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| 2 | **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is D**<br><br>**A** is not correct because if consumers felt undervalued they are more likely to leave<br>**B** is not correct because if consumers have good computational skills they will calculate the fact they are paying £108 more<br>**C** is not correct because the free-rider problem relates to the underprovision of public goods | **(1)** |

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| 5 | **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 if consumers experienced habitual behaviour they would remain with their existing supplier<br>**C** is not correct because if consumers are poor at computation, they would not be able to calculate their savings from switching<br>**D** is not correct because a rational consumer maximises utility | **(1)** |

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| 2 | | **The only correct answer is B**- Consumers aiming to maximise utility<br><br>**A** is not correct because being valued by the original supplier would mean they would not change supplier<br>**C** is not correct because being poor at computation would mean they cannot calculate the benefit from changing supplier and would not change<br>**D** is not correct because changing supplier will save money that can be used to gain utility from purchasing other goods | **(1)** |

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| **3** | **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes<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 consumers would buy fewer products to maximise utility<br>**C** is not correct because habitual behaviour would not result in consumers buying fewer products<br>**D** is not correct because poor computational skills mean consumers would not be able to calculate the savings and would not buy fewer products | **(1)** |

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| **4** | **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 as utility is maximised at 4 glasses of milk*<br><br>***C*** *is not correct as consumption of the fifth glass results in decreasing marginal utility*<br><br>***D*** *is not correct as utility is maximised at 4 glasses of milk* | **(1)** |

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| **5** | **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms<br><br>**QS10:** Distinguish between changes in the level of a variable, and the rate of change | **The only correct answer is C**<br><br>**A** is not correct because total utility is still rising<br>**B** is not correct because total utility is still rising<br>**D** is not correct because total utility is falling | **(1)** |

| Question | With reference to this information, explain what is meant by 'rational decision making'.<br><br>**Answer** | Mark |
|---|---|---|
| 8 | **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><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)** | **(4)** |

| Question | In October 2024, 475 000 consumers switched energy suppliers in the UK as they searched for the best energy deals. This was a 76% increase compared to October 2023.However, 15% of UK consumers have never switched energy suppliers.<br>With reference to the above information, explain the difference between rational behaviour and habitual behaviour.<br><br>**Answer** | **Mark** |
|---|---|---|
| 8 | **Knowledge 2, Application 2**<br><br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>**Knowledge**<br>1 mark for definition of rational behaviour e.g.:<br>• Consumers switch to maximise utility **(1K)**<br>1 mark for definition of habitual behaviour e.g.<br>• Consumers do not switch because they repeat their decision-making actions / remain loyal to a business / inertia **(1K)**<br><br>**Application**<br>1 mark for applying rational behaviour to stem e.g.:<br>• The 475 000 consumers switched energy suppliers in October 2024 showed rational behaviour **(1AP)**<br>1 mark for applying habitual behaviour to stem e.g.:<br>• 15% of consumers have never switched energy suppliers demonstrating habitual behaviour **(1AP)** | **(4)** |

| Question | Explain how the above table may be used to illustrate the concept of diminishing marginal utility. Use the last column in the table to show your workings.<br><br>Answer | Mark |
|---|---|---|
| 11 | **Knowledge 1, Application 1, Analysis 2**<br>Quantitative skills assessed:<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>**Knowledge**<br>1 mark for defining diminishing marginal utility / marginal utility<br>• Diminishing marginal utility is where as a person increases consumption of a product, there is a decline in the marginal utility that person derives from consuming each additional unit of that product<br>• Marginal utility is the change in utility after an increase in consumption of a good **(1)**<br><br>**Application**<br>1 mark for the following table completed, at least showing where diminishing marginal utility occurs | |

| Number of drinks | Total utility | Marginal utility |
|---|---|---|
| 1 | 15 | - |
| 2 | 32 | 17 |
| 3 | 52 | 20 |
| 4 | 73 | 21 |
| 5 | 85 | 12 |
| 6 | 90 | 5 |

**Analysis**

Up to 2 marks for likely impact

- Luca experiences increasing marginal utility when increasing consumption from 1 to 2 drinks/ 2 to 3 drinks/ 3 to 4 drinks/ as the number of drinks moves from 1 to 4 the marginal utility increases from 17 to 21 **(1)**
- Diminishing marginal utility starts when he moves from 4 to 5 drinks **(1)** marginal utility falls from 21 to 12/ as consumption increases from 5 to 6 marginal utility falls from 12 to 5/ as the number of drinks moves from 4 to 6 the marginal utility decreases from 21 to 5 **(1)**

**(4)**

| Question | Explain **one** reason why many consumers behave in this way and remain with their current internet providers.<br><br>Answer | Mark |
|---|---|---|
| 9 | **Knowledge 1, Application 1, Analysis 2**<br><br>**Knowledge & Analysis**<br>1 mark for knowledge and a further 2 marks for linked analysis e.g.:<br>• Irrational behaviour is where consumers fail to maximise their utility **(1)**<br>• Rational behaviour is where consumers maximise their utility **(1)**<br><br>• People may be influenced by others' behaviour **(1)** where they stay with the same provider because their friends and family do **(1)**<br>• People exhibit habitual behaviour **(1)** where they have used the same internet provider and are in a habit of using them/ loyal to the provider **(1)**<br>• Consumers experience inertia **(1)** where they lack the energy or desire to go through the process of switching internet providers **(1)**<br>• Consumers have poor computational skills **(1)** meaning they find it difficult to calculate the amount they can save by switching **(1)**<br>• Consumers feel valued by current internet providers **(1)** so remain loyal to them **(1)**<br>• Consumers may not have information about the possible savings **(1)** and therefore may be unaware that they could get a better deal by switching provider **(1)**<br><br>**Application**<br>Up to 1 mark for applying to Canada's internet providers, e.g.:<br>• Consumers can save 25% by switching to smaller providers **(1)**<br>• Consumers tend to stay with more expensive providers **(1)** | **(4)** |

| Question | With reference to hotel breakfasts, explain why the above information illustrates 'diminishing marginal utility'.<br><br>**Answer** | Mark |
|---|---|---|
| 8 | **Knowledge 1, Application 1, Analysis 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 'diminishing marginal utility'<br>• Where an additional unit of consumption leads to a smaller increase in utility/ where the marginal utility decreases/total utility increases but at a slower rate **(1)**<br><br>**Application**<br><br>1 mark for reference to data<br>• 80% of hotel guests go to the buffet three times **/** Only 10% visit five times **(1)**<br><br>**Analysis**<br><br>Up to 2 marks for analysis e.g.<br>• 90% of hotel guests are satiated/full after consuming the 4th bowl/plate of food **(1)** so do not consume the 5th bowl/plate **(1)**<br>• The last bowl/plate of food consumed increases total utility **(1)** but the gain in utility is smaller than for the last bowl **(1)** | **(4)** |