

# A LEVEL

*Specification*

# ECONOMICS

H460

Updated Specification

For first assessment in 2021

[ocr.org.uk/aleveleconomics2019](https://ocr.org.uk/aleveleconomics2019)

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We will inform centres about changes to specifications. We will also publish changes on our website. The latest version of our specifications will always be those on our website ([ocr.org.uk](http://ocr.org.uk)) and these may differ from printed versions.

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# 1 Why choose the OCR A Level in Economics?

## 1a. A message from OCR, Spring 2019

Choose OCR and you've got the reassurance that you're working with one of the UK's leading exam boards. We work hard to make sure our qualifications remain relevant and that is why this version of our specification for first teaching in September 2019, has been developed in consultation with teachers, employers and Higher Education to create a qualification that is both engaging to students and meets their needs.

Engagement with teachers has helped make sure this updated specification can be delivered within the classroom environment more comfortably than ever before. We have re-organised the content and the order of topics to align more naturally with the way a number of teachers choose to deliver the content in the classroom. We have also taken the opportunity to check our content is as up to date as possible.

Whether you have been teaching the OCR specification previously, or are new to OCR, we have a scheme of

work to support your delivery. We have also worked closely with our publishing partner Hodder Education who have produced a revised textbook that closely aligns with our updated specification. Some of the case studies and worked examples have also been refreshed to help your students become familiar with the knowledge and skills needed.

We have further support available on our website [www.ocr.org.uk](http://www.ocr.org.uk). Our Examiner Reports will help you understand your students' performance in the exam and prepare future cohorts for their assessments, and we offer CPD training and network events both face to face and online. For specialist advice you can also contact our Economics Subject Advisors using the details provided in 1d.

We really hope that you enjoy working with us and teaching our specification.

## 1b. About OCR

OCR is part of the Cambridge Assessment Group, Europe's largest assessment agency and a department of the University of Cambridge. Cambridge Assessment plays a leading role in developing and delivering assessments throughout the world, operating in over 150 countries.

We work with a range of education providers, including schools, colleges, workplaces and other institutions in both the public and private sectors. Over 13 000

centres choose our A Levels, GCSEs and vocational qualifications including Cambridge Nationals and Cambridge Technicals.

All A level qualifications offered by OCR are accredited by Ofqual, the Regulator for qualifications offered in England. The accreditation number for OCR's A Level in Economics is QN: 601/4799/4.

## 1c. Why choose the OCR A Level in Economics?

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Our A Level in Economics has been designed to be an engaging and relevant qualification for today's students.

This specification provides a strong grounding in micro- and macroeconomics, with content that relates to every aspect of our lives and the world around us. The content is designed so that students learn concepts, which they can then apply to a variety of contexts.

Our A Level in Economics equips students with the skills and confidence to explore. It leads on from GCSE (9–1) and provides an excellent basis for further study at University.

By learning how to explain and evaluate economic problems and possible solutions, students will acquire a way of thinking as economists and develop a logical approach to thinking and reasoning.

There are three mandatory components, focusing on microeconomics, macroeconomics and themes in economics. The third component offers an exciting

opportunity for students to apply theories and concepts to up-to-date contexts. The assessment structure is simple and straight-forward with no coursework, just three two-hour examinations at the end of the course.

We create teacher-friendly specifications based on extensive research and engagement with the teaching community. They're designed to be straightforward and accessible so that you can tailor the delivery of the course to suit your needs. We aim to encourage students to become responsible for their own learning, confident in discussing ideas, innovative and engaged.

For all our specifications we provide a comprehensive range of support services designed to help you at every stage, from preparation through to the delivery of our specifications.

### Aims and learning outcomes

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Our A Level in Economics will encourage students to:

- develop an interest in and enthusiasm for the subject
- appreciate the contribution of economics to the understanding of the wider economic and social environment
- develop an understanding of a range of concepts and an ability to use those concepts in a variety of different contexts
- use an enquiring, critical and thoughtful approach to the study of economics and develop an ability to think as an economist
- understand that economic behaviour can be studied from a range of perspectives
- develop analytical and quantitative skills, together with qualities and attitudes which will equip them for the challenges, opportunities and responsibilities of adult and working life.

## 1d. How do I find out more information?

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If already using OCR specifications, you can find out more information at: [www.ocr.org.uk](http://www.ocr.org.uk)

If you would like to become an approved OCR centre, you can find out more information at:

[www.ocr.org.uk/i-want-to/become-an-approved-centre](http://www.ocr.org.uk/i-want-to/become-an-approved-centre)

Ask our Economics Subject Advisors:

Email: [economics@ocr.org.uk](mailto:economics@ocr.org.uk)

Phone: 01223 553998

Twitter: @OCR\_BusEcon

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## 2 The specification overview

### 2a. Overview of A Level in Economics (H460)

Students must complete all components (01, 02 and 03) to be awarded the OCR A Level in Economics.

