

**(O Level/IGCSE) (Economics) (2281/0455)****(Unit no.4): (The private firm as producer and employer)****Recommended Prior Knowledge**

This Unit can be studied without any prior knowledge but it does build on some of the concepts covered in the previous Unit.. The stock exchange and commercial banks have links to business organisations. The concept of demand, covered in Unit 2, underpins the demand for factors of production and market failure, also covered in Unit 2, is connected to monopoly.

**Context**

As already indicated, this Unit has links to Unit 2 in terms of the stock exchange, commercial banks, demand and market failure. It also has links forward to Unit 5 in terms of the government's influence on private producers.

**Outline**

This Unit starts by examining the different types of business organisation and why a business may change its structure over time. Then it moves on to what influences a firm's demand for factors of production, the type of costs firms face and how these change as output alters. Having considered costs of production it explores revenue and the goal of profit maximisation. The pricing and output policies of firms operating under conditions of perfect competition and monopoly are examined and then the reasons for the different sizes of firms and the effects firms may experience from growing in size are explored. Finally the advantages and disadvantages of monopoly are considered.

<b>AO</b>	<b>Learning outcomes</b>	<b>Suggested Teaching activities</b>	<b>Learning resources</b>
4a	Students should be able to describe the type of business organisation in the public and private sectors; sole proprietors, partnerships, private companies, public companies, multi-nationals, co-operatives, public corporations.	In groups students could be asked to research one type of business organisation and to find an example from their own country and one from another country. They could then be asked to present their findings to the rest of the class. Groups could then be required to find ways in which their type of business organisation is similar to, and different from, other types of business organisations. There are interesting activities in Grant and in Moynihan and Titley. Dransfield, Cook and King have a number of interesting case studies relating to business organisations in Pakistan, China, Spain, Saudi Arabia and Libya (pages 72-83).	<b>Online</b> <a href="http://www.bbc.co.uk/schools/gcsebitesize/business/aims/">http://www.bbc.co.uk/schools/gcsebitesize/business/aims/</a> (videos and revision tests on types of business organisations) <b>Textbooks</b> Grant Unit 23 Moynihan and Titley Chapter 4 Dransfield, Cook and King pages 72-83

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4b	Students should be able to describe and evaluate the effects of changes in the structure of business organisations.	<p>Students should examine why a business organisation may wish to change its structure e.g. why a sole proprietor may wish to form a partnership, why a private limited company may become a public limited company and why a public corporation may be privatised. They may also consider the advantages and disadvantages a firm may experience as a result of becoming a multi-national company.</p> <p>A group that initially researched a partnership could discuss with the group that considered the characteristics of a sole proprietor the possible effects of becoming a partnership and then the groups would have to decide what to do and why. The other groups could follow suit. If possible, it would be useful to have as a guest speaker, a local entrepreneur who has changed the structure of her/his business or is considering doing so.</p>	<p><b>Online</b>  <a href="http://www.s-cool.uk/alevel/business-studies-as-a2-level/business-organisation">http://www.s-cool.uk/alevel/business-studies-as-a2-level/business-organisation</a>            (covers types of business organisations)</p> <p><b>Textbooks</b>            Grant Unit 23            Moynihan and Titley Chapter 4            Dransfield, Cook and King pages 84-85</p>
4c	Students should be able to describe what determines the demand for factors of production	After reviewing the nature of factors of production, the class could be divided into four with each group researching what factors determine demand for a particular factor of production.	<p><b>Online</b>  <a href="http://www.s-cool.co.uk/alevel/economics/labour-markets/the-changing-uk-labour-market.html">http://www.s-cool.co.uk/alevel/economics/labour-markets/the-changing-uk-labour-market.html</a>  <a href="http://www.s-cool.co.uk/alevel/economics/labour-markets/the-supply-of-labour.html">http://www.s-cool.co.uk/alevel/economics/labour-markets/the-supply-of-labour.html</a>  <a href="http://www.s-cool.co.uk/alevel/economics/labour-markets/the-demand-for-labour.html">http://www.s-cool.co.uk/alevel/economics/labour-markets/the-demand-for-labour.html</a>  <a href="http://s-cool.co.uk/alevel/economics/labour-markets/the-equilibrium-wage.html">http://s-cool.co.uk/alevel/economics/labour-markets/the-equilibrium-wage.html</a>            (good on definitions, demand and supply curves, elasticity of demand for and supply of labour)</p> <p><b>Textbooks</b>            Grant Unit 24            Moynihan and Titley Chapter 12, Section 3</p>

