

AS LEVEL

Examiners' report

ECONOMICS

H060

For first teaching in 2019

H060/01 Summer 2022 series

Contents

Introduction	3
Paper 1 series overview	4
Section A overview	5
Question 2	5
Question 3	5
Question 4	6
Question 5	7
Question 7	8
Section B overview	9
Question 16 (a)	9
Question 16 (b) (i)	9
Question 16 (b) (ii)	10
Question 16 (b) (iii)	10
Question 16 (c)	11
Question 16 (d) (i)	12
Question 16 (d) (ii)	12
Question 16 (e)*	13
Section C overview	14
Question 17*	14
Question 18*	16

Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates.

The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. A selection of candidate answers is also provided. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report.

A full copy of the question paper and the mark scheme can be downloaded from OCR.

Advance Information for Summer 2022 assessments

To support student revision, advance information was published about the focus of exams for Summer 2022 assessments. Advance information was available for most GCSE, AS and A Level subjects, Core Maths, FSMQ, and Cambridge Nationals Information Technologies. You can find more information on our [website](#).

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Paper 1 series overview

H060/01 Microeconomics examination is one of two examination components for AS Level Economics. This component contains three distinct sections:

- Section A - multiple choice questions
- Section B – data response
- Section C – an extended essay question

All sections target assessment objectives AO1, AO2 and AO3 and quantitative skills. Section B contains one question targeting AO4. The essay question targets all assessment objectives.

To do well in this component candidates need to apply their knowledge of microeconomic concepts to the situations presented in the question paper. This will involve using well labelled diagrams and calculations when appropriate.

Candidates who did well in this component were able to use economic knowledge and terminology with precision. Evidence from the data provided, and question stems, was effectively integrated into answers illustrating understanding of the concepts being applied. Questions which required extended writing were logically structured with extended chains of reasoning being used to develop balanced arguments.

Candidates who did well on this paper generally did the following:	Candidates who did less well on this paper generally did the following:
<ul style="list-style-type: none"> • used precise economic terminology • included their calculation for Question 16 (b) (i) • presented clearly labelled diagrams which were then used in the written analysis • provided clear chains of reasoning in Question 16 (e) and Section C questions • structured the answers to Question 16 (e) and Section C questions to show clear evaluation and a justified decision. 	<ul style="list-style-type: none"> • provided unclear choices for Section A questions. Answers often being re-written within the answer boxes. • confused economics terms • produced correct diagrams which were not referred to within the written work within Questions 16 (c), 16 (e) and the essay • produced answers to Question 16 (e) and Section C questions which consisted of lists of undeveloped knowledge. • produced a one sided answer to Question 16 (e) and Section C questions.

Assessment for learning



Candidates should be encouraged to focus clearly on the command word and any other instructions within the question to identify what their focus should be, e.g.

(e)* Evaluate, using an appropriate diagram(s), the effects of an increase in the supply of alternative greener energy on the electricity market. **[10]**

What does the command word require?

Diagrams must be drawn and referred to in the analysis

Section A overview

Section A consists of 15 multiple choice questions, three of which will test quantitative skills. The mark scheme provides explanations for each question to illustrate the correct answers and justifications for incorrect or distractor point.

Many candidates scored highly in this section of the examination showing strong knowledge of the concepts. Questions 2, 5 and 7 assessed quantitative skills.

Several candidates found Questions 3, 4 and 5 difficult showing a lack of understanding of composite demand, factors shifting the demand curve and PES.

Misconception



Occasionally candidates lost marks in this section by providing answers which were not clear. Candidates who wish to alter their answer should cross out the mark they wish to change and write the new letter outside of the mark box.

Question 2

- 2 The quantity supplied of a product is 2000 when its price is £40. If price elasticity of supply is 0.8, what will be the quantity supplied when price rises to £50?

- A 2160
- B 2400
- C 2500
- D 3600

Your answer

[1]

Question 3

- 3 Which of the following is an example of composite demand?