Content Overview	Assessment Overview	
<p>Component 01 will assess:</p> <ul style="list-style-type: none"> <li>• Introduction to microeconomics</li> <li>• The role of markets</li> <li>• Business objectives</li> <li>• Market structures</li> <li>• The labour market</li> </ul> <p>Component 02 will assess:</p> <ul style="list-style-type: none"> <li>• Aggregate demand and aggregate supply</li> <li>• Economic policy objectives</li> <li>• Implementing policy</li> <li>• The global context</li> <li>• The financial sector</li> </ul> <p>In component 03 students will draw together their knowledge and skills to answer questions from across all content areas.</p>	<p>Microeconomics (01)</p> <p>80 marks</p> <p>2 hour written paper</p>	<p><b>33.33%</b></p> <p>of total A level</p>
	<p>Macroeconomics (02)</p> <p>80 marks</p> <p>2 hour written paper</p>	<p><b>33.33%</b></p> <p>of total A level</p>
	<p>Themes in economics* (03)</p> <p>80 marks</p> <p>2 hour written paper</p>	<p><b>33.33%</b></p> <p>of total A level</p>

\* Indicates synoptic assessment



## 2b. Content of A Level in Economics (H460)

The OCR A Level in Economics content encourages students to ‘think as economists’ and develop the appropriate range of analytical, questioning and reasoning skills to achieve this objective. This qualification will enable students to develop a strong grounding in the main economic concepts and theories and to develop a critical consideration of their value and limitation in explaining real world phenomena.

Students will learn how to select and interpret economic data and graphical representations of economic problems as well as to understand their possible limitations. They are encouraged to make reasoned and informed judgements using both qualitative and quantitative evidence.

Component 01 introduces students to the main microeconomic concepts, the economic agents, the basic economic problem and the role of markets, including business objectives, market structures and the labour market.

Component 02 focusses on the main macroeconomic concepts such as aggregate demand and supply, policy objectives, how they are being implemented including policy conflicts and government failure as well as the importance of international trade, the impact of globalisation and the role of the financial sector.

The qualification also encourages students to apply the concepts and techniques which they have learned throughout the course to a range of ‘real world’ issues and of current and historical contexts. In particular, Themes in economics (component 3) draws together both microeconomic and macroeconomic concepts in relation to a specific unseen theme.

### Specification command words

Please note that in the context of the specification content:

- **‘explain’** refers to the ability to
  - demonstrate knowledge and understanding by stating a definition, explaining a concept or giving an example
  - apply knowledge and understanding to a context
  - present logical chains of reasoning
- **‘explain, with the aid of a diagram’** encompasses the ability to **‘explain’** and in addition refers to the ability to
  - construct and label an appropriate diagram
  - describe coherently what the diagram illustrates
- **‘calculate’** refers to the ability to apply quantitative skills as outlined in Appendix 5c of this specification.
- **‘explain and calculate’** encompasses the ability to **‘explain’** and to **‘calculate’**
- **‘evaluate’** encompasses the ability to **‘explain’** and **‘explain with the aid of a diagram’** and refers to the ability to
  - weigh up both sides of the argument
  - compare alternatives
  - critically reflect on the usefulness and limitations of economic models and data
  - come to a supported judgement.

For more information on how we use command words in our assessments, please see Section 3c.

## 2c. Content of Component 1: Microeconomics (H460/01)

Component 1 focuses on microeconomics. From a base of microeconomic theory, this component enables students to discuss and evaluate how well microeconomic theories explain the behaviour of economic agents in the real world. They will develop an understanding of markets, market structures and business objectives. Students will learn how to

use and interpret quantitative evidence to justify economic decisions as well as to critically reflect on the limitations of data. Students must consider the moral, ethical and sustainability issues that arise as a result of economic activity in a range of national and global contexts.

Please note: For the use and meaning of command words in our specification, please see Section 2b. For the use and meaning of command words on our assessments, please see Section 3c.

### 1. Introduction to Microeconomics

Topic	Students should be able to:
<b>1.1</b> <b>The economic problem</b>	<b>Explain:</b> <ul style="list-style-type: none"> <li>Economic goods and free goods</li> <li>The economic problem: scarcity, choice, needs, and wants</li> <li>Normative and positive statements</li> <li>The role of economic agents: government, firms, and households</li> <li>The factors of production: land, labour, capital, and enterprise</li> <li>The rewards of the factors of production: rent, wages, interest and profit</li> </ul> <b>Evaluate:</b> <ul style="list-style-type: none"> <li>The problem of scarcity and the requirement to make choices</li> <li>Rationality as a way of understanding the behaviour of economic agents</li> <li>The different objectives of the economic agents in an economy</li> </ul>
<b>1.2</b> <b>The allocation of resources</b>	<b>Explain:</b> <ul style="list-style-type: none"> <li>Incentives</li> <li>Market, planned and mixed economic systems</li> <li>Economic efficiency: productive and allocative efficiency</li> </ul> <b>Evaluate:</b> <ul style="list-style-type: none"> <li>The effectiveness of incentives on the behaviour of economic agents and resource allocation</li> <li>The allocation of resources in the different economic systems</li> </ul>
<b>1.3</b> <b>Opportunity cost</b>	<b>Explain:</b> <ul style="list-style-type: none"> <li>Opportunity cost and trade-off</li> </ul> <b>Explain, with the aid of a diagram:</b> <ul style="list-style-type: none"> <li>Movements along a production possibility curve (PPC)</li> <li>Shifts of a production possibility curve (PPC)</li> <li>The usefulness of the concept of opportunity cost</li> </ul>

