Week 13

IGCSE Economics

Homework bundle for this week

本周作业合集

exercises.lol

Contents 目录

IGCSE Economics   Name: ______   Score: ______

1. Which are functions of money? (Select all that apply.)
   - ☐ medium of exchange
   - ☐ store of value
   - ☐ unit of account
   - ☐ source of pollution

   Tick every correct option.

2. Saving is best defined as:
   - ☐ income that is not spent
   - ☐ money borrowed from a bank
   - ☐ total income
   - ☐ spending on luxuries

3. In a free labour market, wages are determined by:
   - ☐ the demand for and supply of labour
   - ☐ the government alone
   - ☐ the weather
   - ☐ the price of oil

4. Limited liability means that, if a company fails, shareholders:
   - ☐ can lose only the amount they invested
   - ☐ lose their houses too
   - ☐ pay all the company's debts personally
   - ☐ lose nothing at all

5. Productivity is best defined as:
   - ☐ output per worker
   - ☐ total output
   - ☐ the number of workers
   - ☐ total revenue

6. Which is a fixed cost?
   - ☐ factory rent

☐ raw materials

☐ electricity used by machines

☐ hourly wages

7. 8 workers produce 240 units a day. What is productivity (units per worker)?

____

8. A firm sells 300 units at 4 each. What is total revenue?

____

9. Low-income households tend to spend a larger proportion of their income than high-income households.

☐ True ☐ False

10. Which are non-wage factors affecting job choice? (Select all that apply.)

☐ job satisfaction

☐ working hours

☐ job security

☐ the rate of pay

Tick every correct option.

IGCSE Economics

1. **medium of exchange; store of value; unit of account**

   Money is a medium of exchange, store of value, unit of account and standard of deferred payment.

2. **income that is not spent**

   Saving is the part of income not consumed.

3. **the demand for and supply of labour**

   Wages are the price of labour, set by demand and supply.

4. **can lose only the amount they invested**

   Their loss is limited to their investment.

5. **output per worker**

   Productivity measures efficiency — output per worker (or per machine).

6. **factory rent**

   Rent does not change with the level of output — a fixed cost.

7. **30**

   $240 / 8 = 30$ units per worker.

8. **1200**

   Revenue = price × quantity = $4 \times 300 = 1200$.

9. **True**

   They have little left over to save.

10. **job satisfaction; working hours; job security**

    Pay is the wage factor; the others are non-wage factors.

3.1 Money and banking

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

KEY WORDS commercial banks 商业银行 • money 货币 • central bank 中央银行 • medium of exchange 交换媒介 • store of value 价值储藏

Objective

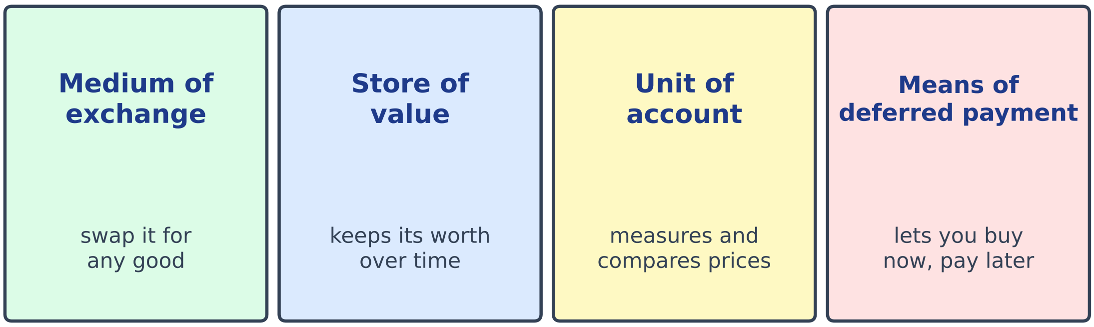
Build the skills to answer exam questions on **money and banking** 货币与银行 — the **functions of money** 货币职能, the **characteristics of money** 货币特征, and the roles of the **central and commercial banks** 中央与商业银行.

You must be able to:

- state the four functions of money
- state the characteristics of good money
- explain the roles of the central bank and commercial banks

1 Worked examples

■ What money does



Exam: list all four functions — medium of exchange, store of value, unit of account, deferred payment

Money solves the problem of ***barter*** 物物交换

- **Four functions: medium of exchange** 交换媒介, **store of value** 价值储藏, **unit of account** 记账单位, **means of deferred payment** 延期支付手段.
- **Characteristics:** durable, portable, divisible, limited in supply, hard to copy, accepted.
- **Central bank** 中央银行: issues notes, sets **interest rates** 利率. **Commercial banks** 商业银行: keep savings, lend, allow payments.

