

Report on the Units

June 2010

J320/R/10

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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 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.

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Economics (J320)

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Chief Examiner's Report

General Comments

This is the first year of examinations for the new J320 specification. However, the first full two year cycle will not be complete until June 2010, so it is likely that many of this year's candidates are sitting unit A591 and, in some cases, unit A592 at the end of the first year of their two year course. There were a total of 1694 entries for unit A591, 582 candidates who entered for unit A592 and a handful only (five candidates) who were entered for unit A593. It seemed that virtually all of those candidates who sat unit A592 had also been entered for unit A591. An analysis of these common candidates showed that they achieved higher marks on unit A591 than on unit A592, which suggested a stronger understanding of micro than macro-economics.

To achieve a high mark it is essential that candidates address the 'key word' in each question, such as 'explain' or 'discuss,' and realise that these require different approaches. Failure to do so may severely restrict the marks which can be gained. Candidates need to be provided with opportunities to practise these skills, distinguishing 'explain' from 'describe' or 'state', and 'discuss' from 'explain'. To attain the top level of part (d) questions on units A591 and A592 it is expected that candidates reach a supported conclusion. Some candidates realised that a conclusion was required, but just 'tagged one on' which often had little relationship to the analysis which had preceded.

Another tip from the examiners is to answer the specific question which has been asked. There was a lot of evidence of 'prepared answers' for a topic which was not in the correct context of the question posed.

On the unit A593 paper, when candidates are asked to 'use the information from the case study' or to 'use Fig.3' etc, then they must do so and use the relevant data in order to have the opportunity to access the marks available.

A591 How the Market Works

General Comments

It was pleasing to see that most candidates were well prepared in terms of knowledge, understanding and application for this paper and across the specification. There were, however, a small number of candidates who appeared to lack the necessary knowledge or who ignored the context in which the question was asked. In parts (c) and (d), especially, regurgitation of learnt knowledge without addressing the actual question is unlikely to be well rewarded.

In order to achieve a high mark it is essential that candidates address the 'key word' such as 'explain' and 'discuss' and realise that these require different approaches. Failure to do so may severely restrict the marks which can be gained. Candidates need to be provided with opportunities to practice these skills, distinguishing explain from describe or state and discuss from explain. In order to reach the top level marks available on part (d) questions it is expected that candidates can reach a supported conclusion. Some candidates realised that a conclusion was required, but just 'tagged one on' which often had little relationship to the analysis which had preceded.

Although the paper was aimed at the whole ability range, there was little evidence that candidates, as a whole, could not try and answer every question. Strong candidates sometimes dropped marks on the more straight forward questions, while weaker candidates were able to pick up marks on the 'harder' ones. The latter group should be encouraged to fully learn the basics in order to improve their performance, while the former need to exercise greater care.

Comments on Individual Questions

Question 1

This question required candidates to demonstrate knowledge of a number of economic terms. Too many candidates showed a lack of solid understanding especially public and private enterprise.

- a) Although most candidates realised that 'marketing' and 'risk bearing' were the correct choices, some candidates preferred 'skilled workforce'. A few candidates ignored the instruction to tick 'two' and only selected one.
- b) Candidates were generally able to explain 'secondary', with car firms featuring in many answers. A few, however, confused secondary with services. In part (ii), too many candidates answered in terms of public and private limited companies, although the majority did identify the correct difference.
- c) Answers to the two parts of this question varied enormously. While some candidates demonstrated a good understanding of a competitive market, many did not seem at all clear what they needed to write about, with some referring to perfect competition. Most candidates managed to pick examples which, in part (i) indicated focusing on, for example the customer, improving efficiency; and in part (ii) on the risks of not doing so, eg being forced out of business by not making profits.
- d) Most candidates took the approach of explaining economies/diseconomies of scale. Better answers put these in the context of economic concepts such as average costs, rather than just describing the economies which limited candidates to a maximum of half marks. At the top, candidates came to a supported conclusion as to whether the benefits exceeded the

costs of growth. Weaker candidates tended to comment literally on the costs a firm faced in growing, eg extra expenditure.

Question 2

This question was focused on supply and demand. While it was pleasing to see that many candidates had a good understanding of this central idea, it was clear that a distinct minority had only a passing knowledge.

- a) In general, most candidates stated that the price of petrol increased, but many either did not quote any figures or appeared to misread the graph and chose the wrong figures to illustrate the size of the rise.
- b) Parts (i) and (ii) were linked in that the answers to part (ii) should have been drawn from the diagram in part (i). Where an incorrect shift had been shown candidates could still gain the marks for the change in price and quantity by logically using their diagram. No marks were available to those who drew an incorrect diagram and then gave an illogical answer to the changes. Too many candidates either shifted the supply to the right or thought that an increase in the price of oil would result in a change in demand. In part (iii) the important point was to logically link the elasticity chosen with the resulting change in revenue. Not all the candidates were able to do this.
- c) The better candidates realised that the outcome was unclear as those who did not buy a new car would probably continue to run their present vehicle which might well be less efficient. Too many candidates, however, were unable to go beyond a fall in demand because the two are complementary goods.
- d) This part of the question generated a wide range of valid responses. Most candidates explained the impact of an increase in tax on an inelastic good in terms of little effect on consumption. Fewer, however, fully explained the impact of a subsidy, but many mentioned elastic demand and an inferior good. Most candidates came up with a judgement, with some being well argued including the opportunity cost of the subsidy and offsetting it through the increase in the tax on petrol.

