



# Syllabus

## Cambridge O Level Economics 2281

For examination in June and November 2020, 2021 and 2022.



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## Why choose Cambridge?

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Cambridge Assessment International Education prepares school students for life, helping them develop an informed curiosity and a lasting passion for learning. We are part of the University of Cambridge.

Our international qualifications are recognised by the world's best universities and employers, giving students a wide range of options in their education and career. As a not-for-profit organisation, we devote our resources to delivering high-quality educational programmes that can unlock learners' potential.

Our programmes and qualifications set the global standard for international education. They are created by subject experts, rooted in academic rigour and reflect the latest educational research. They provide a strong platform for learners to progress from one stage to the next, and are well supported by teaching and learning resources.

Our mission is to provide educational benefit through provision of international programmes and qualifications for school education and to be the world leader in this field. Together with schools, we develop Cambridge learners who are confident, responsible, reflective, innovative and engaged – equipped for success in the modern world.

Every year, nearly a million Cambridge students from 10 000 schools in 160 countries prepare for their future with an international education from Cambridge International.

**'We think the Cambridge curriculum is superb preparation for university.'**

**Christoph Guttentag**, Dean of Undergraduate Admissions, Duke University, USA

### Quality management

Our systems for managing the provision of international qualifications and education programmes for students aged 5 to 19 are certified as meeting the internationally recognised standard for quality management, ISO 9001:2008. Learn more at [www.cambridgeinternational.org/ISO9001](http://www.cambridgeinternational.org/ISO9001)



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## Changes to this syllabus

For information about changes to this syllabus for 2020, 2021 and 2022, go to page 27.



# 1 Why choose this syllabus?

## Key benefits

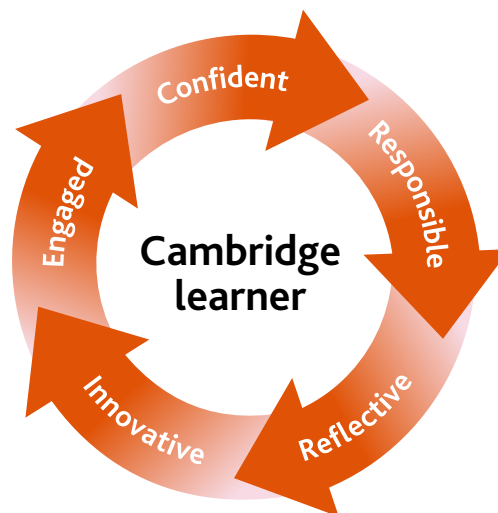
Cambridge O Level syllabuses are created especially for international students. For over 25 years, we have worked with schools and teachers worldwide to develop syllabuses that are suitable for different countries, different types of schools and for learners with a wide range of abilities. These qualifications are designed for students whose first language may or may not be English and this is acknowledged throughout the examination process.

Cambridge O Level Economics is accepted by universities and employers as proof of knowledge and understanding of economics. Successful Cambridge O Level Economics candidates gain lifelong skills, including:

- an understanding of economic theory, terminology and principles
- the ability to apply the tools of economic analysis
- the ability to distinguish between facts and value judgements in economic issues
- an understanding of, and an ability to use, basic economic numeracy and literacy
- the ability to take a greater part in decision-making processes in everyday life
- an ability to use examples from a variety of economies
- an excellent foundation for advanced study in economics.

Our programmes balance a thorough knowledge and understanding of a subject and help to develop the skills learners need for their next steps in education or employment.

Our approach encourages learners to be:



**'Cambridge O Level has helped me develop thinking and analytical skills which will go a long way in helping me with advanced studies.'**

**Kamal Khan Virk**, former student at Beaconhouse Garden Town Secondary School, Pakistan, who went on to study Actuarial Science at the London School of Economics

## Recognition and progression

The combination of knowledge and skills in Cambridge O Level Economics gives learners a solid foundation for further study. Candidates who achieve grades A\* to C are well prepared to follow a wide range of courses including Cambridge International AS & A Level Economics, or the equivalent.

Cambridge O Levels are accepted and valued by leading universities and employers around the world as evidence of academic achievement. Many universities require a combination of Cambridge International AS & A Levels and Cambridge O Levels or equivalent to meet their entry requirements.

Learn more at [www.cambridgeinternational.org/recognition](http://www.cambridgeinternational.org/recognition)

## Supporting teachers

We provide a wide range of practical resources, detailed guidance and innovative training and professional development so that you can give your learners the best possible preparation for Cambridge O Level.



