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

- equilibrium price = \$**3**
- equilibrium quantity = **300** kg

2.2

- $450 - 200 =$ **250** kg
- the price will **fall**

2.3

- at P_1 there is **excess demand** / a shortage (K)
- sellers raise the price (An)
- quantity supplied extends and quantity demanded contracts until equilibrium is reached (An)

3.1

B

3.2

(a)

- 55 000 − 20 000
- = **35 000** tickets

(b)

- \$50 is **below** the equilibrium price, so there is a **shortage** (K)
- many fans who did not get a ticket are willing to pay more (App)
- holders can make a **profit** by reselling (An)
- the resale price moves towards the price at which the market would clear (An)

(c) a developed chain, for example:

- with excess demand, the price would be **raised** (K)
- as the price rises, quantity demanded **contracts**: some fans drop out (An)
- the number of seats is fixed, so quantity supplied cannot extend much (App)
- the price keeps rising until quantity demanded equals 20 000 (An)
- at equilibrium there is no shortage and no reason to resell (An)

(d) for the equilibrium price: (An)

- the band, not resellers, earns the extra revenue
- tickets go to fans who value them most; no touting

against: (An)

- poorer and younger fans are priced out, which may harm the band's image
- low prices keep fans loyal and buying music and merchandise

judgement: (Ev) for example, a mix is best: most tickets at a higher price, some at \$50 by lottery, with resale capped, because this captures most of the revenue while keeping fans' goodwill.

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.