## 2. The role of markets

Topic	Students should be able to:
<b>2.1</b> <b>Specialisation and trade</b>	<b>Explain:</b> <ul style="list-style-type: none"> <li>Specialisation and the division of labour</li> <li>Barter systems</li> <li>Money as a medium of exchange</li> </ul> <b>Evaluate:</b> <ul style="list-style-type: none"> <li>The role of specialisation and the division of labour in addressing the problem of scarcity</li> </ul>
<b>2.2</b> <b>Demand</b>	<b>Explain, with the aid of a diagram:</b> <ul style="list-style-type: none"> <li>The relationship between price and quantity demanded</li> <li>Individual and market demand</li> <li>Joint, competitive and composite demand</li> <li>Movements along the demand curve (extension/contraction)</li> <li>Shifts of the demand curve (increase/decrease)</li> </ul>
<b>2.3</b> <b>Supply</b>	<b>Explain, with the aid of a diagram:</b> <ul style="list-style-type: none"> <li>The relationship between price and quantity supplied</li> <li>Individual and market supply</li> <li>Joint and competitive supply</li> <li>Movements along the supply curve (extension/contraction)</li> <li>Shifts of the supply curve (increase/decrease)</li> </ul>
<b>2.4</b> <b>Consumer and producer surplus</b>	<b>Explain, with the aid of a diagram:</b> <ul style="list-style-type: none"> <li>Consumer surplus and producer surplus</li> <li>The effects of changes in price on consumer surplus</li> <li>The effects of changes in price on producer surplus</li> </ul> <b>Evaluate:</b> <ul style="list-style-type: none"> <li>The impact of changes in price on consumer and producer surplus</li> </ul>
<b>2.5</b> <b>The interaction of markets</b>	<b>Explain:</b> <ul style="list-style-type: none"> <li>Ceteris paribus</li> </ul> <b>Explain, with the aid of a diagram:</b> <ul style="list-style-type: none"> <li>The interaction of demand and supply</li> <li>Market equilibrium and disequilibrium</li> </ul> <b>Evaluate:</b> <ul style="list-style-type: none"> <li>The impact of changes in demand and/or supply in one market on a related market(s)</li> </ul>

Topic	Students should be able to:
<b>2.6</b> <b>Elasticity</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>Elasticity</li> </ul> <p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>Price elasticity of demand (PED)</li> <li>Income elasticity of demand (YED)</li> <li>Cross elasticity of demand (XED)</li> <li>Price elasticity of supply (PES)</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>Different values of PED, YED, XED and PES</li> <li>The relationship between PED and a firm's total revenue</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>Factors which determine the value of PED, YED, XED and PES</li> <li>The usefulness and significance of PED, YED, XED and PES</li> </ul>
<b>2.7</b> <b>The concept of the margin</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>Margin</li> <li>Total and marginal utility, diminishing marginal utility and the demand curve</li> </ul> <p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>Marginal values</li> </ul>
<b>2.8</b> <b>Market failure and externalities</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>Market failure</li> <li>Marginal social cost, marginal external cost, marginal private cost, marginal social benefit, marginal external benefit and marginal private benefit</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>Positive and negative externalities (external benefits and external costs); consumption and production</li> </ul>
<b>2.9</b> <b>Information failure</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>Information failure</li> <li>Asymmetric information and moral hazard</li> <li>Merit and demerit goods</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>Market failure caused by information failure</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>Consumption and production of merit goods</li> <li>Consumption and production of demerit goods</li> </ul>

Topic	Students should be able to:
<b>2.10</b> <b>Public goods</b>	<b>Explain:</b> <ul style="list-style-type: none"><li>• Public goods, private goods and quasi-public goods</li><li>• The characteristics of a public good; non-excludability, non-diminishability/non-rivalry, non-rejectability and zero marginal cost</li><li>• The free rider problem</li></ul> <b>Evaluate:</b> <ul style="list-style-type: none"><li>• The provision of public goods</li></ul>
<b>2.11</b> <b>Government intervention</b>	<b>Explain:</b> <ul style="list-style-type: none"><li>• Government intervention in markets: Taxation, subsidies, government expenditure, price controls, buffer stock systems, public/private partnerships, legislation, regulation, tradable pollution permits, information provision, competition policy</li><li>• Government failure</li></ul> <b>Evaluate:</b> <ul style="list-style-type: none"><li>• The effectiveness of government intervention</li><li>• Causes and consequences of government failure</li></ul>

### 3. Business Objectives

Topic	Students should be able to:
<b>3.1</b> <b>Business objectives</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Maximisation objectives: profit, sales revenue, sales volume, growth and utility</li> <li>• Non-maximising objectives: profit satisficing, social welfare, corporate social responsibility (CSR)</li> <li>• The principal-agent problem</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Maximisation and non-maximisation objectives</li> <li>• Factors which influence the choice of objectives</li> </ul>
<b>3.2</b> <b>Costs and economies of scale</b>	<p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>• Fixed, variable, total, average, marginal costs</li> </ul> <p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Short run and long run in terms of fixed and variable factors</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• The law of diminishing returns</li> <li>• Internal and external economies of scale</li> <li>• Diseconomies of scale</li> <li>• Minimum efficient scale</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Causes of economies and diseconomies of scale</li> <li>• The significance of economies and diseconomies of scale</li> </ul>
<b>3.3</b> <b>Revenue and profit</b>	<p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>• Total, average and marginal revenue</li> <li>• Profit/loss</li> </ul> <p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Accounting, normal and supernormal profit</li> </ul>