Question 3

Although this was the last question, the majority of candidates were able to offer full answers to each part.

- a) A large majority of candidates were able to calculate the profit of £80 000 correctly on this part of the question.
- b) In general there were some good answers to this part of the question showing a reasonable understanding of 'why'. A few candidates, however, did not seem to have any idea what was meant by a factor of production.
- c) Many candidates ignored the instruction to 'explain' and stated a number of ways in both parts, thus gaining one mark for each. Better candidates were able to state a way and then to expand on it. A significant problem in part (ii) was the confusion between 'productivity' and 'production'.

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- d) There was a wide range of responses. Most candidates knew that it would put costs up and, therefore, reduce profits and that it could result in redundancies. Better candidates mentioned one or more of: wage differentials; impact on competitors and the supply chain; greater motivation of staff leading to increased productivity; and higher incomes resulting in greater demand for meals, even if prices rose. Some candidates, however, largely regurgitated their notes on the national minimum wage, including diagrams with minimal relevance to the question asked. This approach did not gain much credit.

A592 How the Economy Works

General Comments

It was pleasing to see that many candidates were well prepared in terms of knowledge, understanding and application for this paper and across the specification. There were, however, some candidates who appeared to lack the necessary knowledge or who ignored the context in which the question was asked. In parts (c) and (d), especially, regurgitation of learnt knowledge without addressing the actual question is unlikely to be well rewarded.

The paper was aimed at the whole ability range, and there was little evidence that candidates, as a whole, could not try and answer every question.

Comments on Individual Questions

Question 1

The data was in the form of a graph showing annual change in GDP and this question was focused on economic growth. It was pleasing to see that many candidates had a good understanding of this topic area.

- (a) Candidates were asked to identify the year of fastest growth (2004) and slowest growth (both 2005 and 2006 were accepted), and many did this. Surprisingly, however, instead of simply reading off the graph, a lot of candidates seemed to believe they had to do something more complicated and gave incorrect answers.
- (b) Candidates were asked to explain the difference between GDP and GDP per capita. Most showed some understanding of GDP but only the best stated that it is the value of the output of the country. The majority also recognised that GDP is divided by the population to achieve GDP per capita. There was sometimes confusion with an average wage.
- (c) Candidates were asked whether the benefits of growth exceed the costs. Weak candidates misunderstood the meaning of costs in this context. However, there were many good answers. The best answers contained some balance regarding the benefits and costs. Higher living standards, more employment, and more public and merit goods were often discussed as benefits, while environmental damage such as pollution, inflation and greater inequalities were frequent as costs.
- (d) Candidates were asked to state two policies to achieve growth, and discuss how successful they would be. The weakest candidates failed to identify any relevant policy. Others stated interest rate policy or fiscal policy without explaining which would be required (i.e. interest rates down, budget deficit). Both demand side and supply side policies could be chosen and a lot of candidates explained various relevant policies well. The best candidates evaluated the policies, eg by pointing out that supply side policies could take a long time, or that raising disposable incomes could lead to more saving rather than spending.

Question 2

The data was in the form of a short news report about inflation in Zimbabwe.

This question was focused on inflation. It was pleasing to see that many candidates had a good understanding of this topic area, although weaker candidates did experience problems with parts (c) and (d).

- (a) Candidates were asked to explain the rate of inflation. Most defined inflation rather than specifically the rate of inflation, but most gained at least one of the two marks available for this part of the question.
- (b) Candidates were asked to identify and explain two causes of inflation. A lot were familiar with cost-push and demand-pull and explained them correctly. Only the weakest candidates were unable to identify these causes.
- (c) Candidates were asked to explain how the target rate of inflation is achieved. The weakest answers tended to explain the policies incorrectly, eg reducing taxes. However, many correctly explained aspects of either fiscal policy or interest rate policy. The strongest answers contained both.
- (d) Candidates were asked to discuss whether a high rate of inflation is a problem. This brought a very wide range of responses. Some candidates had little or no idea of the effects of inflation. Others could recognise that higher prices could lead to hardship. Better answers could explain effects such as menu and shoe leather costs. The best answers recognised that some could benefit (such as debtors) but overall competitiveness drops with consequences for employment, balance of payments, etc. Many of these concluded that a low stable rate was the best scenario.

Question 3

The data was in the form of a flow chart showing the effects of the closure of a firm. This question was focused on unemployment. It was pleasing to see that many candidates had a good understanding of this topic area, although once again weaker candidates did experience problems with parts (c) and (d).

