| | | | |
|---|---|---|---|
| **6** | **QS8**: Make calculations of elasticity and interpret the result<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is C**<br><br>**A** is not correct because the demand for all four chocolate bars is price elastic<br>**B** is not correct because there is no information on the income elasticity of demand<br>**D** is not correct because a 5% increase in price will result in an 8% decrease in quantity demanded | **(1)** |

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| **4** | **QS4**: Construct and interpret a range of standard graphical forms<br>**QS8**: Make calculations of elasticity and interpret the result<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is C**<br><br>**A** is not correct because the PED will be 0<br>**B** is not correct because the PED will be between 0 and -1<br>**D** is not correct because the PED will be -infinity | **(1)** |

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| **3** | **QS8**: Make calculations of elasticity and interpret the result<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is C**<br><br>**A** is not correct because Caribbean holidays are a luxury/normal good<br>**B** is not correct because healthcare does not have an income elasticity of demand value above +1<br>**D** is not correct because there is no data on price elasticity of demand | **(1)** |

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| **3** | **QS8**: Make calculations of elasticity and interpret the result<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is C**- The demand for refrigerators is price inelastic<br><br>**A** is not correct because the demand for clothes dryers is price inelastic<br>**B** is not correct because the price elasticity of demand for dishwashers is not zero<br>**D** is not correct because washing machines have price inelastic demand | **(1)** |

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|---|---|---|---|
| 1 | **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is B**<br><br>**A** is not correct because this is a government failure<br>**C** is not correct because this is a government failure<br>**D** is not correct because the market is functioning efficiently | **(1)** |

| | | | |
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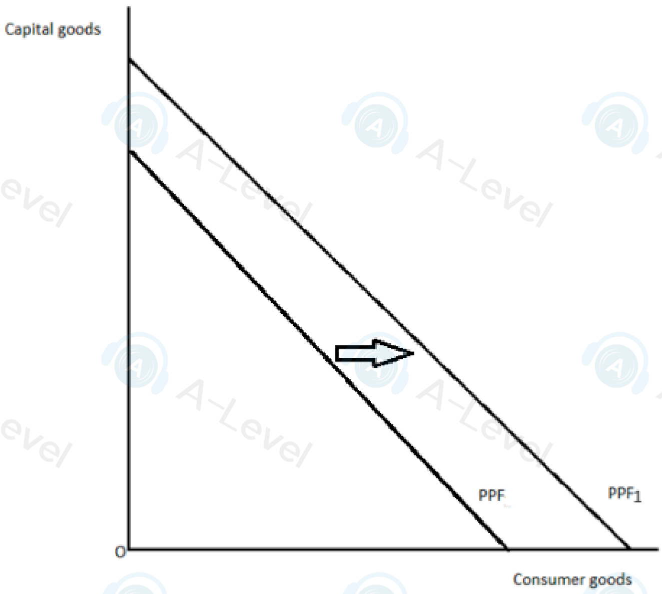
| 2 | **QS4**: Construct and interpret a range of standard graphical forms<br><br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is A**<br><br>**B** is not correct because the minimum price is above the equilibrium price resulting in excess supply<br>**C** is not correct because the increase in price will result in a decrease in consumer surplus<br>**D** is not correct because the minimum price is likely to result in an increase in producer surplus | **(1)** |

<table>
<tr><th>Question</th><th>Explain the likely impact on the USA's production possibility frontier (PPF) of this change in migration.<br>Illustrate your answer with a fully labelled PPF diagram.<br><br>Answer</th><th>Mark</th></tr>
<tr><td>11</td><td>
Knowledge 1, Application 1, Analysis 2<br>
Quantitative skills assessed:<br>
QS4: Construct and interpret a range of standard graphical forms<br>
QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br>
<br>
Knowledge<br>
1 mark for definition of PPF e.g.:<br>
• Production Possibility Frontier is the maximum possible production using all available resources (1)<br>
<br>
Application<br>
1 mark for correct shift of PPF diagram:<br>
• Outward/rightward shift of PPF (1)<br>

<br>
NB Accept curved PPF<br>
<br>
Analysis<br>
Up to 2 marks for:<br>
• An increased population in the USA would increase the number of workers/ more factors of production available (1)<br>
• Increase in the output of capital goods and consumer goods that can be produced (1)<br>
• Identifying that this illustrates economic growth/an increase in productive potential (1)
</td><td>(4)</td></tr>
</table>

| Question | With reference to the Maldives, explain the difference between 'market failure' and 'government failure'.<br><br>**Answer** | Mark |
|---|---|---|
| 8 | **Knowledge 2, Application 2**<br>Quantitative skills assessed:<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>**Knowledge**<br><br>1 mark for understanding of 'market failure'<br>• Where the price mechanism/ supply and demand/ buyers and sellers lead to an inefficient allocation of resources/ misallocation of resources **(1)**<br>1 mark for understanding of 'government failure'<br>• Where government intervention leads to a net welfare loss/ a worse allocation of resources **(1)**<br><br>**Application**<br>1 mark for reference to data on market failure<br>• Market failure – under-provision of public goods/ under-investment in flood defences **(1)**<br>1 mark for reference to data on government failure<br>• Government failure - excessive administrative costs/required to complete extensive paperwork **(1)** | **(4)** |

**Question**

Between January 2020 and May 2020 the price of bananas charged by retailers in the USA increased from \$1.17 to \$1.30 per kg. This was mainly caused by increased costs of transportation from banana growers to markets in North America.

