

**Economics**

Advanced GCE A2 H461

Advanced Subsidiary GCE AS H061

**Report on the Units**

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**June 2009**

**HX61/MS/R/09**

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This report on the Examination provides information on the performance of candidates which it is hoped will be useful to teachers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding of the syllabus content, of the operation of the scheme of assessment and of the application of assessment criteria.

Reports should be read in conjunction with the published question papers and mark schemes for the Examination.

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**Advanced Subsidiary GCE Economics (H061)**

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# Chief Examiner's Report

## General Comments

The examinations this session consisted of very large entries of approximately 10,000 candidates for the new AS unit F582 and over 6000 candidates taking unit F581, about a third of whom were re-taking from January.

Candidate numbers taking the specification continue to increase in line with national trends. It is pleasing to see increased interest in Economics at this level and to record that most candidates continue to meet the required standards and grade descriptors that are published by the QCA.

At the same time, with the new specification, the step up from AS to A2 should not be underestimated. A2 optional units have additional content, there are 2 hour examinations and we are now in an era of 'stretch and challenge.' Further information will be provided by Principal Examiners at the next round of INSET meetings. Advice is also given in the A2 OCR-endorsed Heinemann text book.

There are two important messages for all candidates. These are

- (i) To recognise the significance of the directive words of questions. A noticeable weakness, as stated in the two AS Principal Examiner's reports, has been that some seemingly good candidates have failed to address the 'comment' aspect of the two questions where this word occurs. The 'discuss' aspect of the final question has been less of a problem, although many candidates fail to grasp that a two-sided answer, with underpinning analysis, is being signalled.
- (ii) To ensure that answers requiring continuous prose contain relevant economic concepts, terminology and analysis. This is essential if an answer is to be awarded a Level 3 or Level 4 mark. Please bear this in mind for F585 in particular. Candidates should know that an answer that consists of material largely drawn and reproduced from the stimulus material will not get a mark above Level 2.

With just two A2 units, this advice has added relevance. Notwithstanding, the Principal Examiners for the new specification and myself are looking forward to seeing how candidates respond to the challenge that lies ahead.

## F581 Markets in Action

### General Comments

This was the second sitting of this AS unit for the new H061 specification. The examination was taken by approximately 6700 candidates, all of whom were in year 12 or in the first year of their AS Economics studies. Some of these candidates were re-sitting the unit.

This format of question paper will continue for at least the 2010 season. There were 36 marks available for questions 1 – 4, drawn from the first two sections of the specification; and the remaining 24 marks were drawn from the market failure and government intervention section.

The subject of the case study was topical. All of the information provided was 'real', with the data in Fig. 2 being drawn from a report produced by the Civil Aviation Authority.

Contextually, as some teachers may have realised, the plan to link APD to estimated emissions from each flight has been deferred. Having said this, it was not detrimental if candidates were unaware of this. Only a small number of candidates actually referred to the principle, let alone the current position in their answers to Question 6.

The overall performance of candidates was variable and in some respects, more variable than in January. It was particularly noticeable that there seemed to be a longer tail of weak candidates this session. Such candidates struggled even from Question 1 and in a good number of cases, did not even attempt some of the later questions such as Question 3(b) and Question 4(c). It was also noticeable that a few such candidates produced answers that were in a macro and not micro context. Typical of this was the labelling of the diagrams for Question 2(b) and Question 3(b). The implication is that they were also taking unit F582 this session and struggling to see the difference between 'demand and supply' and 'aggregate demand and supply'.

At the top end there were some excellent scripts containing authoritative answers, particularly to Question 6. Although this was a relatively straight forward question, it did give examiners ample opportunity for differentiation.

Questions 3(b) and 4(c) were challenging, even for better candidates. So, along with Question 6, a top grade was usually achieved by those candidates who scored well on these questions.

Most candidates were able to attempt all questions within the time allocated. There also seemed fewer problems than in January with candidates writing outside the blocks of space allocated to each question. About one in three candidates used a continuation sheet.

Assistant examiners are required to fully annotate all scripts with the symbols provided. Where centres ask for scripts to be returned, it is necessary to specify that annotations are to be requested; otherwise 'blank' scripts only will be provided.

Full feedback on this unit and on unit F582 will be provided in the forthcoming INSET programme.

## Comments on Individual Questions

- 1 On the surface this should have been a straightforward opening question for all candidates. Factors of production is one of the first topics taught in the specification, however script evidence was patchy.

Although there was no direct statement of what were the factors of production in the provision of air transport services, any student of AS Economics ought to have been able to apply their knowledge of the four factors of production to this context. Answers in terms of 'labour' and 'capital' were most common and usually included a relevant example such as pilots, cabin crew, aircraft and airports. Answers in terms of the production of aircraft rather than the provision of 'air transport services' were not seen as appropriate. A wide interpretation was applied to the 'land' factor of production. Very few candidates stated 'entrepreneurship' as an example.

- 2(a) This style of question has been asked on numerous 2881 question papers. It is a very indicative way of asking for the determinants of demand in context.

