

## CHAPTER 4

1

- 2 Sometimes in an industry a firm buys a smaller competitor which uses similar factors of production. At other times a firm buys another firm which supplies it with the raw materials and other inputs for its production.

(b) Discuss the reasons why some firms remain small.

[6]

to start with, having a small firms can have faster profits also it have limited capitals and lower overhead and also low market competition also they will get quicker results and more flexibility

0455/02/M/J/06

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- (b) Analyse what might happen to the occupational distribution of the population as a country becomes more developed.

[6]

there will be more job opportunities and with high wage or the prices will be lower and the wage can let the person enjoy and can buy his goods and services

0455/02/M/J/07

3

- (a) Define fixed cost and variable cost, giving **one** example of each.

[4]

fixed cost is the cost that never changes if your profit increase or decrease. eg:the production place

variable cost is the cost of how much ur quantity is if it increases the cost increases if it decrease the cost decreases. eg:the quantity of the product

0455/22/M/J/10

4 In Nigeria, firms vary in size from the smallest businesses up to very large enterprises.

(a) Distinguish between a sole proprietor and a partnership.

[4]

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0455/22/M/J/10

5 (b) Explain why a business might wish to change from a partnership to a private limited company. [4]

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0455/22/M/J/10

6 (c) Describe the reasons why small firms are often successful in the retail trade in many countries. [5]

✓ because its easier to open and its more flexible tha the large firms  
and it will give faster profit and quality control and less market  
competition

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0455/22/M/J/10

7 (d) Discuss to what extent a large firm is able to benefit from economies of scale in the television manufacturing industry. [7]

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- (b) Analyse why a firm might decide to change from labour-intensive production to capital-intensive production. [7]

because labour intensive products can be more costly or they may not be enough labour furthermore, capital intensive production can be less costly they can just buy machines that are long term not like having labour to always pay wage for and also maybe there is no skilled labours this can decrease the speed of production

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- (c) Discuss the advantages and disadvantages of a newly established firm, with limited resources, expanding into foreign markets. [10]

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0455/22/M/J/12

- ✓ 10 (a) Identify the differences between a partnership and a company. [4]

partnership is a business that is owned by 2-20 people and it have unlimited liability while the comany that have many owners and have limited liability

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0455/22/M/J/12

- 11 (b) Explain why a firm's profits might increase. [4]

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- 12 (c) Distinguish between internal and external economies of scale. [4]

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13 **(d)** Discuss whether all small firms will eventually become large firms.

[8]

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0455/22/M/J/12

14 **(b)** Distinguish between an increase in productivity and an increase in production.

[6]

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- (c) Discuss to what extent production should be encouraged to move from being labour-intensive to being capital-intensive. [10]

shift towards capital-intensive production offers several potential benefits. Increased automation can lead to higher productivity and efficiency, potentially lowering unit costs and increasing competitiveness. Furthermore, capital-intensive methods can improve product quality and consistency, reducing defects and improving reliability. However, this transition also presents challenges. High initial investment costs can be a significant barrier, particularly for smaller businesses. Furthermore, over-reliance on capital can lead to job displacement and increased inequality, potentially causing social and economic disruption.

the decision to adopt capital-intensive methods should also consider the potential environmental impact. While automation may increase efficiency, it can also lead to increased energy consumption and waste generation if not managed sustainably

0455/23/M/J/13

16

Economies, as they become more developed, tend to experience a change in the structure of their labour force with an increasing proportion of employment in the tertiary sector.

- (a) Using examples, explain the differences between the primary, secondary and tertiary sectors of production. [6]

0455/23/M/J/13

17 Discuss how important a stock exchange can be in encouraging firms to expand. [10]

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0455/22/M/J/13

18 Explain **two** types of internal economy of scale that a growing bank can enjoy. [4]

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0455/22/M/J/14

- 19 A Zambian copper mine is operated by a foreign multinational company. The company's main goal is profit maximisation. Its mine creates pollution in the area, which causes diseases and damages crops. Some economists have suggested that the economy would benefit from the mine being operated by the Zambian Government.

