Question 7 (Answer: **B**)

- Read the slope: an upward-sloping price–quantity curve is a supply curve.
- A downward-sloping one is a demand curve.
- So describe the relationship the slope actually shows, rather than assuming which curve it is.

Question 8 (Answer: **A**)

- A *negative* income elasticity means quantity demanded moves opposite to income.
- So when income rises, less of the good is bought – it is an inferior good.
- The value 0.2 being less than one also means the response is weak.

Question 9 (Answer: **D**)

- Total expenditure is price $\times$ quantity, so quantity = expenditure $\div$ price.
- Work out the quantity in each period from those two columns.
- Then compare how expenditure moved with price to judge the elasticity.

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Question 8 (Answer: **B**)

- On a straight-line demand curve, elasticity falls steadily as you move down it.
- It is unit elastic exactly at the *midpoint* of the curve.
- So take half the price intercept – that is where total revenue is at its maximum.

Question 9 (Answer: **A**)

- A *negative* income elasticity means demand falls as income rises.
- That is the definition of an inferior good.
- The value -0.36 also being small in size means the response is weak, but the sign is what classifies it.

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Question 6 (Answer: **D**)

- Consumption by one person not reducing the amount available to others is non-rivalry.
- Combined with government provision, that points to a public good.
- A complementary or substitute good is about relationships between goods, not about rivalry.

Question 9 (Answer: **C**)

- A negative income elasticity means the good is inferior.
- A negative cross elasticity means the two goods are complements.
- So X is an inferior good and Y is a complement of it.

2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.
0	No creditable response.

2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.
0	No creditable response.

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Question	Answer
1(c)	**Consider the extent to which direct provision of electricity in Mexico through state-owned companies may be advantageous to consumers.** **Potential advantages**: • State-owned companies seen as more likely to be drivers of growth, possibly leading to higher living standards. • The government may have more financial resources to support the state-owned companies than the private sector, which could lead to lower prices and a more efficient supply to consumers. • State-owned companies might be more likely to operate in the national interest than private companies, potentially benefitting. **(Up to 2 marks)** **Potential disadvantages**: • Operating costs of the state-owned electricity producers are significantly higher than in private companies, which could lead to higher prices for consumers. • State-owned companies have old and inefficient plants that are expensive to maintain, which could lead to a less efficient supply to consumers. • There will be less investment in renewable energy because the government has little interest in this. **(Up to 2 marks)** **Max 3 marks** **Note:** The focus of the question is **consumers**. **Evaluation** Offers a valid judgement on the extent to which direct provision of electricity in Mexico through state-owned companies may be more advantageous to consumers **Max 1 mark**

Question	Answer
1(d)	**With the help of a diagram, assess whether the potential advantages of providing a subsidy to keep down the price of electricity in Mexico will outweigh the potential disadvantages.** **Up to 4 marks for explanation/analysis:** An accurate diagram of a subsidy: • Axes correctly labelled and demand and supply curves correctly drawn and labelled. • Supply curve shifts to the right leading to a new equilibrium position. **(1)** Explanation of the potential **advantages** of a subsidy, including a lower price and a higher quantity. **(Up to 2 marks)** Explanation of the potential **disadvantages** of a subsidy, including the fact that it will need to be financed by the government, it could lead to inefficiencies and there would be an opportunity cost. **(Up to 2 marks)** **Up to 2 marks for evaluation:** Relevant evaluation of whether the potential advantages of providing a subsidy to keep down the price of electricity in Mexico will outweigh the potential disadvantages **(1)** to reach a conclusion. **(1)**
1(e)	**Assess the potential benefits and limitations of Mexico keeping its oil to generate the country's electricity.** **Up to 4 marks for explanation/analysis:** • Explanation/analysis of the potential **benefits** of Mexico keeping more of its oil to generate the country's electricity, such as in relation to a shift towards greater energy self-sufficiency. **(Up to 3 marks)** • Explanation/analysis of the potential **limitations** of Mexico keeping more of its oil to generate the country's electricity, such as whether Mexico has the capacity to produce enough electricity for its population of about 130 million or the possible impact of such a policy on its balance of trade (2022 data shown in Fig. 1.1) given that its crude oil will now be kept in the country rather than exported. **(Up to 3 marks)** **Up to 2 marks for evaluation:** • Relevant evaluation which weighs up the potential benefits and limitations of Mexico keeping its oil to generate the country's electricity **(1)** to reach a conclusion. **(1)**

2(a)	**With the help of a formula, explain what is meant by price elasticity of demand for a product and consider the importance of time in determining whether demand for the product is likely to be relatively price elastic or relatively price inelastic.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • A knowledge and understanding of the formula for calculating price elasticity of demand: percentage change in the quantity demanded of a product divided by percentage change in the price of the product. **(1)** • If the PED value is greater than one, the demand is price elastic, which means that percentage change in demand is greater than percentage change in price. **(1)** • if the PED value is between zero and one, the demand is price inelastic, which means that percentage change in demand is less than percentage change in price. **(1)** **AO2 Analysis (max 3 marks)** An analysis of the importance of **time** in determining PED: • Demand for a product is likely to be more inelastic in the short run than in the long run. **(1)** • In the long run, consumers have more time to think about possible alternatives to a product. **(1)** • Habit is more likely to influence the short-run pattern of consumption, making demand less likely to be affected by price changes. **(1)** **AO3 Evaluation (max 2 marks)** Offers a valid judgement on the importance of time in determining whether demand for the product was likely to be relatively price elastic or relatively price inelastic **(1)** to reach a conclusion. **(1)**
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

2(b)	**Assess whether knowledge of a product's income elasticity of demand is more important to a firm producing it than knowledge of its cross elasticity of demand.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • A knowledge and understanding and analysis of **income elasticity of demand** (YED), such as in relation to whether a product is a normal good, where YED will be positive, or an inferior good, where YED will be negative and an analysis of the importance of it to a firm, i.e. the extent of its importance. • A knowledge and understanding and analysis of **cross elasticity of demand** (XED), such as in relation to whether two goods are substitutes, where XED will be positive, or complements, where XED will be negative and an analysis of the importance of it to a firm, i.e. the extent of its importance **(Up to 8 marks)** **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** Evaluation of whether YED or XED is likely to be more important for a firm producing a product to reach a conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation. **(Up to 4 marks)**

2(b)	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

Question 7 (Answer: **B**)

- Total expenditure is price × quantity, so the table tells you what happened to revenue.
- If total expenditure *rose* when price rose, demand is price inelastic.
- If it fell, demand is price elastic – and the policy failed.