

Subject CB2

Corrections to 2019 study material

Comment

This document contains details of any errors and ambiguities in the Subject CB2 study materials for the 2019 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 20 December 2018. Dates are given for all corrections added at a later date.

X Assignments

X2.33

Part (ii) of the question should read:

Suppose the public instead decide to hold cash equal in value to 20% of the value of their bank deposits, rather than deposit all their money in the banks.

In the solution to part (i)(a), the line underneath the formula should read:

where r is the banks' reserve, or liquidity, ratio and c is the cash-to-deposits ratio, ie the cash held by the public outside the banking system, expressed as a proportion of their bank deposits. Here $r=0.125$ and $c=0$.

Textbook

In the Course Notes, under ‘Guidance’ for each section of each module, we have noted a number of typos and errors in the textbook. Since writing the Course Notes, we have become aware of a few more items to note. Details of these are given in the following table.

Module in the Course Notes	Chapter in the textbook	Page in the textbook	
9/10	8/14	246/422	<p>Contradictory definitions of predatory pricing</p> <p>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 $p < AC$.</p>
10	12	362	<p>Typo</p> <p>The heading should be ‘Impure public goods’.</p>
11	15	486	<p>Gross Value Added at basic prices (GVA)</p> <p>‘(GVA)’ should be before ‘at basic prices’.</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>
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 ($T = G$)’. These should be ($T > G$) and ($T < G$) respectively.</p>
18	19	606	<p>Elasticity of the MP curve</p> <p>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 be the other way round, <i>ie</i> they should read: ‘... the MP curve will be relatively flat (<i>inelastic</i>)’; and ‘... the MP curve will be relatively steep (<i>elastic</i>)’.</p>
19	23	738	<p>Typo</p> <p>Reference to Box 23.3 should be Box 23.5.</p>

31st January 2019

Textbook

In Box 5.4 on page 144, in the first paragraph in the second column, the end of the fifth line should read 'opt-out default' (not 'opt-in default').

3rd March 2019

Textbook

On page 462, the definition given for aggregate supply, 'the total amount that firms plan to supply at any given level of prices', is a definition of the aggregate supply *curve*, not aggregate supply. The accurate definition of aggregate supply (*ie* output) is given in Chapter 1 (page 8) and in the glossary.

On page 592, on the right-hand side, under 'Exchange rates and net exports (stage 3)', it says in brackets 'there is a movement up the M curve' when it should be *down*.

On page 624, under 'Substitution effects' the end of the first paragraph should read 'as prices *rise*'.

Revision Notes

Booklet 4, Question 3

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.

27th March 2019

Revision Notes

Booklet 2, Multiple-choice question 78

The correct answer should be D.