**(a)** Define a 'multinational company'. [2]

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0455/22/M/J/14

- 20 (b) Explain **one** goal a multinational company may have other than profit maximisation. [3]

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0455/22/M/J/14

- 21 Discuss whether a mine operated by the government would be more likely to benefit an economy than one operated by a foreign multinational company. [10]

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[illegible]

0455/22/M/J/14

- 22 Nollywood, the Nigerian film (movie) industry, is growing in size. More actors are being employed but their wages are currently still low. Wages and other costs of production may alter as the firms in the industry increase further in size. Consumers may also be affected by the growth in the size of the firms.

**(a)** Describe how fixed costs and variable costs are influenced by a rise in output. [2]

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0455/23/M/J/14

- 23 Discuss, using the Nigerian film (movie) industry as an example, whether consumers will benefit from larger firms. [10]

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- 24 China is the world's largest producer of gold and India is the world's largest buyer of gold. Gold mining in China is becoming more capital-intensive which is making the supply of gold less price inelastic. The wages of workers employed in the industry are rising but other costs of production are falling.

(a) What is meant by an industry being 'capital-intensive'? [2]

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0455/22/M/J/15

- 25 Analyse what effect an increase in output will have on fixed, variable and average costs. [6]

the fixed cost will not change but the variable cost will increase  
because the quantity increased the average cost will decrease because  
buying in bulk may decrease the price by having a discount

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0455/22/M/J/15

- 26 Company X, a private limited company, is one of the world's largest toy producers. It is planning to open a new factory in China in 2017. Asia is expected to become the largest market for the sale of toys. Manufacturing products within Asia will reduce the need to transport the toys from Company X's factories in Europe to Asia.

(a) Define 'private limited company'. [2]

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- 27 Explain **two** influences on what factors of production a firm uses. [4]

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- 28 Analyse how an increase in the size of a firm can increase its profit. [6]

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29 Discuss whether an economy would benefit from a foreign producer setting up in the country. [8]

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0455/23/M/J/15

30 The Indian airline industry contains a number of firms, including one state-owned firm and a large private sector firm. In recent years, the industry has moved further from perfect competition, partly because of a rise in horizontal integration. The performance of the industry is influenced by government policy, including supply-side policy measures.

(a) Define 'horizontal integration'. [2]

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0455/23/M/J/15

31 Explain **two** characteristics of perfect competition.

[4]

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0455/23/M/J/15

32 Discuss whether price is likely to be higher in a monopoly than in a perfectly competitive market. [8]

[8]

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0455/23/M/J/15

33 Most car producing firms are now very large. Explain how they may have benefited from:

(i) horizontal integration [4]

(ii) vertical integration. [4]

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0455/21/O/N/11

34 There is a wide variety of different types of business organisation operating in South Africa, including co-operatives, public limited companies and public corporations. Some of the companies are monopolies.

(a) (i) Identify **two** features of a co-operative. [2]

(ii) Give examples of **two** types of co-operative. [2]

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0455/23/O/N/11

35 Explain the differences between a public limited company and a public corporation. [6]

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0455/23/O/N/11

36 Discuss whether the advantages of a monopoly are greater than its disadvantages. [10]

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0455/23/O/N/11

37 Explain why multi-nationals are unlikely to be private limited companies. [4]

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0455/21/O/N/12

38 Analyse the different ways in which firms can grow in size. [6]

[illegible]

0455/21/O/N/12

39 Discuss whether consumers would always want to be supplied by firms in perfect competition rather than by a monopoly. [10]

[illegible]



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0455/21/O/N/12

40 What are the benefits of owning shares in a company? [3]

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0455/23/O/N/12

41 Distinguish between internal and external economies of scale. [4]

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0455/21/O/N/13

42 Discuss whether all small firms will eventually become large firms. [7]

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- 43 Discuss whether encouraging multinational companies to locate in a country is likely to reduce significantly the extent of poverty there. [10]

44 The costs of production in the motorcycle industry have risen significantly in recent years.

- (a) Analyse what might have caused the costs of production in the motorcycle industry to have risen significantly in recent years. [4]

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0455/23/O/N/13

45 Firms can vary greatly in size from a sole proprietor to a very large monopoly.

- (a) Describe the advantages and disadvantages of a sole proprietor business organisation. [4]

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0455/23/O/N/13

46 Explain the different goals that such a business organisation might have. [5]

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- 47 Explain how some large firms can experience economies of scale, while others face diseconomies of scale. [6]

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0455/21/O/N/14

- 48 Car production is an important economic activity in many countries. Much of this production is undertaken by large multinational companies. These firms aim to increase both productivity and production.

