Firms, costs, growth and competition / IGCSE production and labour

Pearson Edexcel · International GCSE · Economics

Supported transfer: Firms, costs, growth and competition / IGCSE production and labour

Scope and prerequisite teaching

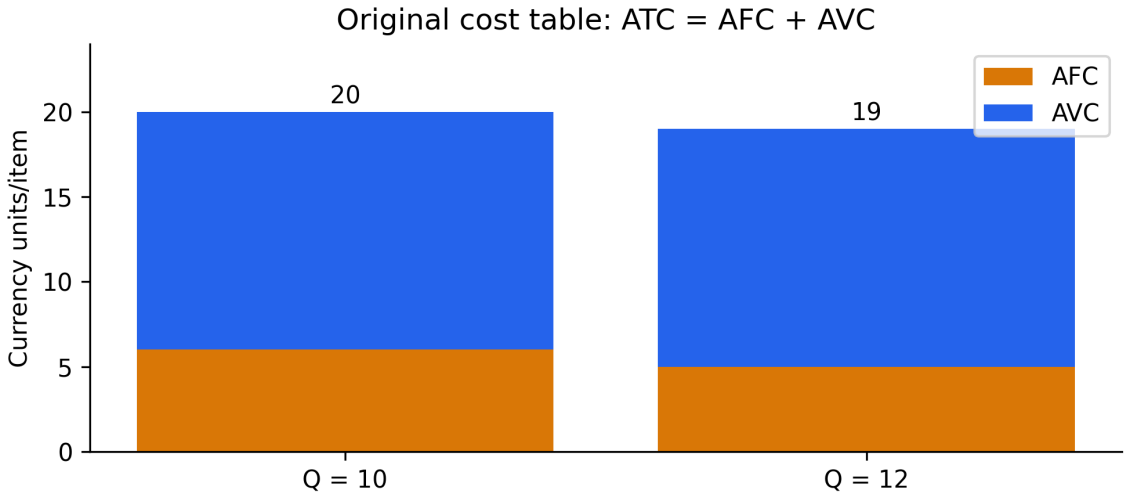
Issue 3, February 2026. Supported mapped specification objectives; qualification rubric reviewed June 2025.

This focused rehearsal adopts the linked native explanations; it does not replace them or certify a whole qualification. Supported objective IDs: 1.2.1a, 1.2.1b, 1.2.1c, 1.2.2a, 1.2.2b, 1.2.2c, 1.2.2d, 1.2.3a, 1.2.3b, 1.2.3c.

Native prerequisites: 0401, 0402, 0403, 0404, 0405, 0406.

Key terms

fixed cost ; **variable cost** ; **average cost** ; **profit** ; **productivity** ; **derived demand** ; **labour supply** ; **competition** .



exercises.lol exercises.com.cn

Firms, costs, growth and competition

Profit equals total revenue minus total cost. Fixed and variable costs behave differently as output changes in the short run. Average cost equals total cost divided by output. Growth may reduce unit costs but can create coordination difficulties. Size alone does not establish market power.

■ Worked case

In an original short-run table, fixed cost is 60 currency units. At Q=10 items, variable cost is 140; at Q=12, variable cost is 168. Calculate costs and interpret the change.

TC=TFC+TVC; TC at 10=60+140=200 units. ATC=TC/Q; ATC at 10=200/10=20 units/item. At 12, TC=60+168=228 units and ATC=228/12=19 units/item. AVC=TVC/Q=140/10=168/12=14 units/item. AFC falls from 60/10=6 to 60/12=5 units/item, lowering ATC. These are table intervals, not a claim about a smooth derivative or all output levels. Productivity and profit need their own measures.

■ Independent transfer

A firm expands through acquisition and lowers unit costs but loses customers after quality problems. Evaluate growth rather than assuming economies of scale guarantee success.

■ Checked original model

Lower long-run average cost can improve competitiveness, but revenue depends on demand and quality. Acquisition can add finance, capacity and coordination risks; integration does not automatically improve management. Compare margins, quality, customer response, entry barriers and alternative organic growth. A small niche firm may rationally remain small.

IGCSE production and labour

Productivity is output per unit of input. Division of labour can raise skill and reduce switching time, while dependence and repetition can create costs. Labour demand derives from demand for output; wages also depend on supply, skills, working conditions and institutions. Competition can influence price, quality and innovation but does not guarantee every desired outcome.

exercises.lol exercises.com.cn

■ Worked case

An original workshop makes 240 items using 30 worker-hours, then 300 items using 30 worker-hours after training. Calculate productivity and evaluate an inference about profit.

Labour productivity=output/labour input. Initial productivity=240 items/30 worker-hours=8 items/worker-hour. Later productivity=300/30=10 items/worker-hour. Percentage change=(10−8)/8×100%=25%. Higher output per hour does not establish higher profit: training cost, wages, saleable quality, price and demand matter. Distinguish increased output from increased productivity and a private business from public ownership; either can face resource constraints.

■ Independent transfer

Demand for a product rises while a training programme expands relevant labour supply. Predict the wage only if justified and evaluate who benefits.

■ Checked original model

Higher derived labour demand tends to raise wages; increased labour supply tends to lower them, other factors constant. Their combined wage effect is ambiguous without relative shifts. Employment may rise in the simple model. Explain timing, skills, working conditions and institutions before generalizing.

Evidence and assessment limits

The tasks and marking points here are original, not official questions or mark schemes. The exam format follows the Issue 3 specification and the June 2025 4EC1/01 and 4EC1/02 papers and mark schemes: two 90-minute 80-mark papers, each four compulsory 20-mark questions mixing 1-mark multiple choice, 1–2-mark define/state/calculate, 6-mark analyse, 9-mark assess and 12-mark evaluate items that require reference to the supplied data; extended answers are level-marked (6-mark: 1–2/3–4/5–6; 12-mark: 1–4/5–8/9–12 with an AO4 judgement at the top). Assessment objectives weigh AO2 application at about half of the qualification.

exercises.lol exercises.com.cn