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## 2 Syllabus overview

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### Aims

The aims describe the purposes of a course based on this syllabus. They are not listed in order of priority.

The aims are to enable students to:

- know and understand economic terminology, concepts and theories
- use basic economic numeracy and interpret economic data
- use the tools of economic analysis
- express economic ideas logically and clearly in a written form
- apply economic understanding to current economic issues.

## Content overview

### 1 The basic economic problem

The first section of the syllabus introduces the fundamental ideas and concepts that underpin the study of economics including the basic economic problem, factors of production, opportunity cost and production possibility curves.

### 2 The allocation of resources

The fundamental principles of resource allocation are considered through the price mechanism in a market economy. The market forces of demand and supply, market equilibrium and disequilibrium, and elasticity form the core of this section.

### 3 Microeconomic decision makers

The microeconomy is an important area of study, and the approach to learning taken here is through the role of the major decision makers: banks, households, workers, trade unions and firms.

### 4 Government and the macroeconomy

Governments have different macroeconomic aims, and conflicts often arise between the choice of measures used to achieve them. Variables must be measured to consider the causes and consequences of change, and appropriate policies applied.

### 5 Economic development

As an economy develops there will be changes in population, living standards, poverty and income redistribution. Therefore, the effects of changes in the size and structure of population and of other influences on development in a variety of countries are explored.

### 6 International trade and globalisation

The importance of trade between countries and the growth of globalisation is explored. Principles such as specialisation, the role of free trade, the role of multinational companies, foreign exchange rates and balance of payments stability are considered.

### Support for Cambridge O Level Economics

Our School Support Hub [www.cambridgeinternational.org/support](http://www.cambridgeinternational.org/support) provides Cambridge schools with a secure site for downloading specimen and past question papers, mark schemes, grade thresholds and other curriculum resources specific to this syllabus. The School Support Hub community offers teachers the opportunity to connect with each other and to ask questions related to the syllabus.



## Assessment overview

All candidates take two components, Paper 1 and Paper 2.

### All candidates take:

<b>Paper 1</b>	45 minutes
Multiple Choice	30%
30 marks	
Candidates answer all 30 questions	
Externally assessed	

### and:

<b>Paper 2</b>	2 hours 15 minutes
Structured Questions	70%
90 marks	
Candidates answer one compulsory question and three questions from a choice of four.	
Externally assessed	



## Assessment objectives

The assessment objectives (AOs) are:

### AO1 Knowledge and understanding

Candidates should be able to:

- show knowledge and understanding of economic definitions, formulas, concepts and theories
- use economic terminology.

### AO2 Analysis

Candidates should be able to:

- select, organise and interpret data
- use economic information and data to recognise patterns and to deduce relationships
- apply economic analysis to written, numerical, diagrammatic and graphical data
- analyse economic issues and situations, identifying and developing links.

### AO3 Evaluation

Candidates should be able to:

- evaluate economic information and data
- distinguish between economic analysis and unreasoned statements
- recognise the uncertainties of the outcomes of economic decisions and events
- communicate economic thinking in a logical manner.

## Weighting for assessment objectives

The approximate weightings allocated to each of the assessment objectives (AOs) are summarised below.

### Assessment objectives as a percentage of the qualification

Assessment objective	Weighting in O Level %
AO1 Knowledge and understanding	40
AO2 Analysis	40
AO3 Evaluation	20

### Assessment objectives as a percentage of each component

Assessment objective	Weighting in components %	
	Paper 1 30%	Paper 2 70%
AO1 Knowledge and understanding	50	35
AO2 Analysis	50	35
AO3 Evaluation	0	30

## 3 Subject content

Teachers and students are encouraged to focus learning of the following subject content around real, relevant and up-to-date economic events that affect the whole world and students' own countries. Such events might include but are certainly not limited to:

- (a) how large immigration movements may impact on economic growth/living standards in countries affected
- (b) the impact that changes in oil prices and the effect that drilling/fracking may have on world trade
- (c) the impact that a significant recession in one country may have on its trading partners
- (d) how changes in corporation tax between countries may impact on where multinational companies (MNCs) locate their head office.

### 1 The basic economic problem

#### 1.1 The nature of the economic problem

##### Topic

1.1.1 finite resources and unlimited wants

##### Guidance

Definition and examples of the economic problem in the contexts of: consumers; workers; producers; and governments.

1.1.2 economic and free goods

The difference between economic goods and free goods.