- (a) Describe **two** reasons why car production is usually undertaken by large multinational companies. [4]

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0455/23/O/N/14

- 49 Distinguish between productivity and production. [4]

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- 50 Using an example of each, explain the difference between fixed costs and variable costs in car production. [4]

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0455/23/O/N/14

**CHAPTER 4**  
**MULTIPLE CHOICE**

- 1 15 A major computer company announced that its profits had fallen below the level predicted.

What might have caused this?

- A increased advertising costs that greatly improved sales
- B low prices that made the company's product competitive
- C new technology that reduced costs
- D reduced sales and low prices

- 2 16 A firm raised the price of its product from \$10 to \$15 and as a result its sales fell from 200 units to 150 units.

What happened to its average revenue and total revenue?

	average revenue	total revenue
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

- 3 17 Which change must occur when a firm starts to experience diseconomies of scale?

- A Average costs begin to rise.
- B Employees are made redundant.
- C Profits turn into losses.
- D Variable costs become fixed.

- 4    **18** If a firm increases its output in the short run, what will happen to its average fixed cost (AFC)?
- A** AFC will decrease continually.
  - B** AFC will equal zero.
  - C** AFC will increase then decrease.
  - D** AFC will increase continually.
- 5    **19** Cathay Pacific, Hong Kong's largest airline, flies to a number of countries.
- Shares in the firm are owned by both individuals and other firms in a number of countries. The shares are traded on the Hong Kong Stock Exchange.
- Which type of business organisation is Cathay Pacific?
- A** a partnership
  - B** a private limited company
  - C** a public corporation
  - D** a public limited company

0455/11/M/J/11

- 6 15 Which is a diseconomy of scale?
- A Bulk buying reduces costs.
  - B Communications deteriorate.
  - C Employees are more motivated.
  - D Technological improvements take place.
- 7 16 When would a firm achieve maximum profits?
- A when average revenue equals average cost
  - B when average revenue minus variable cost is greatest
  - C when fixed costs are equal to variable costs
  - D when total revenue minus total cost is greatest
- 8 17 Which of these statements made by an Economics student about different types of business organisation is true?
- A Partnerships face problems in raising large sums of finance.
  - B Private companies cannot have limited liability.
  - C Public companies operate in the public sector of the economy.
  - D Public corporations operate in the private sector of the economy.
- 9 18 The table shows the total costs of a firm. It can sell the units for \$4 each.

quantity produced and sold (units)	5	6	7	8
total cost \$	17	18	21	23

How many units will the firm produce to maximise profits?

- A 5                      B 6                      C 7                      D 8
- 10 19 A monopoly takes over an industry from competitive firms.
- What is **not** likely to be true about the monopoly compared with a competitive firm?
- A A monopoly will earn a higher rate of profit.
  - B A monopoly will gain a greater share of the market.
  - C A monopoly will offer a wider choice to the consumer.
  - D A monopoly will operate on a larger scale of production.

0455/12/M/J/12



- 11 1 In China the government is concerned about the level of poverty and the need for more resources in the poorer regions of the country. As a result, it is increasing its expenditure there and reducing it in the wealthier regions.
- Which economic concept does this government policy illustrate best?
- A diseconomies of scale
  - B market forces
  - C opportunity cost
  - D specialisation
- 12 10 What work is in the primary sector?
- A delivering milk
  - B designing gardens
  - C growing fruit trees
  - D selling agricultural fertiliser
- 13 15 A firm opens new branches in four different cities. As a result, it can negotiate a better deal from its foreign suppliers because it purchases larger quantities. However, it finds the distance between branches causes organisational problems.
- What describes the result for the firm?
- A an external economy of scale and an external diseconomy of scale
  - B an external economy of scale and an internal diseconomy of scale
  - C an internal economy of scale and an external diseconomy of scale
  - D an internal economy of scale and an internal diseconomy of scale
- 14 16 As a firm increases its weekly output from 10 units to 20 units, its average cost falls from \$15 to \$10.
- Which of its costs have risen?
- A fixed costs and variable costs only
  - B fixed costs, variable costs and total costs
  - C total costs only
  - D variable costs and total costs only

