

Multiple Choice Answers

Q4: A

Q8: D

Multiple Choice Answers

Q2: D

Multiple Choice Answers

Q6: C

Q8: B

1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.
0	No creditable response.

1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.
0	No creditable response.

1(a)	Explain the significance of measuring GDP at constant prices. The total output from within a country (1) Constant prices mean changes in prices are taken into account (1) which allows for the measurement of the real change in output (1) Easier comparisons of GDP (1)
1(b)	Explain one possible benefit of horizontal integration and one possible benefit of vertical integration. Horizontal integration definition (1) + Benefit (1) Vertical integration definition (1) + Benefit (1)
1(c)	Describe how the market structure in which individual farmers operate is likely to differ from the market structure in which the commodity traders operate. Farmers: monopolistic competition (1) many sellers (1), similar product (1), no barriers to entry (1), price maker (1) Max 3 Traders: oligopoly (1) and a few sellers (4) (1) and barriers to entry (1) price maker (1) product differentiation (1) Max 3 Market structure must be correct to gain explanation marks.
1(d)	Use the article to evaluate the impact of the development of the agricultural and mining industries on the standard of living in Brazil. Definition of standard of living: Monetary (1) and non-Monetary (1). (2) Max Data interpretation (4) max Data for improvement SoL Increase in GDP 0.7 trn (1), and US\$ 1459 pc (1), Can quote the changes, Large exporter (1), (2) Max Data for reduction in SoL Agricultural/mining/oil degradation of rain forest (1) Environmental pollution from mining/Flooding from burst dams (1) (2) Max But no mention of non-financial aspect of SoL: 1 e.g. education, health or housing (1) (2) Max Conclusion: The data is mixed with some positive and negative points but there is need for a wider range of data to make a full judgement (1)

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1(a)	Explain the meaning of 'allocative and productive efficiency'. Allocative efficiency is when firms produce what consumers want (1) $MC=AR/MC=P$. (1) Productive efficiency is producing goods and services with the least use of resources. (1) Production on the lowest average cost curve/ minimum average cost/AC =minimum (1) Producing on the PPC 1
1(b)(i)	Explain what is meant by a negative production externality. A cost 1 that is born by someone other than the producer of the good/a third party 1
1(b)(ii)	Identify from the extract, a negative production externality resulting from steel production. Noise, dirt or polluted air 1 Max 1 mark
1(b)(iii)	Explain, with the aid of a diagram, the consequences for output and price if the steel market is required to take into consideration negative production externalities. Labels 1 Axes 1 and explicit indication of negative externality 1 Comment: Quantity falls from Q to Q₁ 1 and Price increases from P to P₁ 1 Welfare loss explained 1

1(c)	Consider whether 'a monopoly always operates against the interests of the consumer'. In favour of monopoly : - Economies of scale 1, + explanation 1 - Investment in research and development 1, + explanation 1 Natural monopoly e.g. railways 1, + development 1 Max 4 Against monopoly: Loss of productive efficiency 1 + explanation 1 Loss of allocative efficiency 1 + explanation 1 Lack of dynamic efficiency 1 + explanation Or: A diagram showing the loss of allocative and productive efficiency Axes/Labels 1 correct costs and revenues 1 loss of AE 1 loss of PE 1 Max 4 Max 7 for argument Conclusion: 1
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