> **Answer shapes:** K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State the four functions of money. [2]

2.2 Identify two characteristics of good money. [2]

2.3 State one role of a central bank. [1]

3 Exam-style questions

3.1 Money acts as a **store of value** because it: [1]

- **A** can be swapped for goods
- **B** keeps its value to be spent later
- **C** measures the value of things
- **D** lets people buy now and pay later

3.2 Explain why money is better than barter as a way to trade. [4]

3.3 Analyse the difference between the roles of a central bank and a commercial bank. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 medium of exchange; store of value; unit of account; means of deferred payment (2 for all four; 1 for two or three).

2.2 any two of: durable; portable; divisible; limited in supply; hard to copy; accepted (1 + 1).

2.3 any one of: issues banknotes; sets interest rates; looks after the banking system (1).

3.1 B. A store of value keeps its value to be spent later.

3.2 *[4]* K 1 + An up to 3 — with barter you must find someone who has what you want *and* wants what you have (a "double coincidence of wants") → this is slow and difficult → money is accepted by everyone as a medium of exchange → so you can sell for money and buy what you need from anyone, making trade much easier.

3.3 *[6]* K/App/An — a central bank is the government's bank: there is one per country, and it issues notes, sets interest rates and oversees the whole banking system. A commercial bank is an ordinary bank used by people and firms: it keeps savings safe, lends money and allows payments → so the central bank runs and controls the system, while commercial banks serve customers within it.

10 Why do banknotes function as money?

A They are backed by gold.

B They are durable.

C They are generally acceptable.

D They have intrinsic value.

3 Central banks influence their countries' money supply. Central banks also regulate commercial banks. Households benefit from these commercial banks in several ways. In recent years, commercial banks have introduced new technology. Global online banking increased by 14% between 2019 and 2022. These advances in technology were combined with a greater use of division of labour.

(a) Identify **two** ways central banks differ from commercial banks. [2]

(b) Explain **two** characteristics that coins possess which mean they can perform the functions of money. [4]

(c) Analyse the services provided to households by commercial banks. [6]

(d) Discuss whether or not division of labour will benefit workers. [8]

1 What is **not** a factor of production?

A a 10 dollar note

B a farm labourer

C a farm shop

D a tractor

10 Which function does a central bank provide for the general public?

A accepting deposits

B issuing banknotes

C making loans

D providing overdrafts

10 What is **not** a function of money?

A medium of exchange

B portability

C store of value

D unit of account

IGCSE Economics: **w24 13**

10 What is a function of a commercial bank?

A accepting deposits

B controlling money supply

C issuing notes and coins

D lending money to the government

IGCSE ECONOMICS • EXERCISE SHEET

3.2 Households

Name: ______________ Class: __________ Date: ____________ **Total: 16 marks**

KEY WORDS saving 储蓄 • borrowing 借贷 • household 家庭 • income 收入 • confidence 信心

Objective

Build the skills to answer exam questions on **households 家庭 — spending, saving and borrowing 消费、储蓄与借贷**, and what influences these choices.

You must be able to:

- define saving and borrowing
- explain how income, interest rates and confidence affect household choices
- analyse a change in household spending or saving

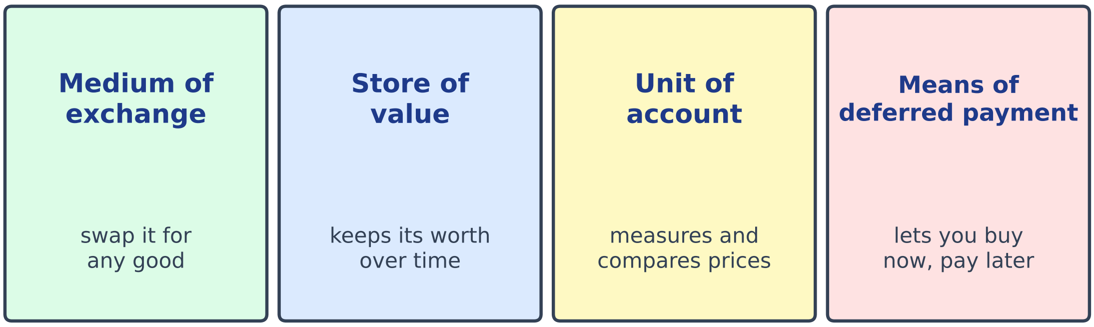
1 Worked examples

■ Household choices

Three things shape these choices: income, interest rates, confidence

- **Saving 储蓄**: income not spent now. **Borrowing 借贷**: spending money you do not yet have, repaid later.
- **Income 收入** up → spend and save more.
- **Interest rates** up → saving more rewarding, borrowing dearer → saving rises, borrowing falls.