## 4. Market structures

Topic	Students should be able to:
<b>4.1</b> <b>Perfect competition</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>The characteristics of perfect competition</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>Short run perfect competition; supernormal profit/loss</li> <li>Long run perfect competition: normal profits</li> <li>Individual firm in perfect competition as a price taker</li> <li>Equilibrium price and output for a firm in perfect competition</li> <li>Allocative efficiency in short run and long run perfect competition</li> <li>Productive efficiency in long run perfect competition</li> </ul>
<b>4.2</b> <b>Monopoly</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>The characteristics of monopoly</li> <li>Dynamic efficiency</li> <li>X-inefficiency</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>Monopoly; supernormal profit in both short and long run</li> <li>A monopolist as a price maker</li> <li>Equilibrium price and output for a profit maximising monopolist</li> <li>Productive and allocative efficiency with a profit maximising monopolist</li> <li>Price discrimination by a firm with monopoly power</li> <li>Natural monopoly</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>Advantages and disadvantages of a monopoly</li> <li>Advantages and disadvantages of a natural monopoly</li> </ul>
<b>4.3</b> <b>Monopolistic competition</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>The characteristics of monopolistic competition</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>Short run monopolistic competition; supernormal profit/loss</li> <li>Long run monopolistic competition; normal profits</li> <li>Equilibrium price and output for a firm in monopolistic competition</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>Advantages and disadvantages of monopolistic competition</li> </ul>

Topic	Students should be able to:
<b>4.4</b> <b>Oligopoly</b>	<b>Explain:</b> <ul style="list-style-type: none"><li>• The characteristics of oligopoly</li><li>• Non-price competition</li><li>• Interdependence: kinked demand curve</li><li>• Types of collusion</li><li>• Product differentiation</li></ul> <b>Evaluate and calculate:</b> <ul style="list-style-type: none"><li>• Concentration ratios</li></ul> <b>Evaluate:</b> <ul style="list-style-type: none"><li>• Advantages and disadvantages of oligopoly markets</li></ul>
<b>4.5</b> <b>Contestable markets</b>	<b>Explain:</b> <ul style="list-style-type: none"><li>• The characteristics of a contestable market</li><li>• Productive and allocative efficiency in a contestable market</li></ul> <b>Evaluate:</b> <ul style="list-style-type: none"><li>• Advantages and disadvantages of a contestable market</li></ul>



## 5. The labour market

Topic	Students should be able to:
<b>5.1</b> <b>Demand for labour</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Derived demand for labour</li> <li>• Factors affecting the demand for labour in an industry</li> <li>• Factors affecting wage elasticity of demand for labour</li> <li>• Productivity and unit labour costs</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• Marginal revenue product theory in relation to employment and wage determination</li> </ul>
<b>5.2</b> <b>Supply of labour</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Factors affecting the supply of labour to an industry</li> <li>• Factors affecting the wage elasticity of the supply of labour</li> <li>• Short run and long run supply of labour</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• Economic rent and transfer earnings</li> </ul>
<b>5.3</b> <b>The interaction of labour markets</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Wage differentials</li> <li>• Monopsony</li> <li>• Trade union</li> <li>• Bilateral monopoly</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• The determination of wages in a highly competitive labour market</li> <li>• Changes in demand for, and supply of, labour</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The impact of changes in labour market flexibility and mobility of labour</li> <li>• The impact of trade union activity on labour markets</li> <li>• The impact of a monopsonist employer on a labour market</li> <li>• The impact of a bilateral monopoly on a labour market</li> </ul>

## 2d. Content of Component 2: Macroeconomics (H460/02)

Component 2 focuses on macroeconomics. Students will learn how the macroeconomy functions on both a domestic and global level and develop an understanding of the objectives, limitations and conflicts of macroeconomic policies. Students will use, interpret and evaluate quantitative evidence in contemporary and historical economic contexts.

They will learn to appreciate the importance and impact of international trade, globalisation and the role of financial markets. Students must consider moral, ethical and sustainability issues that arise as a result of economic activity in a range of national and global contexts.

Please note: For the use and meaning of command words in our specification, please see Section 2b. For the use and meaning of command words on our assessments, please see Section 3c.

### 1. Aggregate demand and aggregate supply

Topic	Students should be able to:
1.1 Circular flow of income	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>The circular flow of income, with injections and leakages</li> <li>The methods of measuring national income, output and expenditure</li> </ul>
1.2 Aggregate demand	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>Aggregate demand and its components</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>The relationship between aggregate demand and price level</li> <li>Shifts in the aggregate demand curve</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>The relationship between changes in income and consumption</li> <li>The role of expectations</li> </ul>
1.3 Aggregate supply	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>Aggregate supply</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>The relationship between aggregate supply and price level in the short run and long run</li> <li>Shifts in the aggregate supply curve in the short run and long run</li> </ul>
1.4 The interaction of aggregate demand and supply	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>The assumptions underlying the aggregate demand and aggregate supply models</li> <li>Equilibrium in the macroeconomy</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>Effects of changes in aggregate demand and aggregate supply on macroeconomic indicators</li> </ul>