- A Demand for chairs increases as the price of tables falls
- B Demand for delivery drivers increases as more consumers shop online
- C Demand for Samsung mobile phones decreases as iPhones become cheaper
- D Demand increases for cheese leading to a fall in supply of cream

Your answer

[1]

Question 4

4 Which change would cause the demand curve for houses to shift to the right?

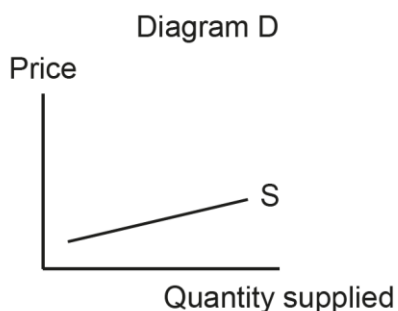
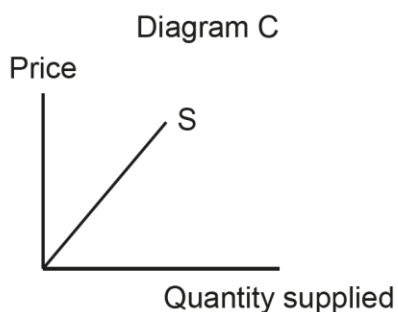
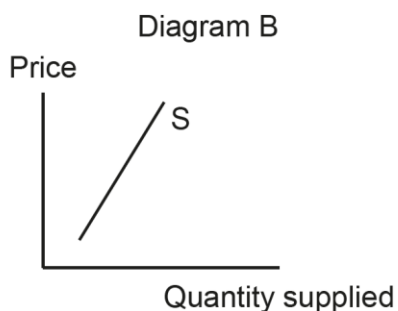
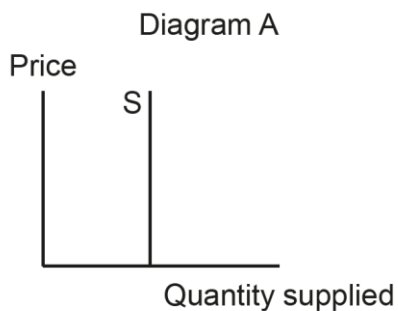
- A A decrease in income tax
- B A decrease in the cost of renting houses
- C An increase in emigration to the EU
- D An increase in the price of houses

Your answer

[1]

Question 5

5 The diagrams below show the relationship between price and quantity supplied of a product.



Which of the supply curves is likely to show the relationship between price and quantity supplied over the long run?

- A Diagram A
- B Diagram B
- C Diagram C
- D Diagram D

Your answer

[1]

Question 7

- 7 The table below shows the change in the demand for a product given a change in income. What type of good does this information indicate the product is?

Year	Income	Quantity demanded per annum
2020	£30 000	20
2021	£36 000	21

- A Inferior good
- B Normal good
- C Substitute good
- D Superior good

Your answer

[1]

Section B overview

Section B of the paper consists of data response questions. Questions range in mark allocation from 1 to 10 marks and total to 25 marks. Candidates are required to apply their knowledge of the microeconomics specification topics to the provided scenario.

Question 16 (a)

16 (a) Using **Fig. 1**, calculate how much more of the poorest households' income was spent on energy compared to the richest households in 2016.

.....

.....

..... **[1]**

Many candidates were able to correctly answer this question. A small number of candidates did not read the question carefully and attempted to calculate the amount of money that poor households spent on energy.

Question 16 (b) (i)

(b) (i) Using **Fig. 2**, if the UK Government introduces a tax so that there is a 50% increase in the total electricity price in 2018 compared to 2017, what would the price be per kilowatt hour (kWh) in the UK?

.....

.....

.....

..... **[2]**

Most candidates found this to be a straightforward calculation. Some candidates lost 1 mark by incorrectly stating that the figure was KWH rather than 22.5 **pence per KWH**. A small number of candidates did not attempt this question.

Question 16 (b) (ii)

(ii) State what impact the increase in electricity price would have on consumer surplus.

.....
..... [1]

This was well answered by many candidates. A small number of candidates confused producer and consumer surplus and stated that it would rise. Often candidates added a diagram to their answers to illustrate the position of consumer surplus.

Question 16 (b) (iii)

(iii) Explain why money is used as a medium of exchange to pay for electricity.