#### 1.2 The factors of production

##### Topic

1.2.1 definitions of the factors of production and their rewards

##### Guidance

Definitions and examples of land, labour, capital and enterprise. Examples of the nature of each factor of production.

1.2.2 mobility of the factors of production

The influences on the mobility of the various factors.

1.2.3 quantity and quality of the factors of production

The causes of changes in the quantity and quality of the various factors.

#### 1.3 Opportunity cost

##### Topic

1.3.1 definition of opportunity cost

##### Guidance

Definition and examples of opportunity cost in different contexts.

1.3.2 the influence of opportunity cost on decision making

Decisions made by consumers, workers, producers and governments when allocating their resources.

## 1.4 Production possibility curve diagrams (PPC)

### Topic

- 1.4.1 definition of PPC
- 1.4.2 points under, on and beyond a PPC
- 1.4.3 movements along a PPC
- 1.4.4 shifts in a PPC

### Guidance

Definition, drawing and interpretation of appropriate diagrams.

The significance of the location of production points.

Movements along a PPC and opportunity cost.

The causes and consequences of shifts in a PPC in terms of an economy's growth.

## 2 The allocation of resources

### 2.1 Microeconomics and macroeconomics

#### Topic

- 2.1.1 microeconomics
- 2.1.2 macroeconomics

#### Guidance

The difference between microeconomics and macroeconomics and the decision makers involved in each.

### 2.2 The role of markets in allocating resources

#### Topic

- 2.2.1 the market system
- 2.2.2 key resources allocation decisions
- 2.2.3 introduction to the price mechanism

#### Guidance

How a market system works; including buyers, sellers, allocation of scarce resources, market equilibrium, and market disequilibrium.

Establishing that the economic problem creates three key questions about determining resource allocation – what to produce, how, and for whom.

How the price mechanism provides answers to these key allocation questions.

### 2.3 Demand

#### Topic

- 2.3.1 definition of demand
- 2.3.2 price and demand
- 2.3.3 individual and market demand
- 2.3.4 conditions of demand

#### Guidance

Definition, drawing and interpretation of appropriate diagrams.

A demand curve to be drawn and used to illustrate movements along a demand curve with appropriate terminology, for example extensions and contractions in demand.

The link between individual and market demand in terms of aggregation.

The causes of shifts in a demand curve with appropriate terminology, for example increase and decrease in demand.

## 2.4 Supply

### Topic

2.4.1 definition of supply

2.4.2 price and supply

2.4.3 individual and market supply

2.4.4 conditions of supply

### Guidance

Definition, drawing and interpretation of appropriate diagrams.

A supply curve to be drawn and used to illustrate movements along a supply curve with appropriate terminology, for example extensions and contractions in supply.

The link between individual and market supply in terms of aggregation.

The causes of shifts in a supply curve with appropriate terminology, for example increase and decrease in supply.

## 2.5 Price determination

### Topic

2.5.1 market equilibrium

2.5.2 market disequilibrium

### Guidance

Definition, drawing and interpretation of demand and supply schedules and curves used to establish equilibrium price and sales in a market.

Definition, drawing and interpretation of demand and supply schedules and curves used to identify disequilibrium prices and shortages (demand exceeding supply) and surpluses (supply exceeding demand).

## 2.6 Price changes

### Topic

2.6.1 causes of price changes

2.6.2 consequences of price changes

### Guidance

Changing market conditions as causes of price changes.

Demand and supply diagrams to be used to illustrate these changes in market conditions and their consequences for equilibrium price and sales.

**2.7 Price elasticity of demand (PED)****Topic**

- 2.7.1 definition of PED
- 2.7.2 calculation of PED
- 2.7.3 determinants of PED
- 2.7.4 PED and total spending on a product/revenue
- 2.7.5 significance of PED

**Guidance**

Calculation of PED using the formula and interpreting the significance of the result.

Drawing and interpretation of demand curve diagrams to show different PED.

The key influences on whether demand is elastic or inelastic.

The relationship between PED and total spending on a product/revenue, both in a diagram and as a calculation.

The implications for decision making by consumers, producers and government.

**2.8 Price elasticity of supply (PES)****Topic**

- 2.8.1 definition of PES
- 2.8.2 calculation of PES
- 2.8.3 determinants of PES
- 2.8.4 significance of PES

**Guidance**

Calculation of PES using the formula and interpreting the significance of the result.

Drawing and interpretation of supply curve diagrams to show different PES.