- (a) Most candidates recognised the two types of unemployment as regional and structural, but there were also plenty of incorrect responses.
- (b) This part of the question about the consequences for the local community of factory closure was answered well overall. Many candidates achieved three or four marks out of the four which were available. Most candidates recognised that unemployment would rise and many explained the possible knock on effects on local businesses. The likelihood of more crime was a common response.
- (c) Candidates were asked to explain the effects on government spending and tax revenue. This brought a very wide range of responses. Whereas some candidates showed little or no understanding, most recognised that there was likely to be more spending on benefits. Some candidates wrote an answer to part (d), rather than to the actual question asked. The best answers explained why revenues from specific taxes would fall, such as income tax from reduced employment, VAT from reduced spending and corporation tax from closed businesses.

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- (d) Candidates were asked to explain two policies to reduce unemployment and discuss their effectiveness. This was another question which brought a very wide range of responses. The weakest candidates could not identify two policies. Some were confused and explained the policy incorrectly. However, many could explain two policies with reduced interest rates, expansionary fiscal policy (or a component of it) and supply side education and training being the most popular. Changes to the national minimum wage were also sometimes suggested. The best answers discussed the effectiveness of the chosen policies, including the possible conflict with other policy objectives.

A593 The UK Economy and Globalisation

General Comments

This was the first sitting of unit A593. Only a very small cohort of candidates sat this paper mainly due to the synoptic nature of the course and the perspective that it should be sat at the end of the course.

Overall the few candidates who sat the paper were let down on the longer question through their lack of knowledge and their lack of development of points. Candidates seemed comfortable with the case study material and were generally able to use it when required.

Comments on Individual Questions

Question 1

- (a) Candidates were clearly comfortable with identifying countries which used the euro as their currency. A range of countries were given and accepted.
- (b) This part of the question required candidates to show an understanding of the term 'free trade' by ticking two correct statements. The question was generally well answered with candidates showing an understanding of free trade.
- (c) Candidates were asked to compare economic growth data for the euro area and China. In order to achieve all four marks, candidates needed to use figures to support their comparisons.

Question 2

- (a) This question was similar to Question 1(c) in that it required the candidates to describe data from the case study. Once again, candidates needed to use the data from the graph to gain full marks.
- (b) Some candidates gave a vague definition which used the word 'puts' or 'gives' when explaining that UK goods are sold abroad and, therefore, achieved one mark. The words sold/selling were required.
- (c) This was a generally well answered part of the question. Candidates must develop their explanation, rather than repeating their reason.

Question 3

- (a) (i) This part of the question was well answered, requiring candidates to read information from the case study.
- (a) (ii) Candidates were required to calculate the balance of trade from the data in the case study. This was generally a well answered part of the question.
- (b) Most candidates had a good understanding of the term quota. Some candidates, however, confused a quota with a tariff.

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- (c) The most popular answer to this part of the question was a tariff. Candidates lost marks by not being able to explain the method they chose.
- (d) The key to this part of the question was to use Fig. 6 as required by the question, some candidates did not do this. Candidates tended to lose marks on this question because they did not explain their reason fully.
- (e) Once again the level of explanation let some candidates down on this part of the question.

Question 4

- (a) In order to achieve the second mark, candidates needed to give an example of an exchange rate. This could either have been from the data or a made up one.
- (b) This part of the question was not well answered. Candidates had clearly not been taught or did not understand the topic of exchange rates. There were a number of ways to achieve the marks on this part of the question.
- (c) This question was similar to Questions 1(c) and 2(a) requiring the candidates to describe data from the case study. Once again, candidates needed to use the data from the graph to gain full marks.
- (d) This part of the question was not well answered. Candidates were unable to link exchange rates and international competitiveness. In order to achieve Level 2 candidates needed to explain why a weak pound would cause exports to become cheaper.
- (e) Candidates were only required to 'state' on this part of the question. A range of answers were given.

Question 5

- (a) This part of the question was similar to the previous data questions requiring candidates to describe data from the case study. Once again candidates needed to use the data from the graph in order to gain full marks.
- (b) Generally this part of the question was well answered. Candidates showed a good understanding of the term 'inflation'.
- (c) Candidates' explanation let them down on this part of the question. Candidates needed to use the data in the case study and to link it to how it would affect the UK economy.

Question 6

- (a) (i) Candidates were required to read information from the case study on this part of the question.
- (a) (ii) Candidates were required to read information from the case study on this part of the question.
- (b) Candidates' explanation let them down on this part of the question. Candidates were required to use the data from the case study and to link it to productivity.

Question 7

This question was similar in style to the final question on the legacy case study paper. As usual with this type of question, candidate answers were varied. The more able candidates were able to use the pointers in the question to analyse and, at the top end, to evaluate the factors which caused a deficit on the UK current account on the balance of payments. Some candidates made no direct reference to the data.

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