The best approach is to see it in three parts, each of which is worth one mark. These are:

- a recognised text book determinant of demand
- application, in this case from air travel
- a clear explanation of how both impact upon the quantity demanded of air travel.

The third mark can also be gained through explaining why there might be a change in the quantity demanded.

Again, answers were variable. For many candidates this was early opportunity for six marks. Such answers tended to follow the format described above. In other cases, four marks were gained for answers which lacked a final explanation of how a particular example of a determinant of demand actually impacted or resulted in a change in the quantity demanded.

'Income' or 'disposable income' and 'price' were the two most common determinants which were stated. The most varied examples were in terms of 'taste and fashion', although a good number of such answers did not state this as the actual determinant.

- 2(b) Another typical question as far as this unit is concerned. The wording of the question, 'growing number of low cost flights', should have indicated to candidates that this equated to an increase in supply. This was reinforced in the first paragraph of the case material. So, all that was required was a basic demand and supply diagram, with a shift to the right of S, accompanied by a brief explanation of how this change had affected the market. Many candidates did this and gained full marks.

A common mistake was to shift D as well as S. This is not what the question asked. Other errors were to shift S to the left and not to the right. A surprising number of candidates labelled D and S incorrectly.

- 3(a) This was the first of two part questions which required a simple definition of a term. Most candidates were able to do so. A minority answered in terms of 'demand greater than supply' or similar, whilst some candidates had a less than full understanding of consumer surplus.
- 3(b) The modal mark on this part of the question was five marks. This was gained for a correct diagram, plus a simple assertion that consumer surplus had decreased as a result of the increase in ticket prices.

Two diagram possibilities were acceptable. The first was a basic demand curve where an increase in price and the resultant loss of consumer surplus were indicated. A more complicated diagram was one which also included a supply curve that shifted to the left as a result of the increase in APD in February 2007. In this case, it was rather more challenging to show the change in consumer surplus.

This was the first question which had 'comment' as the directive word. This was largely ignored by at least 90 per cent of the candidates, other than to say that consumer surplus had fallen. To get further marks, some additional comment in theory or context was needed. For example, the price elasticity of demand determines the actual loss of consumer surplus; for air travel, business travellers are likely to experience less of a loss of consumer surplus than 'binge flyers' for whom the decision to travel is invariably price elastic.

- 4(a) This was a new style of question which drew upon the data provided in Fig. 2. Provided candidates could remember which way round the formula is, it was simple to calculate a price elasticity of demand of 1.43. Other answers, but not 1.42, were acceptable. One mark was available for correct transposition but wrong arithmetic.
- 4(b) Two marks were available here for an interpretation of the elasticity estimate calculated in part (a). Most candidates were able to score full marks. The own figure rule was applied in cases where the estimate in part (a) had been 28/40, 0.7.
- 4(c) The calculation in part (a) provided perceptive candidates with the information they needed for the first stage of this question. By calculating all of the estimates, it was possible to see that the price elasticity of demand changed from being inelastic to moderately elastic as the APD increased. The aim of reducing demand from 'binge flyers' could, therefore, be best met through the higher rates of APD.

Overall, this question was not well answered. Few candidates gained full marks. Many saw the underlying principle but were unable to 'use the information in Fig. 2' to develop a relevant explanation. As in Question 3(b), the 'comment' directive word was largely ignored.

- 5 (a) This was the second question for which a text book answer or thereabouts was required for two marks. Most candidates achieved this for 'definitions' which made reference to the negative effects on a third party. Equally acceptable, and more concise, was where the social costs of an action exceeded the private costs.
- 5(b) This part of the question was also well answered, although some answers were overlong given that just four marks were available. A good starting point was to draw an example from the case study. Thereafter, the best answers explained why there was an inefficient allocation of resources leading to market failure. A small number of candidates did this by means of a diagram. There were more modest answers from candidates who did little more than elaborate the example which they had given.
- 6. This was a standard question central to the content of this unit. Accordingly, it was well answered, with some excellent evaluative answers at the top end. Full marks were awarded to candidates who were able to discuss the case for and against taxation and then go that bit further by discussing how taxation compared with other means of dealing with negative externalities.

A good platform for a Level 4 answer was to analyse the impact of indirect taxation on the market equilibrium. This analysis could then be extended to evaluate some of the theoretical and practical advantages and disadvantages of indirect taxation as a means for

combating negative externalities. Examples from any context tended to enhance the relevance of the answer.

About half of the candidates wrote answers which reached Level 4. Such answers had to be underpinned with appropriate theoretical concepts or analysis; otherwise they were assessed at Level 2. In terms of marks, there is a big difference between these two levels. Candidates should be reminded of this for future sittings.

In general, answers to this question contained good material and were of a reasonable length given the time available. At the bottom end, there were some weak, short answers from candidates who were ill-prepared to tackle this type of question.



# F582 The National and International Economy

## General Comments

Nearly 10,000 candidates sat this examination. There was a full range of answers produced from excellent to weak. Most candidates showed a good level of understanding of aggregate demand and supply analysis and a significant number were able to produce relevant analysis and evaluation in the last question.