The key influences on whether supply is elastic or inelastic.

The implications for decision making by consumers, producers and government.

**2.9 Market economic system****Topic**

- 2.9.1 definition of market economic system
- 2.9.2 advantages and disadvantages of the market economic system

**Guidance**

Including the roles of the private sector (firms and consumers) and the public sector (government) in a market economy.

Including examples of how it works in a variety of different countries.

## 2.10 Market failure

### Topic

- 2.10.1 definition of market failure
- 2.10.2 causes of market failure
- 2.10.3 consequences of market failure

### Guidance

The key terms associated with market failure: public good, merit good, demerit good, social benefits, external benefits, private benefits, social costs, external costs, private costs.

With respect to public goods, merit and demerit goods, external costs and external benefits, abuse of monopoly power and factor immobility.

Examples of market failure with respect to these areas only.

The implications of misallocation of resources in respect of the over consumption of demerit goods and goods with external costs, and the under consumption of merit goods and goods with external benefits.

Note: demand and supply diagrams relating to market failure are not required.

## 2.11 Mixed economic system

### Topic

- 2.11.1 definition of the mixed economic system
- 2.11.2 government intervention to address market failure

### Guidance

Definitions, drawing and interpretation of appropriate diagrams showing the effects of three government microeconomic policy measures: maximum and minimum prices in product, labour and foreign exchange markets; indirect taxation; and subsidies.

Definition only of government microeconomic policy measures: regulation; privatisation and nationalisation; and direct provision of goods.

The effectiveness of government intervention in overcoming the drawbacks of a market economic system.

### 3 Microeconomic decision makers

#### 3.1 Money and banking

##### Topic

3.1.1 money

3.1.2 banking

##### Guidance

The forms, functions and characteristics of money.

The role and importance of central banks and commercial banks for government, producers and consumers.

#### 3.2 Households

##### Topic

3.2.1 the influences on spending, saving and borrowing

##### Guidance

Including income, the rate of interest and confidence – between different households and over time.

#### 3.3 Workers

##### Topic

3.3.1 factors affecting an individual's choice of occupation

3.3.2 wage determination

3.3.3 reasons for differences in earnings

3.3.4 division of labour/specialisation

##### Guidance

Wage and non-wage factors.

The influences of demand and supply, relative bargaining power and government policy, including minimum wage.

How changes in demand and supply, relative bargaining strengths, discrimination and government policy can all influence differences in earnings between workers whether they are: skilled/unskilled; primary/secondary/tertiary; male/female; private sector/public sector. Definition, drawing and interpretation of diagrams that illustrate the effects of changes in demand and supply in the labour market.

Advantages and disadvantages for workers, firms and the economy.

#### 3.4 Trade unions

##### Topic

3.4.1 definition of a trade union

3.4.2 the role of trade unions in the economy

3.4.3 the advantages and disadvantages of trade union activity

##### Guidance

Including engaging in collective bargaining on wages, working hours and working conditions; protecting employment; and influencing government policy.

Factors influencing the strength of trade unions.

From the viewpoint of workers, firms and the government.



### 3.5 Firms

#### Topic

3.5.1 classification of firms

#### Guidance

In terms of primary/secondary/tertiary sectors and private/public sector, and the relative size of firms.

Note: detailed knowledge of different types of structure of a firm is not required.

3.5.2 small firms

The advantages and disadvantages of small firms, the challenges facing small firms and reasons for their existence.

3.5.3 causes and forms of the growth of firms

Internal growth, for example increased market share. External growth, for example mergers.

3.5.4 mergers

Examples, advantages and disadvantages of different types of mergers: horizontal, vertical, and conglomerate.

3.5.5 economies and diseconomies of scale

How internal and external economies and diseconomies of scale can affect a firm/industry as the scale of production changes.

### 3.6 Firms and production

#### Topic

3.6.1 demand for factors of production

#### Guidance

Influences to include demand for the product, the price of different factors of production, their availability and their productivity.

3.6.2 labour-intensive and capital-intensive production

The reasons for adopting the different forms of production and their advantages and disadvantages.

3.6.3 production and productivity

The difference between, and influences on, production and productivity.

### 3.7 Firms' costs, revenue and objectives

#### Topic

3.7.1 definition of costs of production

#### Guidance

Total cost (TC), average total cost (ATC), fixed cost (FC), variable cost (VC), average fixed cost (AFC), average variable cost (AVC).