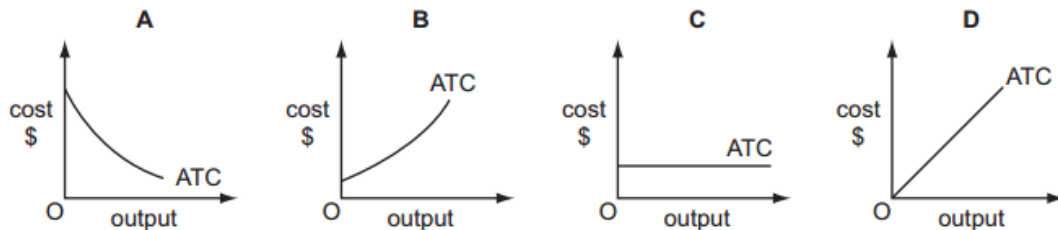
- 15 17 A group of hotels, owned and operated in France, needs its staff to be able to speak a number of languages so it employs people from different countries. Different firms, providing tours from other countries, send customers to the hotels in France. The hotel group has shares issued on the stock exchange.

What type of company is the hotel group?

- A a multi-national
- B a partnership
- C a private company
- D a public company

- 16 18 The graphs show the average total cost (ATC) curves of four firms and how they change as output increases.

Which firm has the highest fixed costs?



- 17 19 Machu Picchu is Peru's most popular tourist destination. One train company, PeruRail, operates a monopoly service up to the site.

Why might competition on the route increase the fares paid by passengers?

- A Competitive firms have more influence on price than a monopoly.
- B Competitive firms never make a loss.
- C Less advantage may be taken of economies of scale.
- D More profit may be available to spend on new technology to reduce costs of production.

- 18 29 A Japanese car manufacturer decided to produce its cars in a factory in Europe.

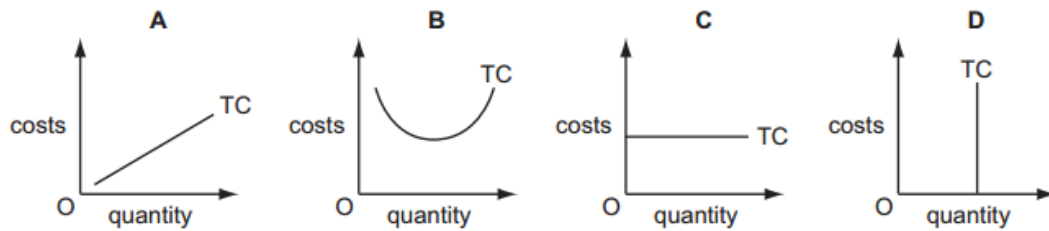
What would **not** be a reason why they might have chosen to do this?

- A cheaper wage costs in Europe
- B the availability of raw materials
- C to gain external economies from skilled labour in Europe
- D to increase Japanese self-sufficiency

0455/13/O/N/12

- 19 16 The diagrams represent total cost curves (TC) of four firms in the short run.

Which firm has only fixed costs?



- 20 17 39 of the 42 largest Chinese firms are described as state-owned enterprises.

What form of organisation will these enterprises have?

- A co-operative
- B partnership
- C public company
- D public corporation

- 21 18 When a firm produces 500 units its total variable cost is \$1000. Its total fixed cost is \$1500.

What is the average cost of 500 units?

- A \$2                      B \$3                      C \$5                      D \$2500

- 22 19 In 2011, the UK-based Rio Tinto, the world's second largest mining company, decided to bid for Australian Coal and Allied Industries, another mining company.

Which economic concepts could be involved in this decision?

- A amalgamation and external economies
- B international finance and forward vertical integration
- C monopoly power and horizontal integration
- D multinational company and a more competitive market

23    **21**    Why might a government encourage a monopoly?

- A**    It can have high average costs.
- B**    It can compete against foreign firms.
- C**    It can prevent innovation.
- D**    It can make excessive profits.

24    **22**    What is an external economy of scale for a firm?

