

Subject CB2

Corrections to 2020 study material

Comment

This document contains details of any errors and ambiguities in the Subject CB2 study materials for the 2020 exams that have been brought to our attention. We will incorporate these changes in the study material each year. We are always happy to receive feedback from students, particularly details concerning any errors, contradictions or unclear statements in the courses. If you have any such comments on this course please email them to CB2@bpp.com.

You may also find it useful to refer to the Subject CB2 threads on the Actuarial Discussion Forum. (You can reach the Forum by clicking on the 'Discussion Forums' button at the top of ActEd's website, or by going to www.acted.co.uk/forums/.)

Important note

This document was originally produced on 7 October 2019. Dates are given for all corrections added at a later date.

Textbook

There are a number of typos and errors in various versions of the 10th Edition of the 'Economics' textbook. Depending on which version you have, some (or all) of these errors may be present. Details of these are given in the following table.

Module in the Course Notes	Chapter in the textbook	Page in the textbook	
5	5	144	Typo In the first paragraph in the second column, the end of the fifth line should read 'opt-out default' (not 'opt-in default').
7	7	207	Typo The reference to Box 7.4 at the end of the fourth paragraph on the page should instead refer to Box 7.5.
8	8	235	Typo The third sentence of the third paragraph in the right column should read 'Firm Y's best response once again is to charge £1.80, earning it profits of £8 million, as illustrated in cell D.'
9/10	8/14	246/422	Contradictory definitions of predatory pricing The box on page 246 defines this as $p < AC$, but in Chapter 14 page 422, it's defined as $p < AVC$. In the Glossary, it's $p < AC$. Either would probably be acceptable to examiners, though perhaps it is safer to use $p < AC$.
10	12	360	Typo The top green line in Figure 12.7 should be labelled ' $MSB = MPB + MEB_c$ ', ie it should add on the marginal external benefits of consumption (not subtract them).
10	12	362	Typo The heading should be 'Impure public goods'.
11	15	451	Incomplete definition of Net Worth The definition in the third paragraph is correct. The definition in the box is incorrect in that it does not refer to liabilities.
11	15	486	Gross Value Added at basic prices (GVA) In the definitions box, '(GVA)' should be before 'at basic prices'.

11	15	486	<p>Gross Value Added at basic prices (GVA)</p> <p>The definition given in the box ('... and <i>includes</i> subsidies on products') should read ('... and <i>excludes</i> subsidies on products'), which makes it consistent with the text above.</p>
11	20	624	<p>Typos</p> <p>Under 'substitution effects', the first paragraph is incomplete: '... as prices.' This should be: '... as prices rise.'</p> <p>Under 'shifts in the aggregate demand curve', in the first sentence it should read '... can shift inwards (to the <i>left</i>) or outwards (to the <i>right</i>) ...'.</p>
12	15	462	<p>Incorrect definition of Aggregate Supply</p> <p>The definition given in the box is of the aggregate supply <i>curve</i>, not aggregate supply. The accurate definition of aggregate supply (<i>ie</i> output) is given in Chapter 1 (page 8) and in the glossary.</p>
13	24	764	<p>Typo</p> <p>The title of Fig 24.11 should be 'monopsony demand for an import' (not export).</p>
16	17	532	<p>Typo</p> <p>The text says 'budget surplus ($T = G$) or a budget deficit ($G = T$)'. These should be ($T > G$) and ($T < G$) respectively.</p>
18	19	592	<p>Typo</p> <p>Under 'Exchange rates and net exports (stage 3)', it says in brackets 'there is a movement up along the M curve' when it should be down.</p>
18	19	606	<p>Elasticity of the MP curve</p> <p>If the penultimate and final paragraphs in your version of the textbook end with '<i>(elastic)</i>' and '<i>(inelastic)</i>' respectively, '<i>(elastic)</i>' and '<i>(inelastic)</i>' could be the wrong way around. Elasticity in this context is the extent to which interest rates change in response to a change in national income, so if elasticity is high, the curve will be steep. Therefore, in the final two paragraphs on p606, the bits in brackets should read: '... the MP curve will be relatively flat (<i>inelastic</i>)'; and '... the MP curve will be relatively steep (<i>elastic</i>)'</p> <p>If p606 of your version of the textbook doesn't end with '<i>(inelastic)</i>', the 2nd part of the penultimate paragraph on page 606 could be missing a full stop. It should come after 'The MP curve will be relatively flat'.</p>

18	19	609	Typo Under 'Shifts in both curves', on the fourth line, it should refer to Y_4 rather than Y_3 .
18	19	615	Typo Under the subheading 'The IS curve', the first sentence in the second paragraph should end as follows: '... investment and a rise in saving.'
19	23	738	Typo In the first paragraph, the reference to Box 23.3 should be Box 23.5.

Revision Notes

Booklet 2, Multiple-choice question 66

The correct answer should be D.

Booklet 4, Question 1

In part (ii) of the question, the reserve ratio r should be defined as the proportion of deposits held by the banks as reserve assets.

CMP

Module 10, pages 13 and 14

(added on 15 April 2020)

Public parks should be removed from this question and solution.

Module 10, page 30, solution to Question 10.3

(added on 15 April 2020)

'A merit good is a private good, *ie* it is rival and excludable' should be replaced with:
'A merit good can be a private good, *ie* it can be rival and excludable'

Assignment 2, page 2, Question X2.3

(added on 15 April 2020)

Option D should read: 'one person's consumption of a public good leaves the amount available for others unaffected, whereas one person's consumption of a merit good can reduce the amount available for others'.

Assignment 2, solution to Question X2.3

(added on 15 April 2020)

'Merit goods are private goods in that they are both rival and excludable' should be replaced with:
'Merit goods can be private goods in that they can be both rival and excludable'.