Note: marginal cost not required.

3.7.2 calculation of costs of production

Calculation of TC, ATC, FC, VC, AFC and AVC.

Definition, drawing and interpretation of diagrams that show how changes in output affect costs of production.

3.7.3 definition of revenue

Total revenue (TR) and average revenue (AR).

Note: marginal revenue is not required.

3.7.4 calculation of revenue

Calculation of TR and AR.

The influence of sales on revenue.

3.7.5 objectives of firms

Survival, social welfare, profit maximisation and growth.

<b>3.8 Market structure</b>	
Topic	Guidance
3.8.1 competitive markets	The effect of having a high number of firms on price, quality, choice, profit. Note: the theory of perfect and imperfect competition and diagrams are not required.
3.8.2 monopoly markets	Characteristics, advantages and disadvantages of monopoly. Note: diagrams are not required.
<b>4 Government and the macroeconomy</b>	
<b>4.1 The role of government</b>	
Topic	Guidance
4.1.1 the role of government	Locally, nationally and internationally.
<b>4.2 The macroeconomic aims of government</b>	
Topic	Guidance
4.2.1 the macroeconomic aims of government	Economic growth, full employment/low unemployment, stable prices/low inflation, balance of payments stability, redistribution of income. Reasons behind the choice of aims and the criteria that governments set for each aim.
4.2.2 possible conflicts between macroeconomic aims	Possible conflicts between aims: full employment versus stable prices; economic growth versus balance of payments stability; and full employment versus balance of payments stability.
<b>4.3 Fiscal policy</b>	
Topic	Guidance
4.3.1 definition of the budget	
4.3.2 reasons for government spending	The main areas of government spending and the reasons for and effects of spending in these areas.
4.3.3 reasons for taxation	Taxation as the main source of government revenue and the reasons for levying taxation.
4.3.4 classification of taxes	Examples of the different classifications of tax; progressive, regressive, proportional; and direct, indirect.
4.3.5 principles of taxation	The qualities of a good tax.
4.3.6 impact of taxation	The impact of taxation on consumers, producers, government and economy as a whole.

*Continued*

### 4.3 Fiscal policy continued

Topic	Guidance
4.3.7 definition of fiscal policy	
4.3.8 fiscal policy measures	The tax and spending changes, in the form of fiscal policy, that cause budget balance or imbalance. Including calculations of the size of a budget deficit or surplus.
4.3.9 effects of fiscal policy on government macroeconomic aims	How fiscal policy measures may enable the government to achieve its macroeconomic aims. Note: aggregate demand and aggregate supply are not required.

### 4.4 Monetary policy

Topic	Guidance
4.4.1 definition of money supply and monetary policy	
4.4.2 monetary policy measures	Changes in interest rates, money supply and foreign exchange rates.
4.4.3 effects of monetary policy on government macroeconomic aims	How monetary policy measures may enable the government to achieve its macroeconomic aims.

### 4.5 Supply-side policy

Topic	Guidance
4.5.1 definition of supply-side policy	
4.5.2 supply-side policy measures	Possible supply-side policy measures include education and training, labour market reforms, lower direct taxes, deregulation, improving incentives to work and invest, and privatisation.
4.5.3 effects of supply-side policy measures on government macroeconomic aims	How supply-side policy measures may enable the government to achieve its macroeconomic aims.

## 4.6 Economic growth

### Topic

- 4.6.1 definition of economic growth
- 4.6.2 measurement of economic growth
- 4.6.3 causes and consequences of recession
- 4.6.4 causes of economic growth
- 4.6.5 consequences of economic growth
- 4.6.6 policies to promote economic growth

### Guidance

Real Gross Domestic Product (GDP) and how it can be used to measure economic growth. GDP per head (capita).

Meaning of recession and how a recession moves the economy within its PPC.

How changes in total demand may increase the utilisation of resources and GDP – resulting in a movement from inside toward the PPC.

How economic growth shifts the economy's PPC to the right and is caused by changes in investment, technology, and the quantity and quality of the factors of production.

The costs and benefits of economic growth in the context of different economies.

The range of policies available to promote economic growth and how effective they might be.

## 4.7 Employment and unemployment

### Topic

- 4.7.1 definition of employment, unemployment and full employment
- 4.7.2 changing patterns and level of employment
- 4.7.3 measurement of unemployment
- 4.7.4 causes/types of unemployment
- 4.7.5 consequences of unemployment
- 4.7.6 policies to reduce unemployment

### Guidance

The nature and causes of changes in the pattern of employment, for example increase in proportion of workers employed in the tertiary sector and formal economy as an economy develops; a greater proportion of women in the labour force due to changes in social attitudes; decline in the proportion employed in the public sector as a country moves towards a market economy.