- **Confidence** 信心 high → spend and borrow more; worried → save more.



Exam: list all four functions — medium of exchange, store of value, unit of account, deferred payment

Households rely on money's functions — a medium of exchange to spend and a store of value to save

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *saving*. [2]

2.2 State two things that influence how much a household saves. [2]

2.3 State the effect of a rise in interest rates on household borrowing. [1]

3 Exam-style questions

3.1 A rise in interest rates is most likely to: [1]

- **A** raise borrowing and lower saving
- **B** lower borrowing and raise saving
- **C** raise both borrowing and saving
- **D** have no effect

3.2 Explain why a household might save more when interest rates rise. [4]

3.3 Analyse how a fall in consumer confidence would affect household spending and saving. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 the part of income that is not spent now (2 for a clear definition; 1 for a partial idea).

2.2 any two of: income; interest rates; confidence (1 + 1).

2.3 borrowing falls (1).

3.1 B. Higher interest rates lower borrowing and raise saving.

3.2 *[4]* K 1 + An up to 3 — a higher interest rate means savers earn more on their money → saving becomes more rewarding → at the same time borrowing costs more, so people borrow less and keep more → so households save a larger share of their income.

3.3 *[6]* K/App/An — confidence is a key influence on household choices → if people fear losing their jobs or expect bad times, they spend less on non-essentials and borrow less → instead they save more as a safety buffer → so falling confidence lowers spending and borrowing and raises saving (which can slow the economy).

IGCSE Economics: **w25 11**

11 The table shows how household spending changes with income.

income ($ per month)	spending ($ per month)
4000	4150
4300	4375
4600	4650
4900	4900
5200	4975
5500	5275

What is the first level of income shown at which savings are positive?

A $4000 **B** $4600 **C** $4900 **D** $5200

IGCSE Economics: **s25 11**

11 If interest rates fall, what will be the most likely effect on saving and borrowing?

	saving	borrowing
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

IGCSE Economics: **s25 13**

10 A country's central bank raised the rate of interest from 1% to 4% per year.

How would this change have affected the amount saved and the cost of borrowing by individuals?

	amount saved	cost of borrowing
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

5 In 2023, the Chinese Government said that it would aim for an economic growth rate of 5% and a steady increase in both exports and imports. It was expected that higher output would be caused mainly by an increase in household spending, although this could also result in inflation. Another aim of the Chinese Government was to keep the unemployment rate at around 5.5%. China has an ageing population and an ageing labour force.

(a) Identify **two** influences on household spending. [2]

(b) Explain **two** advantages of employing older workers. [4]

(c) Analyse how an increase in household spending could cause inflation. [6]

(d) Discuss whether or not a government should aim for an increase in imports. [8]

IGCSE ECONOMICS • EXERCISE SHEET

3.3 Workers

Name: ______________ Class: __________ Date: ____________ **Total: 17 marks**

KEY WORDS workers 工人 • labour 劳动 • wage 工资 • skill 技能 • division of labour 劳动分工

Objective

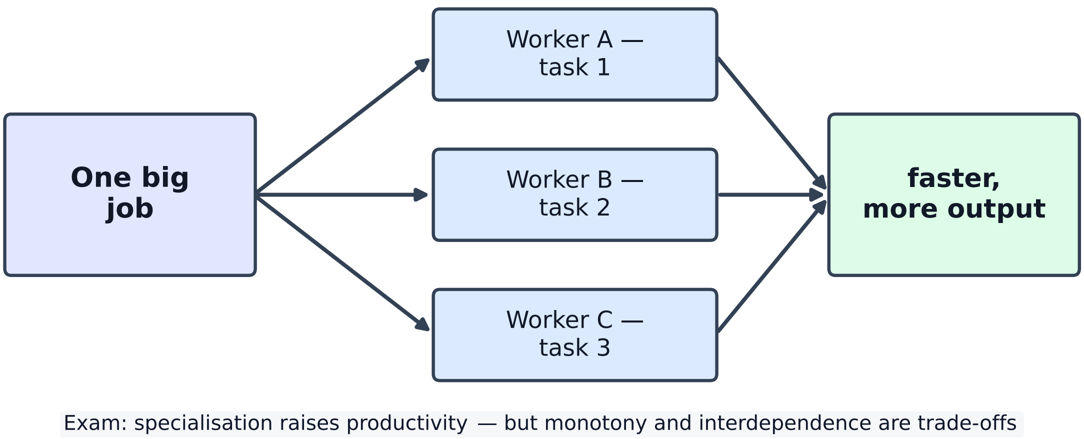
Build the skills to answer exam questions on **workers** 工人 — **wage and non-wage factors** 工资与非工资因素 in choosing a job, why **wages differ** 工资差异, and the **division of labour** 劳动分工.

