

Exercise walk-through

1.1

Choice, models and market adjustment

Pearson Edexcel · International A-Level · Economics

6 . Introductory transfer review

transfer review

The higher wage raises cost, while useful training may raise saleable output or quality and therefore MRP. The employment effect needs the sizes, timing, product demand and actual employer response. Training attendance alone does not establish a productivity gain. Compare outcomes for workers retained, applicants and consumers. A competition investigation instead needs evidence of restrictive behaviour, entry and alternatives; a wage agreement alone does not establish product-market abuse. Preserve the introductory limit: detailed monopsony, union and competition-policy models remain in the full-target queue.

Keep the detailed IA2 boundary explicit.

8 . Introductory worked reasoning

worked reasoning

Road cost per household = $45 \text{ million} / 200 = 0.225 \text{ million units/household}$. Clinic cost per household = $40 \text{ million} / 150 = \text{approximately } 0.267 \text{ million units/household}$. Both together cost $45 + 40 = 85 \text{ million}$, exceeding the budget by 25 million. The ratios measure different benefits, so they do not establish that the road is the better development choice. Check the main bottleneck, expected health and market effects, maintenance, access for disadvantaged households and environmental impacts. Compare feasible scaled options and financing terms; do not assume promised reach is actual reach.

Check the units and the stated model conditions.

8 . Introductory transfer review

transfer review

Compare repayment and currency risk with credible project benefits and continuing service costs. Funding both now may displace later health, education or maintenance spending if debt service rises. Seek affordable terms or a feasible phased plan, examining distribution and environmental effects with affected people. Monitor actual access, health or market outcomes and repayment burden, not GDP or construction completion alone. A conditional choice explains the binding bottleneck and what evidence would change it; this case does not certify a real development programme.

Keep the detailed IA2 boundary explicit.

Exercises 2.1·3.1

2.1 For the worked case, state the method, show its application and give a limitation.[3]

3.1 A publicity campaign raises demand while a supplier's input costs increase. Explain why equilibrium quantity cannot be predicted from these directions alone and describe the diagram. [3]

Exercises 2.1·3.1

2.1 For the worked case, state the method, show its application and give a limitation.[3]

2.1 Equilibrium requires $Q_d = Q_s$. Thus $140 - 2P = 20 + 4P$; $120 = 6P$; $P = 20$ currency units/item. $Q_d = 140 - 2(20) = 100$ items/day and $Q_s = 20 + 4(20) = 100$ items/day. At $P = 15$, $Q_d = 110$ and $Q_s = 80$ items/day, giving excess demand $= 110 - 80 = 30$ items/day. In the simple adjustment story, buyers bid up price or suppliers change prices; quantities then move along unchanged curves. A demand shift requires a different determinant, such as income or preferences. Shortages do not prove instantaneous adjustment or unrestricted competition. Authored points for method, application and relevant qualification.

3.1 A publicity campaign raises demand while a supplier's input costs increase. Explain why equilibrium quantity cannot be predicted from these directions alone and describe the diagram. [3]

3.1 Demand shifts right and supply shifts left on axes of price and quantity. Both changes tend to raise equilibrium price, but their quantity effects oppose one another. Draw both new curves and compare relative shifts before judging quantity. Identify the unchanged determinants and time horizon. A large demand increase can outweigh the supply contraction; a large contraction can reverse that result. Do not confuse a movement caused by the new equilibrium price with a second demand shift. Authored points for judgement, case-linked reasoning and justified qualification. Accept supported alternatives.