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

- at \$2: $30 + 20 + 10 =$ **60**
- at \$3: $40 + 30 + 20 =$ **90**

2.2

- a higher price makes the good more **profitable** to sell (K)
- so firms are willing to supply more / it covers the higher cost of extra output (An)

2.3

- (i) supply **decreases** / shifts left
- (ii) supply **increases** / shifts right

3.1

B

3.2

(a)

- $(25\,000 - 20\,000) \div 25\,000 \times 100$
- $=$ **20** %

(b)

- lower **costs of production** per car (K)
- each car is more **profitable** at every price (An)
- firms are willing to supply **more** at each price (An)
- supply **increases** / the curve shifts **right** (App)

(c) a developed chain, for example:

- wages are a **cost of production** (K)
- higher wages raise the cost of each car (An)
- each car is less profitable at every price, so firms supply fewer (An)
- some firms may leave the market or switch to other products (App)
- supply **decreases** / shifts left; firms may also replace workers with machines (An)

(d) for a subsidy: (An)

- it lowers costs per car, so supply increases quickly
- it can make electric cars cheaper and cut pollution from petrol cars

against: (An)

- it has an **opportunity cost**: tax revenue could fund schools or hospitals
- firms may keep the subsidy as profit; it may be hard to remove later
- other ways: fund battery research, build charging points, cut red tape for new firms

judgement: (Ev) for example, a subsidy works fastest, but a time-limited subsidy combined with research funding is better, because technology lowers costs for good while a subsidy stops when the money does.

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.