Question 15 (Answer: **D**)

- Total cost is fixed cost plus variable cost.
- So read total cost at that output and subtract the fixed cost.
- Fixed cost is the value of total cost where the curve meets the vertical axis, at zero output.

Question 16 (Answer: **B**)

- Total revenue is price multiplied by quantity.
- Before: $4 \times 20 = 80$. After: $5 \times 10 = 50$.
- Revenue falls, which shows demand was elastic over that range.

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Question 15 (Answer: **D**)

- Total cost = total variable cost + total fixed cost = $300 + 2700 = 3000$.
- Average total cost is total cost divided by output.
- $3000/100 = \$30$.

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Question 15 (Answer: **D**)

- Profit per unit is average revenue minus average cost.
- Total profit is that difference multiplied by the output.
- So work out the gap at each output and multiply – the largest gap is not always the largest total.

Question 17 (Answer: **A**)

- Governments provide public goods and merit goods, redistribute income and regulate markets.
- They also promote trade agreements and pay state benefits.
- Paying dividends to shareholders is what a *company* does, not a government.

2(a)	**Define *multinational company.*** A firm that is based / has its headquarters in one country (1). Operates / produces / sets up / works (1) in another country or countries (1).
2(b)	**Explain <u>two</u> reasons why a firm may charge a different price for the same product in two different countries.** Logical explanation which might include: • demand may be higher / lower in one country (1) resulting in higher / lower prices (1) • supply maybe higher / lower in one country (1) resulting in lower prices (1) • higher income / GNP per head in one country (1) means more able to afford to pay higher price (1) • price elasticity of demand may vary (1) more power to raise price where demand is inelastic (1) • greater competition in one country / more substitutes (1) leads to lower prices to be competitive (1) • indirect tax rates may vary e.g. higher GST / VAT / import tariffs (1) will lead to higher price (1) • government subsidies may be given in some countries (1) lowering price (1) • local material costs / wages may be lower in one country (1) lowering costs of production mean lower prices (1) • different transport costs (1) may be cheaper to transport to countries close by (1) • quality of good may be higher (1) enable firm to charge a higher price (1).

2(c)	**Analyse how opportunity cost influences the decisions made by consumers, workers and producers.** Coherent analysis which might include: • opportunity cost is the (next) best alternative (1) forgone / given up (1) • example of consumers e.g. must decide between buying different products (1) due to limited income (1) • example of workers e.g. must decide between different jobs or between work and leisure (1) as time is limited (1) • example of producers / firms e.g. must decide what to make / how to make it / where to locate (1) as they have limited (financial) resources (1).

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2(d)	**Discuss whether or not consumers would benefit from an increase in the number of small firms in an industry.** In assessing each answer, use the table opposite. Why they might: • more competition, lower price, higher quality • small firms may provide a more personal service • may produce niche products • may be more flexible **/** react quickly to consumer needs • may introduce new ideas / new varieties of products • may be easier access – consumers may not have to travel so far. Why they might not: • may be wasteful duplication • may waste consumers time with too much information to process • may have higher costs as unable to take advantage of economies of scale • may reduce profits of larger firms, reducing their spending on research and development • may not stay in business for long.

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2(d)	

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Question 16 (Answer: **A**)

- Average fixed cost falls continuously as output rises, since the fixed cost is spread more thinly.
- Average total cost is average fixed plus average variable cost, so it falls then rises.
- The vertical gap between the two curves *is* average variable cost.

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Question 14 (Answer: **A**)

- Average cost is total cost divided by output.
- Total cost is fixed costs plus variable costs.
- So add the two, divide by each firm's output, and compare the results.

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Question 15 (Answer: **C**)

- Total cost is fixed cost plus variable cost, so add the 100 to each figure.
- Average cost is that total divided by output.
- Marginal cost is the *change* in total cost from one extra unit – so subtract consecutive totals.

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Question 16 (Answer: **C**)

- Total revenue is average revenue multiplied by output.
- So work out 10×1, 8×2, 6×3, 4×4.
- That gives 10, 16, 18, 16 – revenue rises, peaks and then falls.