How unemployment is measured – claimant count and labour force survey – and the formula for the unemployment rate.

Frictional, structural and cyclical unemployment.

The consequences of unemployment for the individual, firms and the economy as a whole.

The range of policies available to reduce unemployment and how effective they might be.

## 4.8 Inflation and deflation

Topic	Guidance
4.8.1 definition of inflation and deflation	
4.8.2 measurement of inflation and deflation	Measurement of inflation and deflation using the Consumer Prices Index (CPI).
4.8.3 causes of inflation and deflation	Causes of inflation: demand-pull and cost-push. Causes of deflation: demand-side and supply-side.
4.8.4 consequences of inflation and deflation	The consequences of inflation and deflation for consumers, workers, savers, lenders, firms and the economy as a whole.
4.8.5 policies to control inflation and deflation	The range of policies available to control inflation and deflation and how effective they might be.

## 5 Economic development

### 5.1 Living standards

Topic	Guidance
5.1.1 indicators of living standards	Real GDP per head and the Human Development Index (HDI). The components of real GDP and HDI. The advantages and disadvantages of real GDP and HDI.
5.1.2 comparing living standards and income distribution	Reasons for differences in living standards and income distribution within and between countries.

### 5.2 Poverty

Topic	Guidance
5.2.1 definition of absolute and relative poverty	The difference between the two terms.
5.2.2 the causes of poverty	The causes of poverty including unemployment, low wages, illness and age.
5.2.3 policies to alleviate poverty and redistribute income	Policies including those promoting economic growth, improved education, more generous state benefits, progressive taxation, and national minimum wage.

### 5.3 Population

#### Topic

- 5.3.1 the factors that affect population growth
- 5.3.2 reasons for different rates of population growth in different countries
- 5.3.3 the effects of changes in the size and structure of population on different countries

#### Guidance

Birth rate, death rate, net migration, immigration and emigration.

How and why birth rates, death rates and net migration vary between countries.

The concept of an optimum population. The effects of increases and decreases in population size and changes in the age and gender distribution of population.

Note: interpretation of a population pyramid is required, but drawing is not.

### 5.4 Differences in economic development between countries

#### Topic

- 5.4.1 differences in economic development between countries

#### Guidance

Causes and impacts of differences in income; productivity; population growth; size of primary, secondary and tertiary sectors; saving and investment; education; and healthcare.

## 6 International trade and globalisation

### 6.1 International specialisation

#### Topic

- 6.1.1 specialisation at a national level
- 6.1.2 advantages and disadvantages of specialisation at a national level

#### Guidance

The basis for specialisation at national level in broad terms of: superior resource allocation and/or cheaper production methods.

For consumers, firms and the economy.

### 6.2 Globalisation, free trade and protection

#### Topic

- 6.2.1 definition of globalisation
- 6.2.2 role of multinational companies (MNCs)
- 6.2.3 the benefits of free trade
- 6.2.4 methods of protection
- 6.2.5 reasons for protection
- 6.2.6 consequences of protection

#### Guidance

MNCs and the costs and benefits to their host and home countries.

The benefits for consumers, producers and the economy in a variety of countries.

Tariffs, import quotas, subsidies and embargoes.

Including infant industry, declining industry, strategic industry and avoidance of dumping.

Effectiveness of protection and its impact on the home country and its trading partners.

### 6.3 Foreign exchange rates

#### Topic

- 6.3.1 definition of foreign exchange rate
- 6.3.2 determination of foreign exchange rate in foreign exchange market
- 6.3.3 causes of foreign exchange rate fluctuations
- 6.3.4 consequences of foreign exchange rate fluctuations
- 6.3.5 floating and fixed foreign exchange rates

#### Guidance

Floating and fixed systems.

The demand for and supply of a currency in the foreign exchange market and the determination of the equilibrium foreign exchange rate.

Including changes in demand for exports and imports, changes in the rate of interest, speculation, and the entry or departure of MNCs.

The effects of foreign exchange rate fluctuations on export and import prices and spending on imports and exports via the PED.

The difference between, and the advantages and disadvantages of, a floating foreign exchange rate and a fixed foreign exchange rate system.

