Past-paper walk-through

Socially Efficient and Inefficient Market Outcomes ▪ 6.1

eXercise

Questions in this set

- 2026 Q1
- 2025 Set 1 Q1
- 2024 Set 1 Q2
- 2024 Set 2 Q3
- 2023 Set 2 Q3
- 2021 Set 1 Q1
- 2021 Set 2 Q1
- 2021 Set 2 Q2
- 2018 Q2
- 2017 Q3

Questions in this set

- 2014 Q1

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 1

2026 ▪ Q1

Feram and Ocel are the only two steel manufacturers in the region. Feram is deciding whether to transport its steel with Truck or Rail. Ocel is deciding whether to produce its steel as Sheets or Beams. The payoff matrix shows the payoffs for each combination of strategies. The first entry in each cell shows Feram's profit, and the second entry shows Ocel's profit. Each firm independently and simultaneously chooses its strategy. Assume that Feram and Ocel know all the information in the matrix and do not cooperate.

		Ocel	**Ocel**
		Sheets	Beams
Feram	Truck	40*million*,95 million	20*million*,125 million
Feram	Rail	50*million*,75 million	30*million*,25 million

Question 1

(a) What is Feram's most profitable strategy if Ocel chooses to produce Sheets?

Question 1

		Ocel	
		Sheets	Beams
Feram	Truck	\$40 million, \$95 million	\$20 million, \$125 million
	Rail	\$50 million, \$75 million	\$30 million, \$25 million