The increased time allocation for the examination now allows candidates to write at greater length on the last question and to show a greater breadth and depth of knowledge and understanding across a range of the specification. Most candidates appeared to have no problems with the time allocated for the paper and they generally managed the time well. The two most frequently unanswered questions were 1 and 4(b), but the vast majority of candidates answered all the questions.

As in previous sessions, a relatively high number of candidates did not pick up on command words in the questions, particularly 'comment on' in Question 4(b). There were a number who also failed to pay sufficient attention to the other command words in a number of questions. Candidates appeared to find the text accessible, although a number experienced difficulty in interpreting the information in the tables in Figs. 1 and 2.

## Comments on Individual Questions

1. A few candidates did not understand how GDP per head is calculated. A higher number experienced difficulty in calculating the figure accurately because they did not understand the meaning of a billion. The UK actually adopted one thousand million as a billion in 1974 and this definition is widely used internationally in economics statistics. The examining team did award one out of the two marks for a figure which indicated that the candidate had an understanding of GDP divided by population.
- 2(a) Most candidates gained two marks on this part of the question. The main reason why candidates did not gain full marks was confusion between those who are unemployed and those who are economically inactive.
- 2(b) Some candidates found this a straightforward question and did well. Others, however, struggled. A number just quoted the figures and some confused rates with absolute numbers and so, for instance, wrote that there were fewer people unemployed for more than a year in Russia than in the UK.
- 3(a) This was a generally well answered part of the question, although not all candidates picked up on the word 'rate'.
- 3(b) There were some strong answers particularly in terms of menu costs, shoe leather costs, loss of international competitiveness, fiscal drag and inflationary noise. Some answers, however, were vague with candidates asserting, for example, that inflation would cause unemployment without explaining why. A number of candidates misinterpreted the question and wrote about two causes of inflation.
4. Many candidates appear to find the current account position a difficult topic. A high proportion of candidates seemed very confused about what the table showed. Expressing the current account position as a percentage of GDP does provide an opportunity to assess the relative significance of a surplus or deficit and such an approach is now

relatively widespread. Some candidates suggested that the table showed economic growth rates, others indicated that it showed budget positions and even more wrote very generalised descriptions of the figures without showing any awareness of what they indicate.

- 4(b) This also proved to be a challenging question for many candidates. As indicated in the general comments, a high proportion did not recognise that as well as analysing how the policy would be expected to work, they had to evaluate its effectiveness. A significant number of candidates also did not explain how their chosen policy might affect the current account position. Many of these candidates wrote about how it might reduce unemployment but did not refer to the current account position.

There were some strong answers which did link to the current account position in a lucid and relevant way. A number of candidates, however, assumed that an increase in output will automatically lead to more exports. Some candidates wrote in general terms about how, for instance, improvements in technology and increased investment could affect the current account position without identifying a policy, whilst a number seemed uncertain as to what is meant by a supply side policy.

- 5(a) The majority of candidates were able to identify the three other components, although a few mentioned, for instance, the rate of interest and taxation. Some actually wrote, at some length, about the influences on consumer expenditure.
- 5(b) There were some lucid answers to this part of the question which included strong and relevant evaluation. A few candidates, however, limited their answer to analysis and some sought to evaluate not whether a cut in income tax would increase consumer expenditure but to evaluate whether higher consumer expenditure would increase aggregate demand.
- 5(c) The two most popular causes covered were a fall in the rate of interest and an increase in consumer confidence. Quite a high proportion of candidates produced strong answers. Others produced rather sketchy and vague explanations and a number explained reasons why consumer expenditure might be high rather than why it might increase.
6. There were some excellent answers to this question which included clear analysis and wide ranging and in-depth evaluation. The most common evaluative point explored was the significance of the level of spare capacity in the economy. A relatively high proportion of the candidates appeared to think that aggregate demand can only increase as a result of a change in government policy. A number of candidates, sought to change the question – into either one on how effective a particular policy measure is in increasing aggregate demand or one on the costs and benefits of inflation. Some candidates, unfortunately, asserted rather than explained points. This applied particularly to stating that an increase in aggregate demand would cause the aggregate supply curve to shift to the right without explaining why this may occur. Some candidates revealed the common confusion about the nature of unemployment by writing that an increase in aggregate demand would cause unemployment to fall as it would lead to a rise in the size of the labour force.

# Grade Thresholds

Advanced GCE Economics (H061 H461)  
June 2009 Examination Series

## Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F581	Raw	60	45	40	35	30	26	0
	UMS	100	80	70	60	50	40	0
F582	Raw	60	49	44	39	35	31	0
	UMS	100	80	70	60	50	40	0

## Specification Aggregation Results

Overall threshold marks in UMS (i.e. after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
H061	200	160	140	120	100	80	0

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
H061	17.57	38.03	58.38	74.08	85.60	100.00	6442

## 6442 candidates aggregated this series

For a description of how UMS marks are calculated see:

[http://www.ocr.org.uk/learners/ums\\_results.html](http://www.ocr.org.uk/learners/ums_results.html)

Statistics are correct at the time of publication.

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