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

- $10 \div 20 = \mathbf{0.5}$
- **inelastic**

2.2

- flowers take weeks to **grow** and cannot be **stored** for long (K)
- so growers cannot raise the quantity supplied quickly when the price rises (An)

2.3

- supply is more **elastic** (K)
- when the price rises it can release stock at once, so quantity supplied rises quickly (An)

3.1

C

3.2

(a)

- price +20 %; quantity supplied +40 %
- PES $= 40 \div 20 = \mathbf{2}$

(b) two reasons, each explained (K + App each):

- **spare capacity**: empty floor space and idle machines mean output can rise without new investment
- toys are **quick** to make, so output can rise within weeks
- toys can be made ahead and held as **stock**

(c) a developed chain, for example:

- building a flat takes a long **time**: planning, permission, construction (K)
- land in the city is **scarce** and expensive (App)
- builders need skilled workers and materials that are not available at once (An)
- so when prices rise, the quantity supplied can rise only slowly (An)
- supply is inelastic, at least in the short run (An)

(d) mainly price: (An)

- supply is inelastic, so higher demand creates a shortage that is cleared mainly by **higher prices**
- land and planning limits stop builders responding

mainly quantity: (An)

- over several years builders can start more projects, so supply becomes more elastic
- the government may release land or speed up planning

judgement: (Ev) for example, in the next year or two mainly the price will rise because supply cannot respond; over ten years more flats will be built, but in a crowded city land limits mean prices stay high.

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.