You must be able to:

- distinguish wage from non-wage factors
- explain why workers earn different amounts
- explain the advantages and disadvantages of the division of labour

1 Worked examples

■ Choosing a job and earning a wage



Workers choose jobs on pay and on everything else

- **Wage factors:** the **wage** 工资 (pay). **Non-wage factors:** hours, holidays, safety, enjoyment, distance, promotion.
- **Wages differ** because of: **skill** 技能 and **qualifications** 资格, danger, **trade unions** 工会, **discrimination** 歧视.
- **Division of labour** 劳动分工: split a job into small repeated tasks → faster work, higher output, but boring and a narrow skill.

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State the difference between a *wage* and a *non-wage* factor. [2]

2.2 Identify two reasons why workers earn different wages. [2]

2.3 Define the term *division of labour*. [2]

3 Exam-style questions

3.1 Which is a **non-wage** factor when choosing a job? [1]

- **A** the hourly pay
- **B** a bonus payment
- **C** the working hours and holidays
- **D** commission on sales

3.2 Explain two reasons why a surgeon is paid more than a cleaner. [4]

3.3 Analyse the advantages and disadvantages of the division of labour for a firm. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 a wage factor is the pay (the wage); a non-wage factor is everything else about a job (hours, safety, enjoyment, promotion) (2 for a clear difference; 1 for a partial idea).

2.2 any two of: skill/qualifications; danger of the job; trade-union strength; discrimination (1 + 1).

2.3 splitting a job into small tasks, with each worker doing one task repeatedly (2 for a clear definition; 1 for a partial idea).

3.1 **C**. Working hours and holidays are non-wage factors.

3.2 *[4]* For **each** of two reasons: K 1 + An 1 — a surgeon needs years of study and rare skills, so few people can do the job → scarcity of such skilled labour raises the wage; a surgeon's work carries high responsibility, while a cleaner's job needs little training, so many can do it → plentiful supply keeps the cleaner's wage low.

3.3 *[6]* K/App/An — **Advantages:** workers repeat one task, so they get faster and more skilled, less time is wasted, and output per worker rises, lowering unit cost. **Disadvantages:** doing one task is boring → mistakes and high labour turnover; if one worker is absent the line can stop; each worker learns only one narrow skill → so the firm gains higher output but risks low motivation.

12 The wages of school teachers are rising.

What is **least** likely to be the cause of this?

A decreased membership of teaching trade unions

B increased awareness among parents about the importance of education

C more restrictions on the immigration of teachers from other countries

D the opening of new schools by the government

13 What is a feature of every trade union?

A members are unskilled workers

B members use collective bargaining

C members work for the same employer

D members work in the same industry

IGCSE Economics: **w25 12**

12 In which occupations do wages tend to be lowest?

A in those where the work is dangerous

B in those where there is an excess supply of labour

C in those where workers belong to trade unions

D in those where workers need long training

IGCSE Economics: **w25 13**

11 Worker X earns less than worker Y.

What is most likely to be true of worker X?

A They have a longer period of training than worker Y.

B They have a longer working day than worker Y.

C They have skills that are more in demand than worker Y.

D They have weaker bargaining power than worker Y.

IGCSE Economics: **s25 11**

1 What is likely to increase the occupational mobility of labour?

A increasing entry requirements to professions

B increasing retraining of workers

C introducing job specialisation

D introducing subsidised transport

13 What is a function of a trade union?

A to negotiate workers' contracts

B to promote workers to more responsible jobs

C to recruit workers for the firm

D to supervise the workers in the firm

IGCSE Economics: **s25 12**

2 Sanjay, a coal miner, became unemployed when the only local mine closed. He lives in a village near family and friends and would like to stay in the same village.

What is the cause of Sanjay's occupational immobility?