### 6.4 Current account of balance of payments

#### Topic

- 6.4.1 structure
- 6.4.2 causes of current account deficit and surplus
- 6.4.3 consequences of current account deficit and surplus
- 6.4.4 policies to achieve balance of payments stability

#### Guidance

The components of the current account of the balance of payments – trade in goods, trade in services, primary income and secondary income. Calculation of deficits and surpluses on the current account of the balance of payments and its component sections.

Reasons for deficits and surpluses.

Impact on GDP, employment, inflation and foreign exchange rate.

The range of policies available to achieve balance of payments stability and how effective they might be.

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## 4 Details of the assessment

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For information on the assessment objectives (AOs), see Section 2.

### Paper 1 – Multiple Choice

Multiple-choice paper, 45 minutes, 30 marks

Candidates answer all 30 multiple-choice questions. Candidates indicate their answers on the multiple choice answer sheet provided. The questions are based on all six sections of the syllabus content. The questions may include calculations.

Calculators may be used in the examination.

The paper assesses the following assessment objectives:

AO1: Knowledge and understanding

AO2: Analysis

### Paper 2 – Structured Questions

Written paper, 2 hours 15 minutes, 90 marks

Candidates answer one compulsory question in Section A and three questions from a choice of four in Section B. Candidates write their answers in the answer booklet provided.

Candidates should be aware of the marks for each part question. These are printed on the question paper. Candidates should use them as a guide to the amount of detail and length of response expected and to help them manage their time effectively.

Calculators may be used in both sections of the examination.

#### Section A

Candidates answer one compulsory question (30 marks), which requires them to interpret and analyse previously unseen source material relevant to a real economic situation. The question has part questions. Each part question is based on one or more topics drawn from the syllabus content. The part questions require short and extended responses, based on the source information provided and may include calculations and diagrams. The source material contains written text and may contain diagrammatic or tabular information. Candidates must refer to this source material.

#### Section B

Candidates answer three questions from a choice of four. Each question is worth 20 marks and has four part questions. Each part question is based on one or more topics drawn from the syllabus content. The questions require short and extended responses, and may include calculations and diagrams. Each question is introduced by stimulus material. The stimulus gives the question context. Candidates may refer to this material and/or to other examples that they have studied.

The paper assesses the following assessment objectives:

AO1: Knowledge and understanding

AO2: Analysis

AO3: Evaluation



## Command words

The table below includes command words used in the assessment for this syllabus. The use of the command word will relate to the subject context.

Command word	What it means
<b>Analyse</b>	examine in detail to show meaning, identify elements and the relationship between them
<b>Calculate</b>	work out from given facts, figures or information
<b>Define</b>	give precise meaning
<b>Describe</b>	state the points of a topic / give characteristics and main features
<b>Discuss</b>	write about issue(s) or topic(s) in depth in a structured way
<b>Explain</b>	set out purposes or reasons / make the relationships between things evident / provide why and/or how and support with relevant evidence
<b>Give</b>	produce an answer from a given source or recall/memory
<b>Identify</b>	name/select/recognise
<b>State</b>	express in clear terms

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## 5 What else you need to know

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This section is an overview of other information you need to know about this syllabus. It will help to share the administrative information with your exams officer so they know when you will need their support. Find more information about our administrative processes at [www.cambridgeinternational.org/examsOfficers](http://www.cambridgeinternational.org/examsOfficers)

### Before you start

#### Previous study

We do not expect learners starting this course to have previously studied economics.

#### Guided learning hours

We design Cambridge O Level syllabuses based on learners having about 130 guided learning hours for each subject during the course but this is for guidance only. The number of hours a learner needs to achieve the qualification may vary according to local practice and their previous experience of the subject.

#### Availability and timetables

You can enter candidates in the June and November exam series. You can view the timetable for your administrative zone at [www.cambridgeinternational.org/timetables](http://www.cambridgeinternational.org/timetables)

Cambridge O Levels are available to centres in Administrative Zones 3, 4 and 5. Centres in Administrative Zones 1, 2 or 6 wishing to enter candidates for Cambridge O Level examinations should contact Cambridge International Customer Services.

Private candidates can enter for this syllabus.

#### Combining with other syllabuses

Candidates can take this syllabus alongside other Cambridge International syllabuses in a single exam series. The only exceptions are:

- Cambridge IGCSE<sup>®</sup> Economics (0455)
- syllabuses with the same title at the same level.

Cambridge O Level, Cambridge IGCSE and Cambridge IGCSE (9–1) syllabuses are at the same level.