Topic	Students should be able to:
<b>1.5</b> <b>The multiplier and the accelerator</b>	<b>Explain:</b> <ul style="list-style-type: none"><li>• Factors which determine the size of the national income multiplier</li></ul> <b>Explain, with the aid of a diagram:</b> <ul style="list-style-type: none"><li>• The national income multiplier and accelerator</li><li>• The impact of the national income multiplier and accelerator on aggregate demand and economic cycle</li><li>• Output gaps; aggregate demand and aggregate supply model and a production possibility curve (PPC)</li></ul> <b>Explain and calculate:</b> <ul style="list-style-type: none"><li>• Average and marginal propensities to consume, save and withdraw</li><li>• Size of the national income multiplier</li></ul> <b>Evaluate:</b> <ul style="list-style-type: none"><li>• Causes and consequences of an output gap</li></ul>

## 2. Economic policy objectives

Topic	Students should be able to:
<b>2.1</b> <b>Economic growth</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Economic growth</li> <li>• The policy objective of economic growth</li> <li>• The different stages of the economic cycle</li> <li>• Real and nominal Gross Domestic Product (GDP); changes in GDP over time</li> </ul> <p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>• Economic growth rates</li> <li>• GDP per capita</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• Short run and long run economic growth</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Causes and consequences of economic growth in the short run and long run</li> </ul>
<b>2.2</b> <b>Development</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• The structure of an economy in terms of primary, secondary and tertiary sectors</li> <li>• The policy objective of sustainable development</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The relationship between economic growth and sustainable development</li> <li>• The usefulness of macroeconomic measures such as GDP, the Human Development Index (HDI) and other alternative social and cultural indicators</li> </ul>
<b>2.3</b> <b>Employment</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Employment and unemployment</li> <li>• The policy objective of full employment</li> <li>• The labour force survey and claimant count measures of unemployment</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Causes and consequences of unemployment</li> <li>• Effects of full employment</li> </ul>
<b>2.4</b> <b>Inflation</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Inflation, deflation, disinflation and hyperinflation</li> <li>• The policy objective of low and stable inflation</li> <li>• Real and nominal values</li> <li>• Measuring inflation using the Consumer Prices Index and Retail Prices Index</li> </ul> <p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>• The rate of inflation using index numbers</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Causes and consequences of inflation and deflation</li> </ul>

Topic	Students should be able to:
<b>2.5</b> <b>Balance of payments</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Balance of payments</li> <li>• The components of the current account: trade in goods, trade in services, primary and secondary income</li> <li>• The policy objective of a sustainable balance of payments position</li> <li>• Imbalances on the balance of payments</li> </ul> <p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>• Balances on the different components on the balance of payments</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Causes and consequences of imbalances on the balance of payments</li> </ul>
<b>2.6</b> <b>Trends in macroeconomic indicators</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Key trends in UK macroeconomic performance in the last 20 years</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The current performance of the UK economy compared with other developed economies, emerging and developing economies</li> </ul>
<b>2.7</b> <b>Income distribution and welfare</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Income and wealth; distribution and inequality</li> <li>• The policy objective of a more even distribution of income</li> <li>• Absolute and relative poverty</li> <li>• Inequality data; Gini coefficients and relevant quartiles</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• The distribution of income (Lorenz curve)</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Causes and consequences of poverty and inequality</li> </ul>
<b>2.8</b> <b>The Phillips Curve</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Natural rate of unemployment; non-accelerating inflation rate of unemployment (NAIRU)</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• Keynesian and neo-classical approaches to aggregate supply</li> <li>• Short-run and long-run Phillips Curve</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The usefulness of the Phillips Curve for macroeconomic policymakers</li> </ul>

### 3. Implementing policy

Topic	Students should be able to:
<b>3.1</b> <b>Fiscal policy</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Government budget</li> <li>• Direct, indirect, progressive, proportional and regressive taxation</li> <li>• Current and capital government expenditure</li> <li>• Budget surplus, deficit and balanced budget</li> <li>• Cyclical and structural budget position</li> <li>• National and government debt</li> <li>• Discretionary fiscal policy and automatic stabilisers</li> <li>• Crowding out</li> <li>• The Laffer curve</li> </ul> <p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>• Average and marginal tax rates</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The effectiveness of using fiscal policy to achieve the government's macroeconomic objectives</li> </ul>
<b>3.2</b> <b>Monetary policy</b>	<p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• Changes in interest rates</li> <li>• Changes in money supply</li> <li>• Inflation rate targets</li> <li>• Quantitative easing</li> <li>• Influence of exchange rates</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The effectiveness of using monetary policy to achieve the government's macroeconomic objectives</li> </ul>
<b>3.3</b> <b>Supply side policy</b>	<p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• Privatisation, deregulation and subsidies</li> <li>• Competition policy</li> <li>• Investment in infrastructure, education, training, research and development</li> <li>• Reforms of the tax and benefit system</li> <li>• Improved labour market flexibility</li> <li>• Immigration control</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The effectiveness of using supply side policy measures to achieve the government's macroeconomic objectives</li> </ul>
<b>3.4</b> <b>Policy conflicts</b>	<p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Conflicts and trade-offs between policy objectives</li> </ul>