A a desire to live near family and friends

B no relevant skills

C the cost of travelling for work

D unaffordable housing

IGCSE Economics: **s25 13**

11 What is a non-wage factor influencing an individual's choice of occupation?

A the availability of overtime work

B the hourly rate of pay

C the opportunity to get a financial bonus

D the risk of unemployment

IGCSE Economics: **s25 22**

4 In 2022, more than a quarter of a million workers, including doctors, left Sri Lanka to work in other countries. This was largely due to economic problems, including an inflation rate of 50% and a concern that unemployment might rise. The Sri Lankan Government increased direct taxation. It also encouraged some public sector workers to work abroad temporarily. People who work abroad often send money home to relatives.

(a) Identify **two** types of unemployment. [2]

(b) Explain **two** ways that money received from relatives working abroad could raise their families' living standards. [4]

(c) Analyse how an increase in direct taxation could increase unemployment. [6]

(d) Discuss whether or not a doctor would benefit from working in another country. [8]

2 Unemployment in the United Kingdom (UK) fell in December 2021 to 4.1%. Market forces would usually mean that wages would increase due to this lower unemployment. However, workers' living standards did not increase. New international trade deals were not made fast enough to offset the decreasing trade between the UK and the European Union.

(a) Identify **two** ways of measuring unemployment. [2]

(b) Explain **two** factors that could influence living standards, apart from unemployment rates. [4]

(c) Analyse how market forces can increase wages. [6]

(d) Discuss whether or not free trade between countries increases economic growth. [8]

3.4 Firms

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

KEY WORDS merger 合并 • market 市场 • firms 企业 • vertical 纵向 • grow 增长

Objective

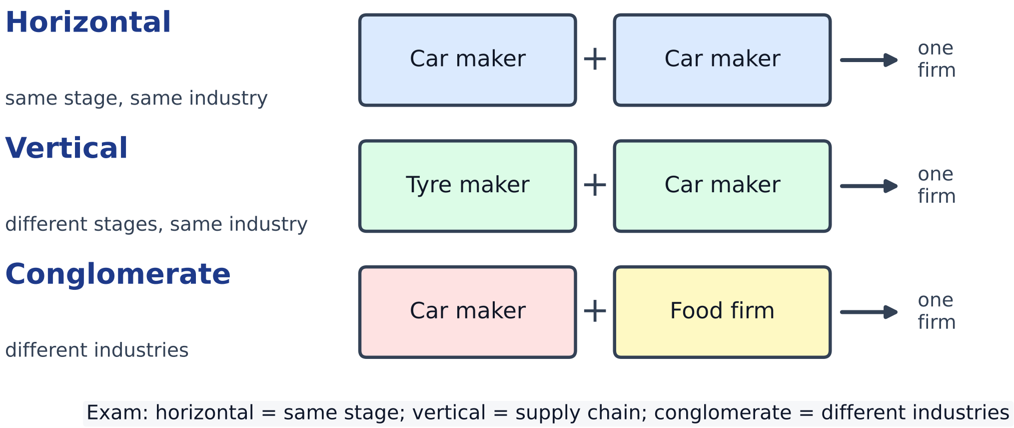
Build the skills to answer exam questions on **firms 企业** — the **size of firms 企业规模**, why some stay small, how firms **grow 增长** (the three **mergers 合并**), and **business failure 企业倒闭**.

You must be able to:

- state ways to measure the size of a firm and why some stay small
- describe horizontal, vertical and conglomerate mergers
- explain the causes of business failure