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4d	Students should be able to define total and average cost, fixed and variable cost and perform simple calculations	It is important for students to distinguish between costs, carry out calculations and draw cost curves. Activity 2 in Grant requires students to calculate TFC, TVC, AC, AFC and AVC. Moynihan and Titley have a case study on a hypothetical firm 'The Bear Necessities Company' which requires students to calculate costs and draw a diagram. Dransfield, Cook and King have some case studies which require students to perform calculations (pages 88-91). It should be noted that the syllabus does not require students to be able to define or calculate marginal cost.	Dransfield, Cook and King pages 86-87 <b>Online</b> <a href="http://www.bized.co.uk/current/mind/2003_4/160204.htm">http://www.bized.co.uk/current/mind/2003_4/160204.htm</a> (costs of production related to Eurotunnel) <b>Textbooks</b> Grant Unit 25 Moynihan and Titley Chapter 13 Sections 1 and 2 Dransfield, Cook and King pages 88-91
4e	Students should be able to analyse particular situations to show changes in total and average cost as output changes	Students need to be aware of the link between a change in output and a change in total and average cost. They could be asked to consider in groups the effects on costs when production moves from being labour-intensive to being capital-intensive. Dransfield, Cook and King have a number of questions relating to two case studies (pages 92-93).	<b>Online</b> <a href="http://www.s-cool.co.uk/alevel/economics/costs-and-revenue/costs-and-their-curves.htm">http://www.s-cool.co.uk/alevel/economics/costs-and-revenue/costs-and-their-curves.htm</a> (relates costs to marginal and average revenue) <b>Textbooks</b> Grant Unit 25 Moynihan and Titley Chapter 13 Sections 1 and 2 Dransfield, Cook and King pages 92-93
4f	Students should be able to define total and average revenue and perform simple calculations	Students do not have to define or calculate marginal revenue. Having already considered total and average cost should help students understand total and average revenue. Grant has a number of activities and 'The Bear Necessities Company' in Moynihan and Titley is again a good activity for students to undertake.	<b>Online</b> <a href="http://www.bized.co.uk/educators/16-19/economics/firms/activity/costs.htm">http://www.bized.co.uk/educators/16-19/economics/firms/activity/costs.htm</a> (activities on costs and revenue related to different products) <b>Textbooks</b> Grant Unit 26 Moynihan and Titley Chapter 13 Sections 1 and 2 Dransfield, Cook and King pages 94-95

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4g	Students should be able to describe the principle of profit maximisation as a goal	<p>Students could be asked what firms are aiming to achieve. (Grant covers a number of firms' objectives.)</p> <p>Profit maximisation can then be focused on. Both Grant and Moynihan and Titley have a number of activities. Dransfield, Cook and King have some questions based on a case study of a firm (pages 96-97).</p> <p>Students, using newspaper articles and news websites, could also research what has happened to the profits of particular firms over the last year and the causes of the changes in profits.</p>	<p><b>Online</b></p> <p><a href="http://www.bbc.co.uk">http://www.bbc.co.uk</a></p> <p><a href="http://www.bbc.co.uk/apps/ifi/schools/gcse/bitesize/business/quizengine?quiz=aims">http://www.bbc.co.uk/apps/ifi/schools/gcse/bitesize/business/quizengine?quiz=aims</a></p> <p>(quiz on aims)</p> <p><a href="http://www.tutor2u.net/business/gcse/organisation_aims_objectives.htm">http://www.tutor2u.net/business/gcse/organisation_aims_objectives.htm</a></p> <p>(covers a range of objectives including profit satisficing)</p> <p><b>Textbooks</b></p> <p>Grant Unit 26</p> <p>Moynihan and Titley Chapter 13</p> <p>Sections 1 and 2</p> <p>Dransfield, Cook and King pages 96-97</p> <p><b>Newspaper articles</b></p>
4h	Students should be able to describe pricing and output policies in perfect competition and monopoly	<p>Students do not have to cover monopolistic competition or oligopoly.</p> <p>Students need to consider the likely benefits of a market situation in which there is a large number of firms competing against each other. They then need to contrast this with a monopoly situation where one firm controls a market and consider the likely advantages and disadvantages of this situation. Students could be given examples from their own countries of markets with a high level of competition and those where one firm controls the market or is in a very dominant position and be required to compare the two situations.</p>	<p><b>Online</b></p> <p><a href="http://www.tutor2u.net/economics/content/topics/competition/competition.htm">http://www.tutor2u.net/economics/content/topics/competition/competition.htm</a></p> <p>(characteristics of perfect completion. Also includes diagrams but these are not needed)</p> <p><a href="http://www.tutor2u.net/economics/content/toics/monopoly/monopolyprofits.htm">http://www.tutor2u.net/economics/content/toics/monopoly/monopolyprofits.htm</a></p> <p>(main characteristics with an example. Again includes diagrams)</p> <p><b>Textbooks</b></p> <p>Grant Unit 27</p> <p>Moynihan and Titley Chapter 8</p> <p>Dransfield, Cook and King pages 98-101</p>