## 4. The global context

Topic	Students should be able to:
<b>4.1</b> <b>International trade</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• International trade</li> <li>• Patterns of international trade over time</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Advantages and disadvantages of international trade to developed, emerging and developing countries</li> </ul>
<b>4.2</b> <b>Exchange rates</b>	<p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>• Exchange rates</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• Determination of exchange rates in fixed and floating exchange rate systems</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Causes and consequences of exchange rate changes</li> <li>• Advantages and disadvantages of different exchange rate systems</li> </ul>
<b>4.3</b> <b>Globalisation</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Globalisation</li> <li>• International competitiveness</li> <li>• Absolute and comparative advantage</li> <li>• Terms of trade</li> <li>• Marshall-Lerner condition and J-curve</li> </ul> <p><b>Explain and calculate:</b></p> <ul style="list-style-type: none"> <li>• Terms of trade</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Comparative advantage as an explanation of international trade patterns</li> <li>• Causes and consequences of globalisation on developed, emerging and developing countries</li> <li>• The impact of the performance of emerging economies on other economies</li> </ul>
<b>4.4</b> <b>Trade policies and negotiations</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Protectionism</li> <li>• Economic integration through free trade areas, customs unions, monetary union, economic union</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• The impact of tariffs and quotas on trade creation and trade diversion</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• Advantages and disadvantages of protectionism and free trade</li> <li>• The role of the World Trade Organisation (WTO) in promoting free trade</li> </ul>

## 5. The financial sector

Topic	Students should be able to:
<b>5.1</b> <b>Money and interest rates</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Functions and characteristics of money</li> <li>• The creation and supply of money</li> <li>• Narrow and broad money in terms of liquidity</li> <li>• The relationship between the money supply and the price level; Fisher equation of exchange</li> </ul> <p><b>Explain, with the aid of a diagram:</b></p> <ul style="list-style-type: none"> <li>• The determination of interest rates</li> </ul>
<b>5.2</b> <b>The financial sector</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• The role of the financial sector</li> <li>• The role of savings and investment in promoting economic development</li> <li>• The Harrod-Domar model</li> <li>• Microfinance</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The role of the financial sector in promoting economic development</li> </ul>
<b>5.3</b> <b>Financial regulation</b>	<p><b>Explain:</b></p> <ul style="list-style-type: none"> <li>• Purpose and methods of financial regulation</li> <li>• The role and functions of a central bank</li> </ul> <p><b>Evaluate:</b></p> <ul style="list-style-type: none"> <li>• The importance of the regulation of financial institutions</li> <li>• The effectiveness of different policy measures available to a central bank in targeting macroeconomic indicators</li> <li>• The role of the International Monetary Fund (IMF) and the World Bank in regulating the global financial system</li> </ul>



## 2e. Content of Component 3: Themes in economics (H460/03)

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The assessment of this component will be fully synoptic in nature and will draw on both the microeconomic and macroeconomic components. Although there is no specific content prescribed within

the assessment of this component, it is anticipated that both the microeconomic and the macroeconomic subject content will be applied, as appropriate, in relation to a specific unseen theme.

## 2f. Prior knowledge, learning and progression

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No prior learning or knowledge of economics is required for taking the A Level in Economics qualification. A qualification in GCSE (9–1) Economics is available for those interested in a study of the subject at Key Stage 4.

Many other subjects supplement the study of economics which prides itself on being cross-curricular. Other social sciences such as sociology and psychology engage the student to think about their personal

circumstances and their role in society. History, geography, business, critical thinking, mathematics and the sciences can be taught cohesively and complement the study of Economics. The study of any of these subjects can assist those students studying to progress to Higher Education and employment.

Find out more about the OCR Economics offering, or other related qualifications, at [www.ocr.org.uk](http://www.ocr.org.uk)

## 3 Assessment of OCR A Level in Economics

### 3a. Forms of assessment

The A Level in Economics is a linear qualification with 100% external assessment. There are three question papers each of two hours in length with a maximum of 80 marks. Within each of the three question papers there will be a combination of short answer questions with a maximum 4 marks and extended response questions ranging from a minimum of 8 marks up to a maximum of 25 marks.

**3** The assessment of Component 1 relates to microeconomics and consists of data response questions and extended response questions. Students select one extended response question from a choice of two, both of which require a quantitative response. Students then select one question from a choice of two which do not require a quantitative response (although the use of a quantitative response, along with a narrative response, would be credited). The assessment of Component 2 has the same format but focuses on macroeconomics.

Component 3 – Themes in economics – consists of 30 multiple choice questions (MCQs) which mainly focus on the assessment of AO1 and AO2, although

there will be some MCQs which assess analytical and evaluative skills (AO3 and AO4). Students will also be required to respond to a series of short answer and extended response questions based on an unseen theme for a total of 50 marks.

A minimum of 20% of the overall assessment marks are targeted at the assessment of quantitative skills across the three components. These are listed in appendix 5c.

In Components 1 and 2, it is advised that students spend approximately 45 to 50 minutes reading the stimulus material and responding to data response questions. This allows approximately 40 minutes responding to each of the two 25 mark questions.

In Component 3, students are advised to spend approximately 40 to 45 minutes responding to the 30 MCQs, 15 to 20 minutes to read the data response stimulus material, leaving approximately 60 minutes to respond to the questions covering the remaining 50 marks on the question paper.

### 3b. Assessment objectives (AO)

There are four assessment objectives in OCR's A Level in Economics. These are detailed in the table below.