- A**    agreeing to produce large quantities exclusively for a major retailer
- B**    bulk buying of raw materials
- C**    obtaining discount rates from suppliers
- D**    sharing research from other firms

0455/13/O/N/13

25    **1**    What is a reason why firms making similar products sometimes locate near each other?

- A**    competition is decreased
- B**    there are external economies of scale
- C**    there are internal economies of scale
- D**    transport costs may be eliminated

26    **3**    To achieve horizontal integration a record company producing compact discs (CDs) could merge with another firm.

What would this firm most likely be doing?

- A**    owning shops selling CDs
- B**    producing CDs
- C**    producing CD players
- D**    producing machinery used in the making of CDs

- 27 4 What is a difference between a monopoly and a perfectly competitive firm?
- A A monopoly always has economies of scale and a perfectly competitive firm has diseconomies of scale.
  - B A monopoly always operates in the public sector and a perfectly competitive firm always operates in the private sector.
  - C A monopoly is a price maker and a perfectly competitive firm is a price taker.
  - D A monopoly seeks to maximise profits and a perfectly competitive firm seeks to maximise output.

- 28 5 An entrepreneur started a small business making candles. In the first month 1000 candles were made. The costs were

	\$
raw materials	1000
packaging	800
insurance	100
depreciation	100
rent	500

What were the average variable costs for the month?

- A \$1.00      B \$1.80      C \$1.90      D \$2.00
- 29 12 In which case is it possible to set the level of reward before production takes place for the first factor of production but **not** for the second?

	first factor	second factor
A	capital	land
B	enterprise	labour
C	labour	capital
D	land	enterprise

0455/11/O/N/13

- 30    **15** What will happen to a firm that expands to take advantage of economies of scale?
- A** Average costs of production will decrease.
  - B** Average costs of production will increase.
  - C** Profits will decrease.
  - D** The price of the firm's products will increase.
- 31    **16** Cocoa and sugar are used in a factory to produce chocolate.
- What is a fixed cost in the production of chocolate?
- A** cocoa
  - B** electricity
  - C** rent
  - D** sugar
- 32    **17** In August 2008, Infosys, an Indian information technology company, bought Axon, a UK information technology company.
- Which type of integration is this?
- A** conglomerate
  - B** horizontal
  - C** vertical backwards
  - D** vertical forwards
- 33    **18** In a city, both large and small shops sell clothes.
- Why do large and small shops exist together?
- A** Large clothing shops create barriers to entry.
  - B** Small shops always sell clothes at lower prices.
  - C** The market for clothing operates under perfect competition.
  - D** There is demand from consumers for a range of fashions.
- 34    **19** An entrepreneur buys a workshop for \$200 000 to make plastic boxes. In the first year of operation he spends \$70 000 on materials, employs ten production workers paid by the amount produced (piece rate) at a total cost of \$80 000 and buys two delivery vehicles for \$10 000 each.
- What are his total variable costs?
- A** \$100 000      **B** \$150 000      **C** \$220 000      **D** \$370 000

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- 35    **1**    Which characteristic relates to perfect competition and which to monopoly?

	perfect competition	monopoly
<b>A</b>	abnormal profit	normal profit
<b>B</b>	barriers to entry	freedom of entry
<b>C</b>	few firms	many firms
<b>D</b>	price taker	price maker

- 36    **2**    Cocoa and sugar are used in a factory to produce chocolate.

What is a fixed cost in the production of chocolate?

- A**   cocoa
- B**   electricity
- C**   rent
- D**   sugar

- 37    **5**    The table shows the costs of a firm.

units of output	variable costs (\$)	total costs (\$)
10	20	80
20	50	110
30	80	140
40	110	170

What is the value of the firm's fixed costs?

- A**   \$20                      **B**   \$30                      **C**   \$60                      **D**   \$80

- 38    **12**    Which group linked to a firm always bears the risk of the decision to produce?

- A**   creditors
- B**   managers
- C**   owners
- D**   workers

0455/13/M/J/13

- 39 12 When a shoe manufacturer doubles all factors of production output more than doubles.

