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 **falls**
- equilibrium quantity **rises**

2.2

- demand curve shifted **right**
- P_2 **above** P_1
- Q_2 **above** Q_1

2.3

- **demand** for rooms increases in summer, while the number of rooms (supply) stays the same (K)
- so there is excess demand at the winter price, and the price **rises** (An)

3.1

C

3.2

(a)

- $(8000 - 6800) \div 8000 \times 100$
- $=$ **15** %

(b)

- the disease reduces the number of cattle, so **supply decreases** / shifts left (K)
- at $12 there is now **excess demand** (An)
- buyers compete for the smaller supply, so the price **rises** (An)
- quantity demanded contracts until a new, higher equilibrium is reached (App)

(c) a developed chain, for example:

- supply decreases: this alone raises price and lowers quantity (K)
- the health report **decreases demand**: this alone lowers price and lowers quantity (K)
- both changes lower quantity, so quantity must **fall** (An)
- they push price in **opposite** directions (An)
- the final price depends on which shift is larger (An)

(d) price rises if: (An)

- the disease cuts supply a lot, for example if many herds are destroyed
- buyers keep eating beef out of habit, so the demand shift is small

price falls if: (An)

- many people follow the report or switch to chicken and fish (substitutes), so demand falls a lot
- the disease is limited and imports fill the gap

judgement: (Ev) for example, in the short run price is likely to rise because disease cuts supply at once while eating habits change slowly; over a longer period, if the report changes habits, the price may fall back.

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.