Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

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

2.1

(a) the £18,000 of earnings (and what it would buy)

(b) the car park's benefits: parking fees and the convenience given up

(c) the bread that hour would have made

2.2

third: $58 - 47 =$ **11** loaves

fourth: $47 - 30 =$ **17** loaves

2.3

A: inside (the frontier gives 58 loaves at 2 cakes): resources wasted

B: on: efficient

C: outside (only 30 loaves at 4 cakes): not possible with today's resources

2.4

the £60 is a sunk cost: it is spent whatever Nimbus decides

decide on future benefits and costs only: bake rye only if it earns more than the best other use of the oven time

3.1

(a) 6, 8, 11, 17, 30 loaves

(b) bakers are not equally good at cakes: the first cakes use the best cake bakers; later cakes take time from bakers who are better at loaves, so more loaves are lost

(c) extra benefit per cake $45 - 6 =$ £39; opportunity cost in £: 24, 32, 44, …; $39 > 24$ and $39 > 32$, but $39 < 44$; bake **2** cakes

3.2

(a) before $58 - 47 =$ **11**; after $68 - 55 =$ **13** loaves

(b) the frontier moved out, so more of both is possible (K); but hours are still limited and each cake still costs loaves, now even more (App); scarcity is not solved: choice is still needed (Ev)

3.3

(a) option 1: £600; option 2: $10 \times 15 =$ £150; opportunity cost of option 1 = the next best, £**150** a week

(b) no: it is a sunk cost; only future benefits and costs matter

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(c) marketing: £600 > £150; risk: the £600 is an estimate, so set a check, e.g. extra contribution at least £300 a week by week 6; the course could be a later, long-term choice