Students are expected to demonstrate their ability to:

	Assessment Objective
AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

3

### 3c. Command words

Command words used in the assessment for the A Level in Economics will reflect which Assessment Objective is being assessed. The list of examples given in the table below is not exhaustive but outlines this relationship:

Assessment Objective	Command words, to include (but not limited to)
<b>AO1</b> Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.	Calculate Compare Describe Distinguish between Explain Identify State
<b>AO2</b> Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.	
<b>AO3</b> Analyse issues within economics, showing an understanding of their impact on economic agents.	Explain
<b>AO4</b> Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.	Evaluate

### 3d. AO weightings in A Level in Economics

The relationship between the assessment objectives and the components is shown in the following table:

Component	% of A Level in Economics (H460)				
	AO1	AO2	AO3	AO4	Total
Microeconomics (H460/01)	8	8	8.33	9	33.33
Macroeconomics (H460/02)	8	8	8.33	9	33.33
Themes in economics (H460/03)	9	9	8.33	7	33.33
	25	25	25	25	100

In addition the students will be required to demonstrate competence in the quantitative skills which are relevant to the subject content and which are applied in the context of the A Level in

Economics as detailed in Annex 1. The assessment of these quantitative skills will include at least Level 2 mathematical skills as a minimum of 20% of the overall A level marks.

### 3e. Assessment availability

There will be one examination series available each year in May/June to all students. This specification will be certificated from the June 2020 examination series

onwards. Each of the assessments by examination within this qualification must be taken in a single year at the end of the course.

### 3f. Retaking the qualification

Students can retake the qualification as many times as they wish. They retake all components of the qualification.

### 3g. Assessment of extended responses

The assessment materials for this qualification provide students with the opportunity to demonstrate their ability to construct and develop a sustained and

coherent line of reasoning and marks for extended responses are integrated into the marking criteria.

### 3h. Synoptic assessment

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Economics is a subject which requires students to develop a clear understanding of the main microeconomic and macroeconomic concepts and to demonstrate an ability to show the links which exist between those concepts. It is not possible to ‘think as economists’ without the ability to understand the subject in its entirety.

The assessment of the content of Components 1 and 2 will, in part, be synoptic. Each of the extended writing questions will require students to draw on their knowledge and understanding of different aspects of the microeconomic and macroeconomic content and demonstrate the links which exist between the relevant aspects.

Component 3 – Themes in economics – is entirely synoptic and students will be expected to draw on any element of the microeconomics and macroeconomics specification content.

It is important that this course is taught in such a way that students develop a clear understanding of the links which exist between the various elements and aspects of the subject content.

### 3i. Calculating qualification results

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A student’s overall qualification grade for A Level in Economics will be calculated by adding together their marks from the three components taken to give their total weighted mark. This mark will then be

compared to the qualification level grade boundaries for the entry option taken by the student and for the relevant exam series to determine the student’s overall qualification grade.

## 4 Admin: what you need to know

The information in this section is designed to give an overview of the processes involved in administering this qualification so that you can speak to your exams officer. All of the following processes require you to submit something to OCR by a specific deadline.

More information about the processes and deadlines involved at each stage of the assessment cycle can be found in the Administration area of the OCR website.

OCR's *Admin overview* is available on the OCR website at <http://www.ocr.org.uk/administration>.

### 4a. Pre-assessment

#### Estimated entries

Estimated entries are your best projection of the number of students who will be entered for a qualification in a particular series. Estimated entries

should be submitted to OCR by the specified deadline. They are free and do not commit your centre in any way.

#### Final entries

Final entries provide OCR with detailed data for each student, showing each assessment to be taken. It is essential that you use the correct entry code, considering the relevant entry rules and ensuring that you choose the entry option for the moderation you intend to use.

Final entries must be submitted to OCR by the published deadlines or late entry fees will apply.

All students taking A Level in Economics must be entered for H460.

Entry code	Title	Component code	Component title	Assessment type
H460	Economics	01	Microeconomics	External Assessment
		02	Macroeconomics	External Assessment
		03	Themes in economics	External Assessment

## 4b. Accessibility and special consideration

Reasonable adjustments and access arrangements allow students with special educational needs, disabilities or temporary injuries to access the assessment and show what they know and can do, without changing the demands of the assessment. Applications for these should be made before the examination series. Detailed information about eligibility for access arrangements can be found in the JCQ *Access Arrangements and Reasonable Adjustments*.

Special consideration is a post-assessment adjustment to marks or grades to reflect temporary injury, illness or other indisposition at the time the assessment was taken.

Detailed information about eligibility for special consideration can be found in the JCQ *A guide to the special consideration process*.

## 4c. External assessment arrangements

Regulations governing examination arrangements are contained in the JCQ publication *Instructions for conducting examinations*.

Students are permitted to use a scientific or graphical calculator for components 01, 02 and 03. Calculators are subject to the rules in the document *Instructions for Conducting Examinations* published annually by JCQ ([www.jcq.org.uk](http://www.jcq.org.uk)).

### Head of Centre Annual Declaration

The Head of Centre is required to provide a declaration to the JCQ as part of the annual NCN update, conducted in the autumn term, to confirm that the centre is meeting all of the requirements detailed in the specification.

Any failure by a centre to provide the Head of Centre Annual Declaration will result in your centre status being suspended and could lead to the withdrawal of our approval for you to operate as a centre.

### Private candidates

Private candidates may enter for OCR assessments.

A private candidate is someone who pursues a course of study independently but takes an examination or assessment at an approved examination centre. A private candidate may be a part-time student, someone taking a distance learning course, or someone being tutored privately. They must be based in the UK.