Explain the likely impact of this change in price on consumer surplus.

Illustrate your answer with a diagram.

**Mark**

**Answer**

**11**

**Knowledge 1, Application 1, Analysis 2**

Quantitative skills assessed:
**QS4**: Construct and interpret a range of standard graphical forms

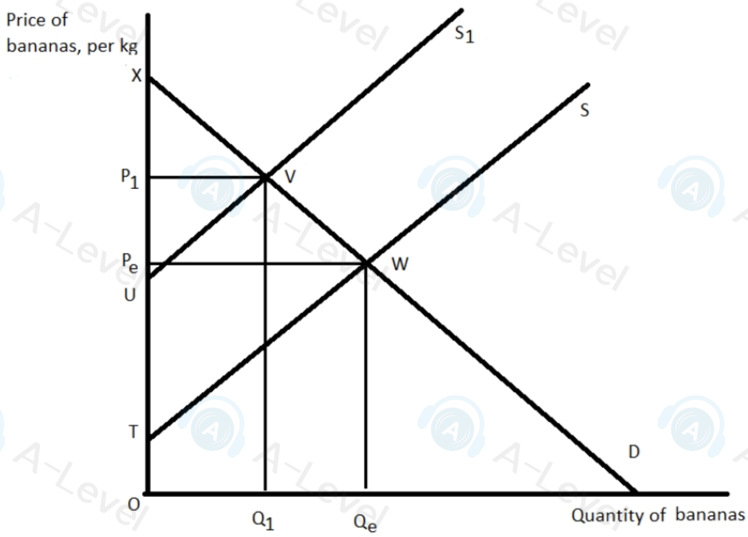
**Knowledge**

1 mark for defining consumer surplus

- Consumer surplus is the difference between the price which consumers are willing to pay and the market price/gap between the equilibrium price and the demand curve **(1)**

**Application**

1 mark for the following diagram, showing the correct shift in supply




**Analysis**

Up to 2 marks for likely impact on consumer surplus

- Consumer surplus is originally $P_eWX$ **(1)**
- Consumer surplus decreases **(1)** to $P_1VX$ **(1)**
- Consumer surplus decreases **(1)** by $P_eP_1VW$ **(1)**

**(4)**

<table>
<tr><th>Question</th><th>With reference to this information, explain what is meant by 'rational decision making'.<br><br>Answer</th><th>Mark</th></tr>
<tr><td>8</td><td>Knowledge 2, Application 2<br><br>Quantitative skills assessed:<br><br>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>Knowledge<br><br>1 mark for understanding of 'rational decision-making'<br>• Where consumers maximise utility/satisfaction/benefit where producers maximise profit (1)<br><br>1 mark for link to how behaviour is rational<br>• Switching to cheaper alternatives for better value (1)<br>• Customers want to avoid the new higher prices (1)<br>• By spending less enabling them to purchase other goods (1)<br>• Consumers are good at computation so can calculate the savings from buying alternative products (1)<br>• Consumers lack loyalty/habitual behaviour so when they see a better deal they will be happy to switch (1)<br>• The higher price results in a smaller decrease in quantity demanded so revenues will rise (1)<br>• If the increase in revenue is greater than the change in costs then profits will increase (1)<br><br>Application<br><br>Up to 2 marks for reference to data<br>• 6.8% decrease in the number of items sold (1)<br>• Increase in total costs of €4.4 billion (1)<br>• Unilever increased prices, on average, by 13.2% in response to higher costs (1)</td><td>(4)</td></tr>
</table>

| Question Number | Rimac manufacture electric cars. With the first model, the Concept_One, an individual worker was responsible for building each car from start to finish. Only seven were manufactured. In 2017 €30 million was spent on developing a factory which would use the division of labour to manufacture 200 Concept_Two cars.<br><br>With reference to the market for car manufacturing, explain **one** benefit of the 'division of labour'. | Mark |
|---|---|---|
| **8** | **Knowledge 2, Application 2**<br><br>**Knowledge**<br>Up to 2 marks<br><br>1 mark for defining 'the division of labour' e.g.<br>The division of labour is where the production process is broken down into stages and each worker focuses on a specific task **(1)**.<br><br>Up to 2 marks for explaining one benefit, e.g.<br>• Less training is required **(1)** as workers will only need to be trained on one task **(1)**.<br>• Productivity will increase **(1)** as workers do not have to keep changing tools/ as workers become highly skilled at specific tasks **(1)**.<br>• Capital may replace workers **(1)** saving on labour costs **(1)**.<br><br>**Application**<br>Up to 2 marks for applying to the market for car manufacture, e.g.:<br>• Production of cars increases from 7 to 200 cars **(1)**<br>• Rather than training staff how to put together all components of the car **(1)** you can spend less time training on a specific task such as fitting the windscreen **(1)**.<br>• Rimac can put in place a production line where some tasks will be completed by robots/capital **(1)** which can be cheaper to run when compared to paying wages **(1)**. | **(4)** |