

0455-IGCSE ECONOMICS DEFINITIONS

1.	Opportunity cost	Opportunity cost is defined as the benefit obtained from the next best alternative foregone because of a particular choice
2.	Fixed cost	A fixed or overhead cost is a cost of production which does not vary with changes in output (1), such as the cost of fixed interest payments on loans (1).
3.	Variable cost	A variable cost is a cost of production which does vary with changes in output (1), such as the cost of raw materials (1).
4.	Exchange rate	An exchange rate is the price of one currency (1) in terms of another (1); it is the external value (as opposed to the internal value) of a currency (1).
5.	Full employment	This occurs when all those willing and able to work at the given real wage are working, i.e. all unemployment is voluntary .It is the level of employment at which those who wish to work have found jobs, with the exception of those who are frictionally unemployed.
6.		<p>Also credit:</p> <ul style="list-style-type: none"> • a situation where unemployment is low/employment is high • reference to full employment as a government objective <p>reference to a particular figure e.g. 97% employment/3% unemployment.</p>
7.	Term capital	<p>Up to 2 marks for a definition of capital: It refers to the man-made physical goods used in production, e.g. machines, tools, factories, roads (do NOT accept money).</p> <p>Up to 2 marks for an explanation of importance: idea of capital-intensive production, making greater use of latest, more technologically advanced, machines, tools, equipment.</p>

0455-IGCSE ECONOMICS DEFINITIONS

8.	Disposable incomes	<ol style="list-style-type: none"> 1. The amount of income people have left after direct taxes have been deducted (2) 2. The amount of income people have left after taxes have been deducted and state benefits have been added (2)
9.	Term capital	<p>The amount of income people have left after taxes have been deducted (1)</p> <p>The amount of income people have left to spend and save as they please (1)</p> <p>The amount of income people have plus state benefits (1)</p>
10.	Factor of production: Enterprise	<p>This is the factor that takes the risk (1) in bringing the other factors together/combining other factors to produce goods and to provide services in order to make profits (1)</p> <p>Enterprise involves the taking of decisions (1) in terms of what to produce and how to produce it (1)</p> <p>Enterprise is undertaken by entrepreneurs/examples of entrepreneurs (1) who receive profit as a reward (1)</p>
11.	Gross domestic product	<p>Technically, Gross – before deduction for depreciation (1)</p> <p>Domestic – within the geographical boundaries of a country (1)</p> <p>Product – the total value of goods/services produced in an economy in a given period of time (1).</p> <ol style="list-style-type: none"> 1. Accept general understanding e.g. it is the total output produced (1) in an economy (1) over a given period of time (usually a year) (1). 2. Candidates may also refer to the three methods of calculating it (output, income, expenditure) and the fact that it may be adjusted for inflation (a 'real' figure).
12.	Factor of production: Labour	<p>Labour represents human effort/capital/contribution (1)</p> <p>the physical (1) and mental (1) contributions</p>

0455-IGCSE ECONOMICS DEFINITIONS

		<p>of employees to the production process (accept skilled and unskilled)</p> <p>Any two examples of jobs, this could be specific examples of physical contribution, e.g. mining or car production (1) and mental contribution, e.g. teacher or lawyer (1)</p>
13.	Birth rate	Birth rate: the number of live births per 1000 of the population (1) per year (1) (accept per period of time)
14.	Death rate	Death rate: the number of deaths per 1000 of the population (1) per year (1) (accept per period of time)
15.	Demand	It is the willingness (1) and ability to buy a product (1)
16.	Regressive tax	A tax that takes a higher proportion of the income of the poor. (2) A tax that falls more heavily on the poor. (1)
17.	Mixed economy	It is an economy with a private sector (1) and a public sector (1), a mix of both free market (1) and planned economies (1) where resources allocated by both the price mechanism (1) and government decisions/consumers and government deciding what is produced (1). Some prices are determined by market forces (1) and some by directives/the government (1)
18.	Rate of interest	<p>It is a charge / cost (1) for borrowing money (1).</p> <p>Or:</p> <p>It is the reward (1) for saving (1).</p> <p>Or:</p> <p>It is a monetary policy measure (1) set by the central bank (1).</p>
19.	Resources	<p>They are the factors of production/inputs (1) used to produce goods and services (1)</p> <ul style="list-style-type: none"> • identification of type of factor of production – land (natural resource), labour (human resource), capital, entrepreneur (1)

0455-IGCSE ECONOMICS DEFINITIONS

20.	Supply	It is the willingness (1) and ability to sell a product/good(s) or service(s) (1) It refers to making a product available or putting it on the market/producing a product (1)
21.	Productivity	It refers to the output per worker/factor (1) per hour/time period (1) Note: second mark is dependent on the candidate gaining the first mark.
22.	Medium of exchange	A form of money (1) that is used to buy and sell products (1) generally acceptable (1)
23.	Capital good	A human-made good (1) used to produce other goods and services (1) example e.g. machinery (1). Note: do not accept money as an example.
24.	Deflation	A fall (1) in the price level (1) Or: An increase in the value (1) of money (1).
25.	Unemployment	People without jobs (1) who are willing and able to work (1). Or: Resources not being used (1) to produce goods and services (1).
26.	Progressive tax	A tax that takes a higher proportion as income rises (2). A tax that falls more heavily on the rich (1).
27.	Trade union	An association / body / organisation/group of people (1) which represents workers / members (1).
28.	Depreciation in the value of an exchange	A fall in the value (1) of a floating exchange rate (1) compared to other currencies e.g. US\$ (1).

0455-IGCSE ECONOMICS DEFINITIONS

	rate	
29.	Equilibrium price	<p>The price where demand and supply are equal (2). Or It is the market clearing price (1) which ensures no surplus or shortage (1). Or The price which will not change (1) unless market conditions change (1). Note: award 2 marks for correctly drawn diagram.</p>
30.	Standard of deferred payment	<p>A function of money that enables people to borrow (1) pay back at a later date (1) and to lend (1). The function of money that enables a price/interest rate to be set on the amount a borrower will pay (1) that a lender will earn (1).</p>
31.	Subsidy	<p>A payment by e.g. a government (1) to reduce production costs (1) to increase output (1) to improve quality (1) reduce prices for consumers (1).</p>
32.	Average cost	<p>Total cost divided by output (2). Or Cost per unit / average fixed cost plus average variable cost (1).</p>
33.	Specialisation	<p>The concentration/focus (1) on one task/product / what they are best at (1).</p>
34.	Devaluation	<p>A fall in the value (1) of the currency (1) in the case of a fixed exchange rate/caused by government decision / against other currencies (1).</p>
35.	Trade protection	<p>Protecting domestic firms (1) from foreign competition (1). Helping domestic firms (1) to face foreign competition (1). Implementing trade barriers (1). <ul style="list-style-type: none"> ✓ Deliberate attempt to limit imports (1). ✓ Government action (1) that restricts international trade (1). </p>