The additional costs incurred by producing each additional unit of output.

The formula is: \( MC = \frac{\Delta TC}{\Delta Q} \)

**Marginal revenue (MR):** The revenue earned by selling an additional unit of output.
Marginal revenue product (MRP): The extra output produced by a labourer multiplied by the marginal revenue. The formula is: \( \text{MRP} = \text{marginal productivity} \times \text{marginal revenue} \)

Normal profits: The minimum profits an entrepreneur must earn in order to keep him or her in the business instead of some other business and is included in the total cost.

Opportunity cost: The cost of the opportunity which has been sacrificed.

Price elasticity of demand: The sensitivity of the quantity of a good demanded to changes in its price. The formula is: \( \text{Price elasticity of demand} = \frac{\% \Delta Q}{\% \Delta P} \)

Price elasticity of supply: The sensitivity of the quantity of output supplied by firms to changes in the price of the product. The formula is: \( \text{Price elasticity of supply} = \frac{\% \Delta Q}{\% \Delta P} \)

Production possibility frontier (PPF): Opportunity costs are often described using a PPF. A PPF shows the total output of an economy if all resources are fully used.

Profit: Profit = total revenue (TR) – total costs (TC)

Short-run: A period of time that a firm operates during which some of its costs are fixed and others can be varied.

Substituted good: Good that can be used in the place of another good.

Supply: The amount of a good which firms will be willing to produce at a particular price in a given period of time. The Law of Supply states that:
As the price of a good rises, the quantity supplied will rise.
As the price of a good falls, the quantity supplied will fall.

Total revenue (TR): The quantity of total sales (Q) multiplied by the price (P) at which its goods or services are sold. The formula is: \( \text{TR} = Q \times P \)

Variable costs Costs which will change as output changes.
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