Test #3

Q. **Why are some companies switching from traditional fossil fuels to renewable energy sources?**

ANSWER 1

Companies might be seeing better returns from renewable energy investments compared to fossil fuels. They want to make more profit by investing in areas with higher returns. Businesses might also get incentives or subsidies from the government to switch to renewable energy, which helps reduce costs and increase profits. Many companies want to reduce their environmental impact, and by using renewable energy, they can lower their carbon footprint and appeal to environmentally-conscious consumers. If there's less demand for fossil fuels, companies will switch to renewable energy sources to meet the changing demand. Renewable energy might be cheaper in the long run due to lower operating costs compared to fossil fuels. Additionally, companies need to keep up with their competitors who are already using renewable energy to maintain their market position.

Q 3. **What factors contribute to the success of a monopoly?**

ANSWER 3

Monopolies succeed because it's hard for new companies to enter the market. High costs and regulations can keep new competitors out. Big companies can produce goods at a lower cost because they produce in large quantities, which makes it hard for smaller companies to compete. A well-known brand helps a monopoly because customers trust and prefer their products. Monopolies often control key resources needed for production, making it tough for others to compete. If there's high demand for their product, a monopoly can charge higher prices and make more profit. Monopolies can set prices that are hard for new companies to match, keeping them dominant in the market. Investing in new technology helps monopolies stay ahead of competitors. Sometimes, laws and regulations help protect monopolies from competition.

Q 4. **Why might a country experience a trade deficit?**

ANSWER 4

A country might import more than it exports because people are buying a lot of foreign goods. If the country's currency is strong, imports become cheaper, and exports become more expensive, leading to a trade deficit. Foreign investments can lead to higher imports, as more money is available for spending on foreign goods. Countries that focus more on services than manufacturing might have fewer goods to export, causing a trade deficit. Low tariffs and trade barriers can increase imports without increasing exports enough to balance it out. Dependence on imported materials for manufacturing can result in a trade deficit. Higher income levels lead to more spending on luxury imported goods, increasing the trade deficit. For example, agreements like Google paying Apple for search revenue ensure Google remains dominant, impacting digital trade dynamics.