Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

2.1

- a **monopoly** is a market with **only one firm**, or one firm that controls most of it (K)

2.2

- **barriers to entry** are things that make it hard for new firms to enter a market, such as high start-up costs (K)

2.3

- any **one** of: **lower prices** / **wider choice** / **better quality** (K)

3.1 B

- in competition, firms keep **prices low** and **quality high** to win customers (K)
- A, C and D describe a monopoly, not competition

3.2

- for **each** of two reasons: K + An
- e.g. **no competition**: buyers have no other firm to go to → they must pay the monopoly's price
- e.g. **barriers to entry**: new firms cannot enter to undercut it → the monopoly can keep its price high

3.3

- **worse**: a monopoly can charge high prices, offer less choice, and has little pressure to improve quality (K + An)
- **not always**: a large monopoly may gain **economies of scale** and use profit to fund research (An)
- **judgement (Ev)**: a monopoly is usually worse, but it can benefit consumers if lower costs are passed on and it innovates