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 difference between the most a consumer is willing to pay and the price actually paid (2 for a clear definition; 1 for a partial idea)

2.2

- the area above the supply curve and below the price line (1)

2.3

- consumer surplus rises (1)

3.1 B

- Consumer surplus is below the demand curve and above the price

3.2

- *[8]* AO1 1 + **AO3 diagram up to 4** (demand and supply, supply shifts right, price falls) + AO2/AO3 up to 3 — a rise in supply lowers the equilibrium price and raises quantity
- the area below demand and above the new lower price is larger
- consumer surplus rises

3.3

- *[8]* AO1/AO2/AO3 up to 5 + AO4 up to 3. **Yes:** a higher price (curves fixed) cuts consumer surplus and quantity traded, lowering welfare. **But:** producer surplus rises, and if the price rise came from higher demand, total welfare can still rise as more is traded. Judgement: the effect on total welfare depends on *why* the price rose — a tax or restriction lowers welfare, but a demand-led rise need not