OCR's A Level in Economics requires students to complete non-examined assessment. This is an

essential part of the course and will allow students to develop skills for further study or employment.

Private candidates need to contact OCR approved centres to establish whether they are prepared to host them as a private candidate. The centre may charge for this facility and OCR recommends that the arrangement is made early in the course.

Further guidance for private candidates may be found on the OCR website: <http://www.ocr.org.uk>.

## 4d. Results and certificates

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### Grade scale

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A level qualifications are graded on the scale: A\*, A, B, C, D, E, where A\* is the highest. Students who fail to reach the minimum standard for E will be Unclassified

(U). Only subjects in which grades A\* to E are attained will be recorded on certificates.

### Results

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Results are released to centres and students for information and to allow any queries to be resolved before certificates are issued.

Centres will have access to the following results' information for each student:

- the grade for the qualification
- the raw mark for each component
- the total weighted mark for the qualification.

The following supporting information will be available:

- raw mark grade boundaries for each component
- weighted mark grade boundaries for each entry option.

Until certificates are issued, results are deemed to be provisional and may be subject to amendment. A student's final results will be recorded on an OCR certificate.

The qualification title will be shown on the certificate as 'OCR Level 3 Advanced GCE in Economics'.

## 4e. Post-results services

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A number of post-results services are available:

- **Enquiries about results** – If you are not happy with the outcome of a student's results, centres may submit an enquiry about results.

- **Missing and incomplete results** – This service should be used if an individual subject result for a student is missing, or the student has been omitted entirely from the results supplied.
- **Access to scripts** – Centres can request access to marked scripts.

## 4f. Malpractice

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Any breach of the regulations for the conduct of examinations and coursework may constitute malpractice (which includes maladministration) and must be reported to OCR as soon as it is detected.

Detailed information on malpractice can be found in the *Suspected Malpractice in Examinations and Assessments: Policies and Procedures* published by JCQ.



# 5 Appendices

## 5a. Overlap with other qualifications

There is significant overlap between the content of this specification and that for OCR's AS Level in Economics to allow for co-teachability.

## 5b. Avoidance of bias

The A Level qualification and subject criteria have been reviewed in order to identify any feature which could disadvantage students who share a protected

Characteristic as defined by the Equality Act 2010. All reasonable steps have been taken to minimise any such disadvantage.

## 5c. Quantitative skills

### Quantitative skills in economics

In order to develop their skills, knowledge and understanding in economics, students need to have acquired competence in the quantitative skills that are relevant to the subject content and which are applied in the context of an economics A level, including:

- **calculate, use and understand ratios and fractions**
- **calculate, use and understand percentages and percentage changes**
- **understand and use the terms mean, median and relevant quantiles**
- **construct and interpret a range of standard graphical forms**
- **calculate and interpret index numbers**

- calculate cost, revenue and profit (marginal, average, totals)
- make calculations to convert from money to real terms
- **make calculations of elasticity and interpret the result**
- **interpret, apply and analyse information in written, graphical and numerical forms**

Quantitative skills not in **bold** do not form part of the AS core content requirement.

The assessment of quantitative skills will include at least Level 2 mathematical skills as a minimum of 15% of the overall AS marks and a minimum of 20% of the overall A level marks. These skills may be assessed across the assessment objectives.

## Summary of updates

Date	Version	Section	Title of section	Change
June 2018	1.1	Front cover	Disclaimer	Addition of disclaimer
March 2019	2	Multiple	Throughout	Amendments to structure of both components 01 and 02. Addition of command words.  Amended learners to students
June 2019	2.1	2b 2c 2d	Various	Enhanced specification command words section and guidance to command word usage.
August 2019	2.2	2c 2d	Content for Component 1 Content for Component 2	Clarification of content and command words.

# YOUR CHECKLIST

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*Our aim is to provide you with all the information and support you need to deliver our specifications.*

- Bookmark [ocr.org.uk/aleveleconomics2019](https://ocr.org.uk/aleveleconomics2019) for all the latest resources, information and news on AS and A Level Economics
- Be among the first to hear about support materials and resources as they become available – register for Economics updates at [ocr.org.uk/updates](https://ocr.org.uk/updates)
- Find out about our professional development at [cpdhub.ocr.org.uk](https://cpdhub.ocr.org.uk)
- View our range of skills guides for use across subjects and qualifications at [ocr.org.uk/skillsguides](https://ocr.org.uk/skillsguides)
- Discover our new online past paper service at [ocr.org.uk/exambuilder](https://ocr.org.uk/exambuilder)
- Learn more about Active Results at [ocr.org.uk/activeresults](https://ocr.org.uk/activeresults)
- Join our social network community for teachers at [social.ocr.org.uk](https://social.ocr.org.uk)

# Download high-quality, exciting and innovative AS and A Level Economics resources from [ocr.org.uk/aleveleconomics2019](http://ocr.org.uk/aleveleconomics2019)

Resources and support for our A Level Economic qualification, developed through collaboration between our Economics Subject Adviser, teachers and other subject experts, are available from our website. You can also contact our Economics Subject Adviser who can give you specialist advice, guidance and support.

Contact the team at:

01223 553998

[economics@ocr.org.uk](mailto:economics@ocr.org.uk)

[@OCRexams](https://twitter.com/OCRexams)

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