1 Worked examples

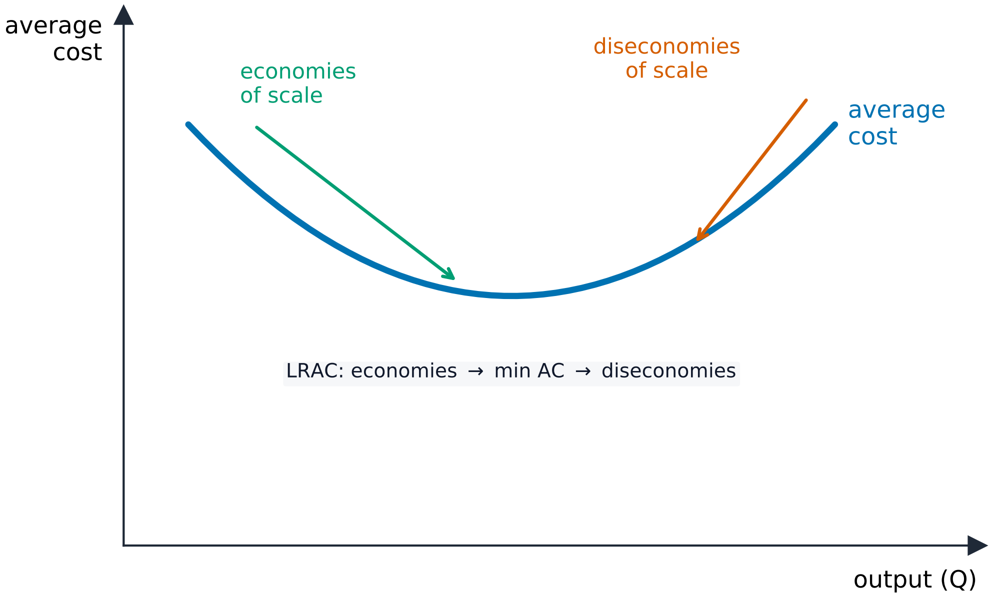
How firms grow



Firms grow by selling more, or by joining other firms

- **Measure size by:** number of workers, capital used, or output.
- **Stay small** because: a small market, a personal product, the owner wants control, little finance.
- **Mergers: horizontal 横向** (same stage), **vertical 纵向** (different stages of one industry), **conglomerate 混合** (different industries).

- **Business failure 企业倒闭:** high costs, too few sales, poor management, too little cash.



Firms grow to win economies of scale — lower average cost as output rises

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State two ways to measure the size of a firm. [2]

2.2 Define the term *horizontal merger*. [2]

2.3 State one reason why a firm might stay small. [1]

3 Exam-style questions

3.1 A car maker joining with a tyre maker is an example of a: [1]

- **A** horizontal merger
- **B** vertical merger

- **C** conglomerate merger
- **D** social enterprise

3.2 Explain two reasons why a firm might fail and close down. [4]

3.3 Analyse why some firms stay small while others grow large. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 any two of: number of workers; amount of capital used; output (1 + 1).

2.2 when two firms at the same stage of the same industry join (e.g. two car makers) (2 for a clear definition; 1 for a partial idea).

2.3 any one of: a small market; a personal product; the owner wants control; little finance to grow (1).

3.1 B. A car maker and a tyre maker are at different stages of one industry — a vertical merger.

3.2 *[4]* For **each** of two reasons: K 1 + An 1 — *too few sales / falling demand*: revenue does not cover costs → the firm makes losses and closes; *not enough cash*: even a profitable firm can run out of cash to pay bills → it is forced to stop trading.

3.3 *[6]* K/App/An — firms stay small when the market is small or local, the product is personal (a hairdresser), the owner wants control, or finance is scarce → firms grow large when there is high demand and they want economies of scale, more market power and higher profit → so size depends on the market, the owner's aims, and the gains from being bigger.

13 How might a trade union increase its bargaining power?

A by expanding the market for the product

B by increasing the cost of union membership for workers

C by restricting the entry of workers to the industry

D by supporting wage claims in other industries

14 To be able to produce a car tyre, rubber is required.

If a car tyre manufacturer merges with a supplier of rubber, which type of merger is this?

A conglomerate

B horizontal

C internal

D vertical

IGCSE Economics: **s25 11**

27 What will increase the level of specialisation in an economy?

A A computer manufacturer takes over an advertising company.

B A retail store issues its own credit card.

C A travel agent provides transport to the airport.

D A vehicle assembler reduces its range of vehicles.

IGCSE Economics: **w24 12**

12 A fast-food multinational bought a food-ordering website, in order to allow the multinational's customers to download menus and make advance payments.

Which term best describes this merger?

A backward vertical

B conglomerate

C forward vertical

D horizontal

15 A clothing manufacturer expands by taking over a clothing retailer.

Which type of merger is this?

A backward vertical

B conglomerate

C forward vertical

D horizontal

IGCSE ECONOMICS • EXERCISE SHEET

3.5 Firms and production

Name: ______________ Class: __________ Date: ____________ **Total: 17 marks**

KEY WORDS economies of scale 规模经济 • productivity 生产率 • diseconomies of scale 规模不经济 • labour-intensive 劳动密集型 • capital-intensive 资本密集型