.....
.....
.....
.....
..... [2]

The most successful responses showed awareness that money would make undertaking transactions more efficient as it would remove the requirement for the double coincidence of wants needed in a barter system. Many candidates gained 1 mark for identifying that money replaced barter or that idea of a double coincidence of wants. Such candidates could not explain why money would be more efficient or the problem of barter. Some candidates stated incorrectly that money always had a set value. A small number of candidates did not attempt this question.

Question 16 (c)

(c) Using a diagram, explain the costs experienced by the residents of Lancashire due to the extraction of shale gas.

.....

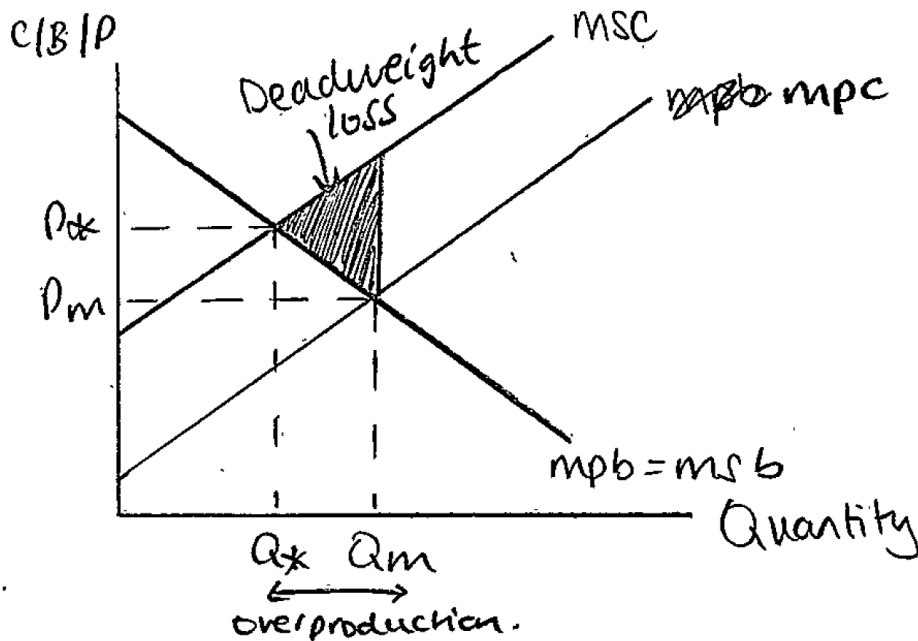
.....

.....

..... [4]

Candidate who recognised that this question referred to negative externalities scored highly. Such candidates produced clearly labelled diagrams supported by written explanations. A small number of candidates incorrectly labelled the y axis as price or £ and lost 1 of the 3 marks available for the diagram.

Exemplar 1



Exemplar 1 shows a correct diagram for Question 16 (c) The candidate has gained 3 marks for this diagram although the y axis is not precise it is sufficient to gain the mark (1). The MSC curve is clearly labelled (1) as are both equilibria (1) In the written section of the answer the candidate explain the welfare loss to society due to increased pollution referring to points in the diagram. This candidate gained all 4 marks.

Question 16 (d) (i)

(d) (i) What type of economic system is likely to have the most government intervention?

..... [1]

Most candidates gained the mark for this question. A small number of candidates who had clearly studied environmental economics mis-labelled this as a command-and-control economy.

Question 16 (d) (ii)

(ii) Using the information provided, explain **two** benefits of government intervention in the energy market.

1

.....

.....

.....

2

.....

.....

.....

[4]

The most successful responses identified a piece of information from the case study to show a government intervention in the energy market. Such candidates then explained why this was beneficial to the market. The most common answers being the reduction in prices for energy consumers and reduced negative externalities due to interventions such as taxes, subsidies, and price capping. Less successful responses ignored the instruction to use the information provided and suggested alternative actions that could be taken.

Question 16 (e)*

(e)* Evaluate, using an appropriate diagram(s), the effects of an increase in the supply of alternative greener energy on the electricity market.

