Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

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

2.1

- the **shop job**, earning $30
- football is only the third choice; opportunity cost is the **next best** alternative only

2.2

- 400×100
- $= \$\mathbf{40\,000}$

2.3

- the meals use scarce **resources**: food, cooks, kitchens (K)
- they are paid for from **tax revenue** (App)
- the same money could have been spent on something else, such as teachers or roads (An)
- that next best use is the opportunity cost; the meals are free to pupils, not to society (An)

3.1

A

3.2

(a)

- $2 \div 9 \times 100$
- $= \mathbf{22.2}\ \%$

(b)

- the opportunity cost is what education **cannot** now pay for (K)
- for example $1 billion of schools, teachers or books (App)
- so fewer pupils are taught, or classes are larger (An)
- the country gains a railway but gives up these education services (An)

(c) a developed chain, for example:

- profit is **scarce**: it can be used once (K)
- buying machines means giving up another use, such as paying dividends to owners or saving (App)
- the firm compares the **benefit** of the machines (more output, lower costs later) with that next best use (An)
- if the machines raise future profit by more than the alternative, it buys them (An)
- so opportunity cost decides which use of profit is chosen (An)

(d) more on education: (An)

- a better-educated workforce raises productivity and incomes in the future
- education can reduce poverty and improve health choices

more on health care: (An)

- sick workers cannot work; health spending has quicker effects
- an ageing population needs more treatment

either way the opportunity cost is the service given up.

judgement: (Ev) for example, it depends on where the country's need is greater: with low literacy, education has the larger long-run benefit; with long hospital queues, health matters more now.

Level 3 (6–8): both sides analysed and a justified judgement. Level 2 (3–5): one side analysed or both explained. Level 1 (1–2): simple points.