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4i	Students should be able to describe the main reasons for the different sizes of firms (size of market, capital, organisation)	Students should consider the three influences mentioned but might also consider other influences such as the age of the firm. They could research how particular famous firms such as Tata in India have grown. Dransfield, Cook and King have a case study on Tata (page 104).	<p><b>Online</b>  <a href="http://www.en.wikipedia.org/wiki/Tata_Group">http://www.en.wikipedia.org/wiki/Tata_Group</a>            (a history of the Tata Group)  <a href="http://www.s-cool.co.uk/aleve/business-studies-as-a2-level/business-organisation">http://www.s-cool.co.uk/aleve/business-studies-as-a2-level/business-organisation</a>            (go to 'next principle' for internal and external growth)</p> <p><b>Textbooks</b>            Grant Unit 28            Dransfield, Cook and King pages 102-103</p>
4j	Students should be able to describe and evaluate integration, economies and diseconomies of scale	<p>Using newspaper articles and news websites, students could study recent mergers to decide the nature of the mergers, the motives behind them and their advantages and disadvantages.</p> <p>In examining economies and diseconomies of scale, it is important that students should be able to decide what type of economies/diseconomies of scale can be experienced by different industries. For instance, students in groups might be asked to give examples of those that can be experienced by firms operating in the car industry, the film industry and farming.</p> <p>There are useful activities, exercises and questions in Grant, Moynihan and Titley and Dransfield, Cook and King.</p>	<p><b>Online</b>  <a href="http://www.bbc.co.uk/schools/gcsebitesize/business/production/productioncostsrev/shtml">http://www.bbc.co.uk/schools/gcsebitesize/business/production/productioncostsrev/shtml</a>            (covers economies of scale, diseconomies of scale, costs and mergers)  <a href="http://www.bized.ac.uk/vitruual/dc/farming/theory/th8.htm">http://www.bized.ac.uk/vitruual/dc/farming/theory/th8.htm</a>            (economies of scale enjoyed by a farm in Zambia)  <a href="http://www.bized.co.uk/education/16-19/economics/firms/activity/scale.htm">http://www.bized.co.uk/education/16-19/economics/firms/activity/scale.htm</a>            (an activity asking students to apply their knowledge and understanding)</p> <p><b>Textbooks</b>            Grant Unit 29            Moynihan and Titley Chapter 13            Section 5            Dransfield, Cook and King pages 104-107</p>

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4k	Students should be able to discuss the advantages and disadvantages of monopoly	<p>Students could be asked to prepare a presentation on the advantages and disadvantages of monopoly, making use of real world examples. Dransfield, Cook and King have an activity and a number of questions on a case study of the pharmaceutical industry (page 109).</p> <p>At the end of this Unit, students could be asked to undertake the activities in Section 4 in Grant Workbook and the questions at the end of the Section in Grant. There are also a number of questions at the end of this Unit in Dransfield, Cook and King (pages 110-112).</p>	<p><b>Online</b>  <a href="http://www.bized.co.uk/education/16-19/economics/firms/presentation/structure.ppt">http://www.bized.co.uk/education/16-19/economics/firms/presentation/structure.ppt</a>            (a powerpoint presentation on different market structures)</p> <p><b>Textbooks</b>            Grant Unit 27 Page 283            Moynihan and Titley pages 143 – 144            Grant Workbook Section 4            Dransfield, Cook and King pages 108-109</p>