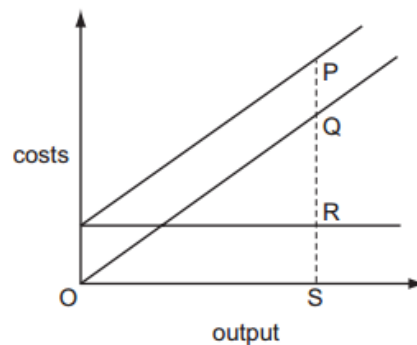
Which economic concept does this illustrate?

- A diseconomies of scale
- B economies of scale
- C increasing profits
- D opportunity cost

- 40 13 Which market conditions apply to firms that operate in perfect competition and which to a monopoly?

	perfect competition	monopoly
A	demand influenced by advertising	demand not influenced by advertising
B	many barriers to entry	no barriers to entry
C	no influence on price	strong influence on price
D	sales of branded products	sales of unique products

- 41 14 The diagram shows the fixed costs, variable costs and total costs of a firm.



Which distance represents the firm's fixed costs?

- A PS
- B QR
- C QS
- D RS

- 42 15 When it produces 100 units, a firm's total variable cost is \$300 and its total fixed cost is \$2700.

What is the average cost?

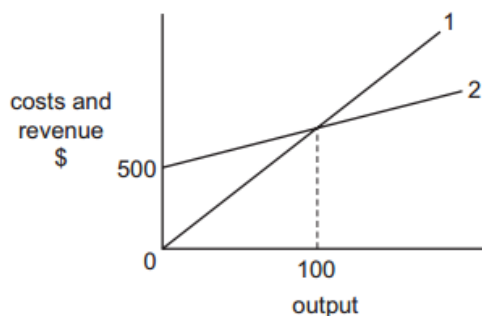
- A \$3
- B \$24
- C \$27
- D \$30

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- 43    12    What is correct for a private monopoly but is **not** correct for a firm in perfect competition?
- A    It aims to maximise its profits.
  - B    It can make losses.
  - C    It can restrict the level of competition.
  - D    It is run by an entrepreneur.
- 44    13    What must occur if a firm experiences economies of scale?
- A    average costs decrease
  - B    profits decrease
  - C    the number of workers increases
  - D    total advertising costs decrease

- 45 14 The diagram shows the cost and revenue curves of a firm which starts to make a profit only after producing 100 units of output.



What are the correct labels for line 1 and line 2?

	line 1	line 2
<b>A</b>	average cost	average revenue
<b>B</b>	total cost	total revenue
<b>C</b>	total revenue	total cost
<b>D</b>	variable cost	price

- 46 15 The table shows output and total costs of production of a firm with three workers.

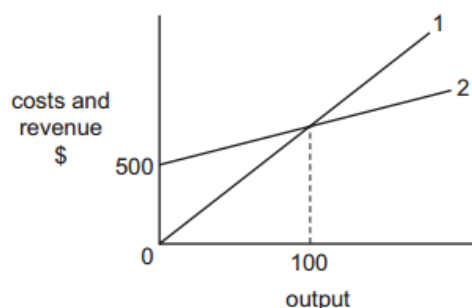
	output	total costs (\$)
week 1	5	1500
week 2	6	1600
week 3	7	1700
week 4	8	1800

How did output per worker and average cost of the product change over the period?

	output per worker	average cost
<b>A</b>	decrease	no change
<b>B</b>	increase	decrease
<b>C</b>	increase	no change
<b>D</b>	no change	increase

0455/13/O/N/14

- 47 12 The diagram shows the cost and revenue curves of a firm which starts to make a profit only after producing 100 units of output.



What are the correct labels for line 1 and line 2?

	line 1	line 2
A	average cost	average revenue
B	total cost	total revenue
C	total revenue	total cost
D	variable cost	price

- 48 13 A large tyre manufacturer expands by taking over a rubber plantation.

Of what is this an example?

- A backward vertical integration
- B diversifying integration
- C forward vertical integration
- D horizontal integration

- 49 14 What may exist in perfect competition but **not** in monopoly?

- A barriers to entry
- B economies of scale
- C many sellers
- D product differentiation

**17** The table shows output and total costs of production of a firm with three workers.

	output	total costs (\$)
week 1	5	1500
week 2	6	1600
week 3	7	1700
week 4	8	1800

How did output per worker and average cost of the product change over the period?

	output per worker	average cost
<b>A</b>	decrease	no change
<b>B</b>	increase	decrease
<b>C</b>	increase	no change
<b>D</b>	no change	increase

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51 12 What is **not** usually associated with the existence of a monopoly?

