

**GCE AS Level**

**Economics**

**H060**

**OCR Report to Centres June 2018**

## About this Examiner Report to Centres

This report on the 2018 Summer assessments aims to highlight:

- areas where students were more successful
- main areas where students may need additional support and some reflection
- points of advice for future examinations

It is intended to be constructive and informative and to promote better understanding of the specification 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.

The report also includes links and brief information on:

- A reminder of our **post-results services** including **reviews of results**
- Link to **grade boundaries**
- **Further support that you can expect from OCR**, such as our Active Results service and CPD programme

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## Grade boundaries

Grade boundaries for this, and all other assessments, can be found on [Interchange](#).

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It allows you to:

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- Identify areas of the curriculum where students excel or struggle and help **pinpoint strengths and weaknesses** of students and teaching departments.

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## GCE AS Level Economics (H060)

### OCR REPORT TO CENTRES

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# H060/01 Microeconomics

## General Comments:

There were no specific questions which caused a significant problem and there was no evidence that candidates struggled with the time limit for this paper. Several candidates when answering parts of question 16 wrote very long and detailed answers which went beyond the requirements of the question asked. A small number of candidates confused macroeconomic concepts such as AD, AS and unemployment with the micro concepts required by this paper, this was particularly evident within the final essay questions. A very large percentage of candidates attempted Q.17. Q.18 was significantly less popular and candidates who attempted this question often struggled to produce answers which achieved the highest levels.

Many candidates showed excellent examination technique with well-structured answers and diagrams that were utilised throughout the work to illustrate points of analysis and evaluation. A small, but significant, number of candidates however drew correct and fully labelled diagrams which were not referred to in the written part of the answer. Such candidates often identified points of equilibrium but did not illustrate how changes in demand or supply would alter this equilibrium.

A very small number of candidates used shorthand notations within their written answers which did not assist the examiner in trying to follow their line of argument. Candidates should be reminded that if they continue answers on a separate page it is wise to inform the examiner that this is the case and to label the answer with the correct question number.

## Comments on Individual Questions:

### Multiple Choice Questions – Section A

Many candidates answered these well and provided a clear answer. A small number of candidates chose to alter their answers in the answer box making the answer incomprehensible to the examiner. Candidate should be reminded to clearly state their final choice in these questions and cross out answers which are to be ignored.

The following proved the most challenging to candidates:

#### Question 4

This was quite a demanding question for several candidates. Many candidates were aware of the shape of the ATC and confused this with the AFC which was the required knowledge.

#### Question 9

Although candidates were able to illustrate their understanding of the calculation for this elasticity many were unable to correctly interpret the data produced.

Question 13

Requiring candidates to understand the impact of cost changes on two aspects of surplus made this a slightly more demanding question that some candidates were unprepared for. Candidates who sketched a diagram to illustrate their thinking on this question were often more successful.

Question 14

As with question 4 this question tested candidates understanding of cost curves. This was an area of the specification where the understanding of some candidates could be improved.

Data Questions – Section B

Question 16(a)

Was well answered by virtually all candidates.

Question 16(b)

Candidates were aware of how factors of production would impact upon the cost of replacing the item; the instruction to explain factors that might lead to an **increase** in the cost of replacement was missed by some candidates. Higher ability candidates were able to apply their knowledge to factors involved in the replacement of Trident. Simply stating that this would happen when replacing Trident was not sufficient to gain the application marks available. A common mark was therefore two.

Question 16(c)

As with part (b) candidates clearly understood the characteristics of a public good and could have improved their marks by applying their knowledge to the example of defence.

Question 16(d)

Scarcity is a concept where the understanding of candidates could be improved to be able to clearly define the term. A mark of zero or two was common for this question. It is important that candidates pay attention to the instruction to use the information in figure 1 to gain the application mark.

Question 16(e)

This question was generally well answered. Some candidates who correctly calculated the figure required sometimes should have added in the £ sign or correctly label the figure as millions instead of billions.

Question 16(f)

A large number of candidates were credited answers within level 1 for this question. The best answers made good use of a fully labelled PPF diagram to illustrate both how the alteration in resource allocation could reduce output and why it may not. Several candidates produced

perfect, fully labelled diagrams and should have expanded on them in the written part of their answer to gain a mark above Level 2.

In a very small number of cases candidates successfully used demand and supply diagrams to illustrate how increased supply of defence would reduce the resources available and therefore the cost to produce other goods and services.

To avoid that lower ability candidates confuse output with trade, it should be checked in the future that they have understood the difference between the two.

### Essay Questions – Section C

#### Question 17

This was by far the most popular essay question. A significant number of candidates were credited marks within Level 2 and 3. Some candidates could have improved their answers by developing their analysis and evaluation fully to gain marks within Level 4.

Most candidates understood that this is a service which can be seen as a merit good or one with positive externality impacts. Discussions were frequently supported by diagrams illustrating the under-consumption of merit goods in a free market. Better answers were well structured and used diagrams effectively to support both analysis and evaluation of state provision. In the evaluation excess demand and rationing came up as the most common negative aspects discussed.

A number of candidates could have improved their answers by clearly illustrating the mechanics of state provision, particularly the effect of zero pricing. A small number of candidates confused state and private provision.

#### Question 18

Fewer candidates were credited full marks on this question than question 17. A mark at the top of Level 2 was common.

