Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

2.1

- the next best alternative that is given up when a choice is made (2 for a clear definition; 1 for a partial idea)

2.2

- the concert ticket (the enjoyment of the concert) given up (1)

2.3

- what to produce; how to produce it; for whom to produce it (1 + 1 + 1)

3.1 B

- Opportunity cost is the next best alternative forgone

3.2

- *[4]* AO1 1–2 (define scarcity and opportunity cost) + AO2/AO3 up to 2 — e.g. a factory's resources are finite, so using them to make cars means the trucks it could have made are given up
- that forgone output is the opportunity cost

3.3

- *[8]* AO1/AO2/AO3 up to 5 + AO4 up to 3 (a supported judgement). **For:** opportunity cost shows the true cost of each choice, helping spend limited funds where the benefit is greatest. **Against:** a government must also weigh equity, long-term effects and political aims, not just opportunity cost. Judgement: opportunity cost is essential to good budgeting but is one of several factors — its importance depends on the decision