- A barriers to entry
- B perfect knowledge
- C profit maximisation
- D small firms

52 13 A group of farmers form a partnership. They buy more machinery which they share in the production of cereals.

What is a benefit of using more machinery?

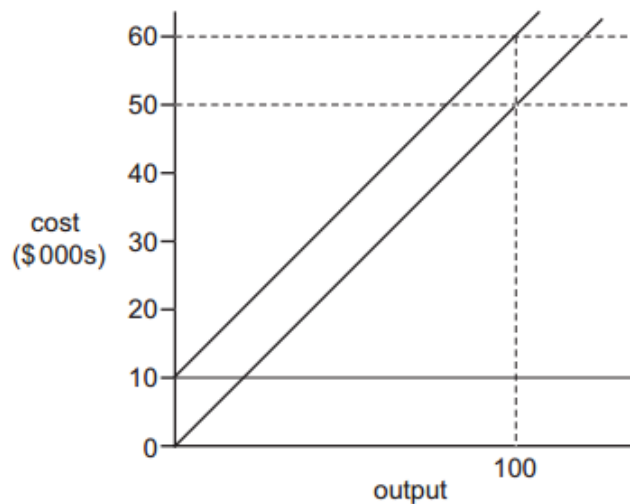
- A it eliminates the need to train labour
- B it encourages more labour-intensive methods
- C it increases the productivity of each farmer
- D it reduces total capital costs of production

53 14 Large-scale organisations can suffer from problems of coordination between departments which cause diseconomies of scale in the long-run.

What indicates that diseconomies of scale have set in?

- A average fixed costs begin to decrease
- B average variable costs begin to decrease
- C rate of growth of output begins to decrease
- D total revenue begins to decrease

54 15 The diagram shows the costs of a firm.



What is the firm's total variable cost at an output of 100 units?

- A \$100
- B \$500
- C \$10 000
- D \$50 000

- 55 12 In some countries, former nationalised utilities, such as electricity, have been replaced by several public limited companies.

Which change has occurred in the electricity market?

- A All profits are reinvested into the business by public limited companies.
- B Governments decide which company consumers must use.
- C Market prices are fixed by governments.
- D Public limited companies pay dividends to shareholders.

- 56 13 There has been a move away from labour-intensive to capital-intensive production in developed economies.

Which type of activity remains labour-intensive?

- A assembling cars
- B designing clothes
- C farming cereals
- D manufacturing steel

- 57 14 In 2007, a huge industrial mining company attempted to buy another industrial mining company. The attempt failed.

In 2010, the same mining company made an offer to buy a company that sells potash, which is used to improve agricultural soils.

How may the mining company's attempts to buy these other companies be described?

	2007	2010
A	diversification	horizontal integration
B	horizontal integration	diversification
C	specialisation	vertical integration
D	vertical integration	specialisation

- 58 15 The table shows the information that managers of a company have from a week of business activity.

number of employees	100
average wage	\$900
value of output	\$100 000
rent	\$10 000
raw materials	\$20 000

Assuming there are no other costs, what is the value of the fixed costs?

- A \$300
- B \$10 000
- C \$20 000
- D \$30 000

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- 59 12 A market changes from perfect competition to monopoly.

What is likely to happen to output and price in this market?

	output	price
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 60 13 A company decided to reduce the price of its product by 10%.

What would happen?

- A The firm's costs would decrease if the elasticity of demand was greater than one.
- B The firm's profits would increase if the elasticity of demand was greater than one.
- C The firm's revenue would increase if the elasticity of demand was greater than one.
- D The quantity sold would decrease if the elasticity of demand was less than one.

- 61 14 The world's open-cast mining of mineral ores is dominated by a few multinational companies which employ relatively few workers.

What does this indicate?

- A Production is capital-intensive.
- B Productivity of labour is low.
- C The market is perfectly competitive.
- D There is a monopoly of world production.

- 62 15 The table shows the information that managers of a company have from a week of business activity.

number of employees	100
average wage	\$900
value of output	\$100 000
rent	\$10 000
raw materials	\$20 000

Assuming there are no other costs, what is the value of the fixed costs?