Objective

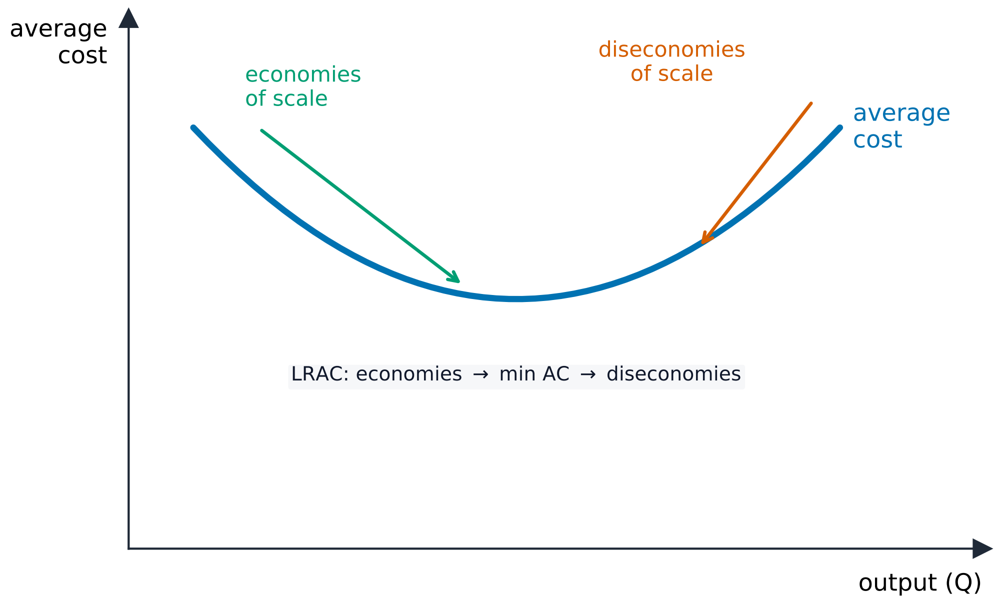
Build the skills to answer exam questions on **firms and production** 企业与生产 — **labour- and capital-intensive** 劳动密集型与资本密集型 production, **productivity** 生产率, and **economies and diseconomies of scale** 规模经济与规模不经济.

You must be able to:

- distinguish labour-intensive from capital-intensive production
- explain productivity and how to raise it
- explain economies and diseconomies of scale

1 Worked examples

■ Production and scale

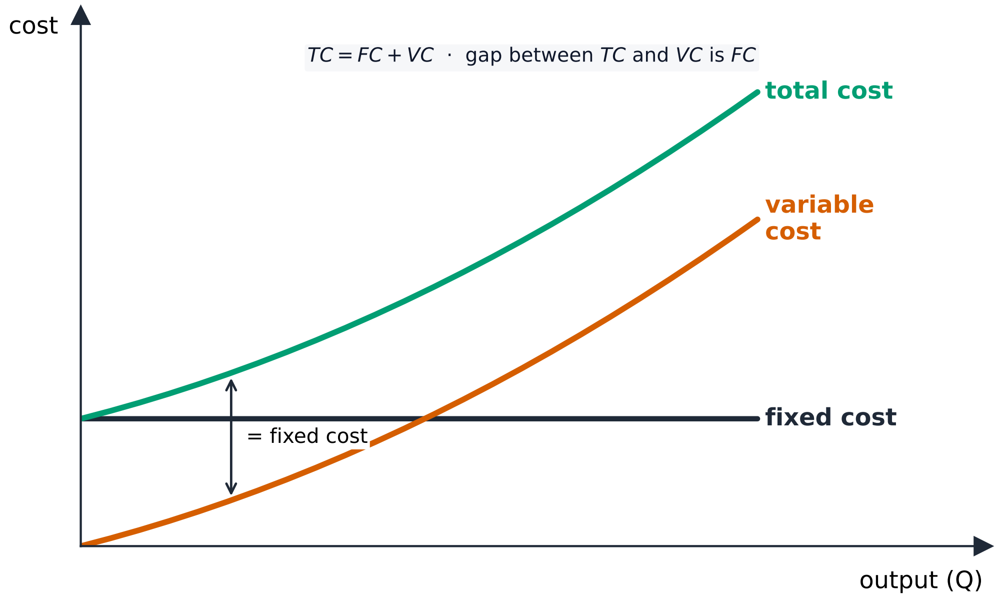


The cost per unit changes as a firm grows

- **Labour-intensive** 劳动密集型: mostly workers (hand-made crafts). **Capital-**

intensive 资本密集型: mostly machines (a car factory).

- **Productivity** 生产率: output per worker/machine; raise it by training, better machines, good management.
- **Economies of scale** 规模经济: average cost falls as output rises (bulk buying, big machines). **Diseconomies** raise it if too big (hard to manage).



