## Solutions

Marking: **K** = knowledge, **App** = using the data or case, **An** = analysis (explaining each step: cause, then effect), **Ev** = evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer. Longer answers are marked in levels: the top level needs clear analysis **and** a judgement with a reason.

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

**2.1**

- TR: $20, 36, 48, 56, 60, 54$
- **5 units**

**2.2**

- limit pricing
- predatory pricing

**3.1**

- satisficing means making enough profit to keep the owners content (K)
- managers, workers and owners have different goals, so the firm aims to satisfy each group (An)
- managers may prefer an easier life, or lack the information to find the profit-maximising output (An)

**3.2**

- profit maximisation: output where $MC = MR$, so the gap $TR - TC$ is largest (K)
- revenue maximisation: output where $MR = 0$, so $TR$ is at its peak (K)
- revenue maximisation gives higher output and a lower price; managers may prefer it if their pay depends on sales (An)

**3.3**

(a) $(11 - 8) \times 200\,000$; $\$\mathbf{600\,000}$

(b) a large share brings economies of scale, so costs fall later (An); in markets with network effects, more users make the product more valuable (An); once rivals leave, the firm can raise prices and earn supernormal profit (An); investors may value growth more than current profit (An)

(c) points to include:

- consumers gain from low prices in the short run (An)
- if rivals are forced out, the firm gains monopoly power and prices may rise later (An)
- it is hard to prove intent: low prices may simply reflect efficiency or an introductory offer (An)
- action may protect competition and choice in the long run (Ev)
- judgement: act where the firm is dominant and there is clear evidence of a plan to remove rivals (Ev)



Levels: **top** (6–8) clear analysis, each step explained, and a judgement with a reason; **middle** (3–5) some analysis, judgement weak or missing; **bottom** (1–2) relevant points, little explanation.