- A \$300      B \$10 000      C \$20 000      D \$30 000



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63 12 What may exist in monopoly but **not** in perfect competition?

- A barriers to entry
- B identical products
- C market price
- D perfect knowledge

64 13 What is **not** a reason for the decline in manufacturing industries in developed economies in recent years?

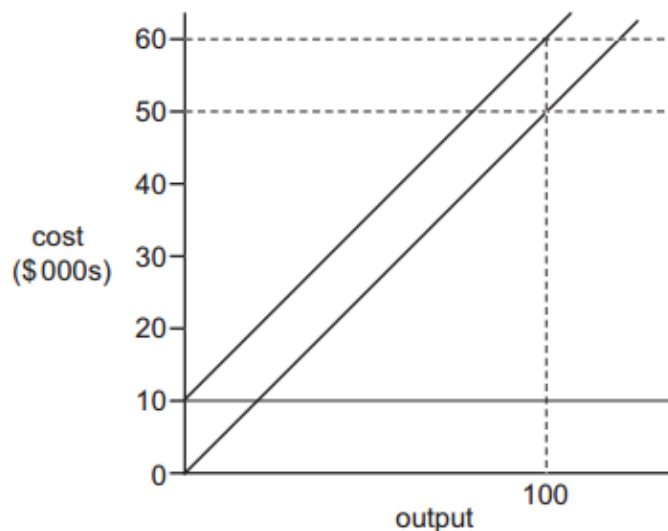
- A growth of newly industrialised competitor countries
- B invention of automated production methods
- C rising costs of factor inputs in the steel industry
- D considerable skill shortages as school-leavers prefer to work in the service sector

65 14 In 2013, Barclays Bank had two branches in a city. It decided to close them both, move to a different building and employ fewer hourly-paid staff.

What is likely to have happened to the bank's fixed and variable costs?

	fixed cost	variable cost
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

66 15 The diagram shows the costs of a firm.



What is the firm's total variable cost at an output of 100 units?

- A \$100
- B \$500
- C \$10 000
- D \$50 000



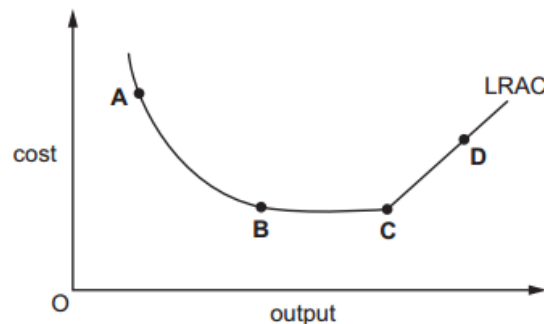
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- 67 **12** How does a firm guarantee that it makes the maximum profit?
- A** by maximising the difference between its total revenue and total cost
  - B** by maximising the number of goods that it sells
  - C** by minimising the number of goods that it keeps in stock
  - D** by minimising the difference between average revenue and average cost

- 68 **13** What is true when comparing a monopoly to a perfectly competitive firm?
- A** Monopolies will have perfect knowledge of their market.
  - B** Monopoly costs are always lower owing to economies of scale.
  - C** Monopoly price is likely to be higher.
  - D** The products that monopolies produce have more limited demand.

- 69 **14** A manufacturing firm increases the scale of its production. Its average total cost curve in the long run (LRAC) is shown below.

At which point on the LRAC curve is the firm experiencing diseconomies of scale?



- 70 **15** The table shows the units of factors of production that a firm needs to employ for two different levels of output.

land	labour	capital	output
4	3	5	20
8	6	10	40

What is the firm experiencing?

- A** constant returns to scale
- B** economies of scale
- C** external diseconomies of scale
- D** external economies of scale

- 71 14 The table shows the units of factors of production that a firm needs to employ for two different levels of output.

land	labour	capital	output
6	8	4	100
9	12	6	200

What is the firm experiencing?

- A constant returns to scale
- B economies of scale
- C external diseconomies of scale
- D external economies of scale

- 72 15 By 2014, government subsidies for the Chinese steel industry led to 200 million tonnes of excess output.

The diagrams show the market for Chinese steel.

Which would represent the position after the subsidy but before the market adjusted?