Candidates who were credited high marks on this question had a strong understanding of the price inelastic nature of the market for oil. Such candidates analysed using a demand and supply diagram the impact of rising costs in a market with inelastic demand. Evaluation focussed upon the various other factors that could cause a significant increase in price of this item.

Candidates should be advised how to correctly illustrate the impact of rising costs on the supply curve as many had problems to do this correctly.

## H060/02 Macroeconomics

### General Comments:

This component (as with all AS components) saw a significant drop in entry but at the same time there was a pleasing improvement in the standard of answers produced by candidates. There were no particular questions which caused a significant problem and there was no evidence of candidates running out of time; to the contrary, many candidates wrote answers which were far too long and detailed for some parts of the data question, Q.16.

Candidates seemed to have been better prepared to handle the data this year and there were fewer obvious errors over issues like GDP versus GDP growth. In the final essay question, the majority of candidates attempted Q.17, with most answers being of a reasonable standard. Although Q.18 was less popular it did produce some very good answers as well as some which did not focus on the question set.

This report should be read in conjunction with the detailed mark scheme which lists the sort of correct answers expected by the examiners.

### Comments on Individual Questions:

#### Multiple Choice Questions – Section A

The majority of candidates answered these well, with most scoring between 8 and 12 marks. The following proved the most challenging to candidates:

#### Question 8

Many candidates seemed unfamiliar with different exchange rate systems, especially the hybrid system, which are a requirement on the AS specification.

#### Question 9

This question, although a relatively simple calculation, required careful reading, as it only required comparison of data between 2016 and 2017. The skill of selecting the correct piece(s) of data is an important one in Economics.

#### Question 11

This was certainly a more demanding question which effectively required manipulation of the 'reverse' Marshall-Lerner condition.

#### Question. 15

It is important that candidates learn how to interpret a flat-rate tax as being regressive and proportional. The 'fixed' level of tax is a smaller proportion of income as an individual's income increases.

Data Questions – Section B

Question 16(a)

Less than a third of candidates gained both marks on this question about the current account balance. Some candidates should have considered the 'balance' part of the question and explain what the term referred to. It is important that candidates don't confuse it with a budget balance.

Question 16(b)

The question started by saying, "Using Fig.1..." and so an answer of 'current account deficit' was not appropriate. Candidates should be reminded to use % signs in their answers.

Question 16(c)

This question was well answered with most candidates clearly well prepared to make comparative answers and, on this occasion, they did use the data in Fig.1.

Question 16(d)(i)

This was mostly well answered for two marks, although some candidates should have paid attention to the instruction to use Fig. 2 and 3 to gain more than one mark.

Question 16(d)(ii)

This was mostly well answered, although many candidates could have improved their answers by including any application and referring to the significance of Venezuela's inflation rate. Also, a lot of candidates incorrectly suggested that high inflation would reduce spending and increase saving so they should be reminded to be careful that they don't confuse inflation rate with interest rate.

Question 16(e)

Marks of 4 and 0 were the most common on this question. Many candidates assumed the falling oil price would lead to rising AD, due to rising competitiveness so the understanding of commodity markets should be improved in more depth in the future. Many candidates also did not make any link between oil prices and AD. The examining team saw a wide range of diagrams with differing degrees of appropriateness.

Better answers were able to get all four marks with a basic AD/AS diagram and a short one or two sentence explanation which expanded a little more than just repeating what the diagram was showing.

Question 16(f)

The main focus of many answers to this question, about the impact of Chinese investment on the Venezuelan economy, was on demand-pull inflation. The vast majority of candidates attempted both analysis and evaluation and gained 6 or more marks out of 10.

Many lower ability answers treated this investment as if it was 'internal' investment and a 'normal' part of the AD formula. Although these answers gained some credit they could have

been improved by appreciating the nature of this inward investment into the Venezuelan economy.

### Essay Questions – Section C

#### Question 17

As already indicated, this was the most popular essay question. A significant number of candidates were credited 15 or more marks and more than 10% of candidates gained an impressive 20 out of 20 marks.

All candidates showed an understanding of the meaning of the term economic growth. Candidates should be reminded to read the question carefully as some, explained the causes of economic growth, rather than discussing the consequences. Diagrams were often relevant and well labelled.

Better answers were often well structured, with relevant diagrams' and included a mix of analysis and evaluation throughout the answer.

Lower ability answers often confused as to whether an increase in GDP led to higher AD or whether an increase in demand caused higher GDP. Also, as many answers considered an increase in (aggregate) demand and a rise in GDP as one and the same, for the future candidates should be reminded of the difference between the two.

#### Question 18

Although less popular, this essay was attempted by a significant minority with plenty scoring 15 or more marks. However, fewer candidates gained full marks on this question than the other essay.

Those candidates who did well on this question had a sound understanding of how a depreciating currency occurs and the effect it has on the macroeconomy. They considered how international competitiveness may be affected, in terms of both export prices and rising import costs. There was some excellent evaluation which considered the extent to which these issues were relevant and dependent on what was happening in the economy of the UK's competitors, the degree of competition in export markets and the level of imported components in UK output.

Lower ability answers tended to ignore the focus of the question being on international competitiveness and so drifted off to write about the impact on the general UK macroeconomy or balance of payments with correct, but largely irrelevant, discussion of the Marshall-Lerner condition and J-curve effect.

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