## Making entries

Exams officers are responsible for submitting entries to Cambridge International. We encourage them to work closely with you to make sure they enter the right number of candidates for the right combination of syllabus components. Entry option codes and instructions for submitting entries are in the *Cambridge Guide to Making Entries*. Your exams officer has a copy of this guide.

### Exam administration

To keep our exams secure, we produce question papers for different areas of the world, known as 'administrative zones'. We allocate all Cambridge schools to one administrative zone determined by their location. Each zone has a specific timetable. Some of our syllabuses offer candidates different assessment options. An entry option code is used to identify the components the candidate will take relevant to the administrative zone and the available assessment options.

### Support for exams officers

We know how important exams officers are to the successful running of exams. We provide them with the support they need to make your entries on time. Your exams officer will find this support, and guidance for all other phases of the Cambridge Exams Cycle, at [www.cambridgeinternational.org/examsOfficers](http://www.cambridgeinternational.org/examsOfficers)

### Retakes

Candidates can retake the whole qualification as many times as they want to. This is a linear qualification so candidates cannot re-sit individual components.

### Equality and inclusion

We have taken great care to avoid bias of any kind in the preparation of this syllabus and related assessment materials. In compliance with the UK Equality Act (2010) we have designed this qualification to avoid any direct and indirect discrimination.

The standard assessment arrangements may present unnecessary barriers for candidates with disabilities or learning difficulties. We can put arrangements in place for these candidates to enable them to access the assessments and receive recognition of their attainment. We do not agree access arrangements if they give candidates an unfair advantage over others or if they compromise the standards being assessed.

Candidates who cannot access the assessment of any component may be able to receive an award based on the parts of the assessment they have completed.

Information on access arrangements is in the *Cambridge Handbook* at [www.cambridgeinternational.org/examsOfficers](http://www.cambridgeinternational.org/examsOfficers)

### Language

This syllabus and the related assessment materials are available in English only.

## After the exam

### Grading and reporting

Grades A\*, A, B, C, D or E indicate the standard a candidate achieved at Cambridge O Level.

A\* is the highest and E is the lowest. 'Ungraded' means that the candidate's performance did not meet the standard required for grade E. 'Ungraded' is reported on the statement of results but not on the certificate. In specific circumstances your candidates may see one of the following letters on their statement of results:

- Q (result pending)
- X (no result)
- Y (to be issued)

These letters do not appear on the certificate.

## How students and teachers can use the grades

Assessment at Cambridge O Level has two purposes.

- To measure learning and achievement.  
The assessment:
  - confirms achievement and performance in relation to the knowledge, understanding and skills specified in the syllabus, to the levels described in the grade descriptions.
- To show likely future success.  
The outcomes:
  - help predict which students are well prepared for a particular course or career and/or which students are more likely to be successful
  - help students choose the most suitable course or career.

## Grade descriptions

Grade descriptions are provided to give an indication of the standards of achievement candidates awarded particular grades are likely to show. Weakness in one aspect of the examination may be balanced by a better performance in some other aspect.

Grade descriptions for Cambridge O Level Economics will be published after the first assessment of the O Level in 2020. Find more information at [www.cambridgeinternational.org/olevel](http://www.cambridgeinternational.org/olevel)

## Changes to this syllabus for 2020, 2021 and 2022

The syllabus has been reviewed and revised for first examination in 2020.

<b>Changes to syllabus content</b>	<ul style="list-style-type: none"> <li>• The material is redistributed and refreshed (see section 3). There are six topic headings.</li> <li>• Brief guidance about the scope of each topic is included (see section 3).</li> <li>• A Command Words glossary is included (see section 4).</li> </ul>
<b>Changes to assessment (including changes to specimen papers)</b>	<ul style="list-style-type: none"> <li>• Assessment objectives AO1, AO2 and AO3 are updated (see section 2).</li> <li>• The assessment objective weightings are updated (see section 2).</li> <li>• The syllabus aims are refreshed (see section 2).</li> <li>• For Paper 2 Section B, candidates answer three questions from four (see section 4).</li> <li>• The specimen materials have been revised to reflect the changes to the assessment and the syllabus content.</li> </ul>

In addition to reading the syllabus, teachers should refer to the updated specimen assessment materials.

**You are strongly advised to read the whole syllabus before planning your teaching programme.**

Any textbooks endorsed to support the syllabus for examination from 2020 are suitable for use with this syllabus.



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