[10]

This question tested all assessment objectives. The command word 'evaluate' informs candidates that a two-sided discussion is required. To gain marks within Level 3 candidates are required to make effective use of at least one diagram within their analysis. The most successful responses recognised that greener energy provides a substitute for non-green electricity production methods. These responses often used two diagrams, one illustrating the increase in supply of green energy and another illustrating the fall in demand for traditional energy. The supporting analysis explained the impacts on price and quantity consumed for each product. Evaluation focused on the importance of relative price differences, price elasticity of demand and the reliability of supply from green energy sources. The most successful responses showed a use of the relative price differences presented in the case study to effectively evaluate the impacts.

Lower performance responses showed some confusion with the information provided and often related to negative externalities of electricity production through coal or oil. Such answers showed awareness of the issues with electricity production but did not focus on the question set and so gained no marks.

Section C overview

Section C of the paper consists of two optional essay questions. Candidates must choose one essay. Each essay has a stem which provides some context for the question. Candidate responses do not have to relate to the information provided in the stem. The stems provide context which can be used to support candidates' answers if required. Candidates can and should make use of relevant examples that they have studied to offer context to their answers.

Use of diagrams

Candidates should be encouraged to read the grade descriptors for each level presented in the mark scheme.

Essays in Section C require the use of an appropriate diagram. To achieve marks in Level 3 candidates must make sure that the diagram or diagrams presented are integral to the analysis. It is not sufficient to say 'see figure 1'.

Question 17*

17* The price elasticity of demand for bread is inelastic while for designer watches it is elastic.

Evaluate, using an appropriate diagram(s), the factors that determine the price elasticity of demand for a product.

[20]

This was the slightly more popular essay question. High performance responses identified at least two factors that would affect PED. Each factor was explained to show how it would apply to goods with both elastic and inelastic demand. Differences between goods were illustrated using diagrams showing both an elastic and an inelastic demand curve. Examples of products which would be affected by the factor explained added depth to the analysis. Evaluation was achieved when the candidates developed their answers to explain why PED may not be important, may vary over time or with the actions of firms.

Lower performance responses provided lists of factors which could affect PED without developed chains of reasoning to show how they affected demand. This style of answer gained a mark in Level 1.

Exemplar 2

Factors that may determine whether a product is deemed as elastic or inelastic (PED), include whether or not the product is a luxury good. If like a designer watch being a luxury good PED will be elastic. This is as price increases (P-P1) equilibrium will shift (E-E1) causing quantity demanded to decrease (Q-Q1). This shows as the price of a luxury good increases, quantity demanded decreases. It also shows how the decrease in consumer surplus from P, E, A to P1, E1, A having a loss of the marginal consumers by P1, E1, E, P. This shows how less consumers are now willing to pay at the new equilibrium price, or above equilibrium price.

The response in Exemplar 2 has identified a factor which may be relevant, that it is a luxury product. Reference is made to a diagram which is correctly illustrating a price elastic demand curve. The reference to the diagram is shown by a tiny number 1 in a circle which could easily be missed by the reader. Candidates should make sure that the reader can easily identify which diagram is being discussed. The diagram is discussed showing understanding of the concept of PED. The key features of luxury items which lead to them having price elastic demand is not explained. The response does not identify that luxury products are wants not needs and that they make up a large percentage of people's income. There is very little analysis of the factor and an incomplete chain of reasoning. This response showed limited analysis and gained a mark in Level 1.

Question 18*

18* Division of labour and specialisation is used in many firms in Germany, a country which specialises in high value manufacturing.

Evaluate, using an appropriate diagram(s), the role of specialisation and division of labour in addressing the problem of scarcity. **[20]**

Candidates found this essay question to be quite difficult although several successful responses were presented. The high performance responses appreciated that specialisation and division of labour would help to achieve efficiency through increased productivity. Diagrams illustrating either the outward shift of a PPF or the supply curve were effectively used to explain the impact of this improvement on output and therefore scarcity. The most successful responses explained how international trade would accentuate this improvement. Although this was not a required part of the question such discussion illustrated the strength of understanding shown by the candidate. Evaluation was shown through discussion of the negative aspects of such production methods such as the risk of over specialisation and occupational immobility. Less successful responses focused on providing definitions of the key terms but could not relate these to the issues outlined in the question. The link between scarcity and improved productivity was not well understood.

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