The cost behind the scale decision: fixed plus variable cost, averaged over output

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State the difference between labour-intensive and capital-intensive production. [2]

2.2 Define the term *productivity.* [2]

2.3 Define the term *economies of scale.* [2]

3 Exam-style questions

3.1 Economies of scale mean that, as a firm produces more, its: [1]

- **A** average cost per unit falls
- **B** average cost per unit rises
- **C** total cost falls
- **D** revenue falls

3.2 Explain two ways a firm could raise its productivity. [4]

3.3 Analyse why a firm's average cost may fall and then rise as it grows larger. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 labour-intensive production uses mostly labour (many workers, few machines); capital-intensive uses mostly capital (many machines, few workers) (2 for a clear difference; 1 for a partial idea).

2.2 output per worker (or per machine) in a set time (2 for a clear definition; 1 for a partial idea).

2.3 the fall in average cost per unit as a firm increases its output (2 for a clear definition; 1 for a partial idea).

3.1 **A**. Economies of scale mean the average cost per unit falls.

3.2 *[4]* For **each** of two ways: K 1 + An 1 — *training*: skilled workers make more and fewer mistakes → output per worker rises; *better machines*: modern equipment does more in the same time → output per worker rises.

3.3 *[6]* K/App/An — as a firm grows, it gains **economies of scale**: it buys materials in bulk more cheaply, uses large efficient machines, and borrows cheaply → average cost per unit falls. But if it grows *too* large, **diseconomies of scale** set in: it is hard to manage, messages travel slowly, and workers feel less important → average cost per unit rises again → so there is a lowest-cost size.

14 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

IGCSE Economics: **w25 13**

13 The size of the domestic car industry in Japan has enabled Japanese car producers to be more price competitive than rival car producers.

What is an explanation for this?

A Economies of scale are present in the Japanese car industry.

B Managerial problems exist in the Japanese car industry.

C Productivity is low in Japan.

D The Japanese car industry is very labour-intensive.

IGCSE Economics: **w25 22**

3 In April 2023, a French cosmetics firm merged with an Australian cosmetics firm. It is expected the merger will lower average total cost as the new firm is likely to benefit from greater internal economies of scale. A manager stated that a key aim is to make the firm's production more sustainable by using raw materials taken from renewable sources. In most countries, the cosmetics firm's products, including perfume, are taxed at a higher rate than food.

(a) Define *average total cost*. [2]

(b) Explain how using renewable raw materials may affect a firm's profits. [4]

(c) Analyse the internal economies of scale that a cosmetics firm could experience. [6]

(d) Discuss whether or not perfume should be taxed at a higher rate than food. [8]

IGCSE Economics: **s25 11**

14 There has been an improvement in the transport infrastructure in India that reduces the costs of farming.

What is this an example of?

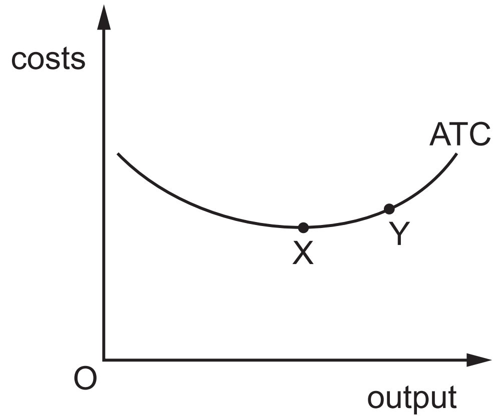
A external diseconomies of scale

B external economies of scale

C internal diseconomies of scale

D internal economies of scale

11 The diagram shows the average total cost curve (ATC) for a firm after a merger.



Why is the movement from X to Y likely to result from this merger?

A Consumer demand is rising.

B Marketing economies of scale occur at higher levels of output.

C The firm faces problems of co-ordination between departments.

D The firm is negotiating discounts through bulk buying.

16 If a very competitive market becomes a monopoly, what will be likely to increase and what will be likely to decrease?

	increase	decrease
A	barriers to entry	economies of scale
B	consumer choice	prices
C	long-run profits	competition
D	output	market share

IGCSE Economics: **m25 12**

13 What would be most likely to encourage a firm to grow internally?

A when diseconomies of scale occur at low levels of output

B when economies of scale occur at high levels of output

C when new firms enter the market and increase competition

D when the firm only supplies the local market

12 A clothes retailer borrows money to finance the opening of another clothes shop.

Which type of growth is this?

A internal and horizontal

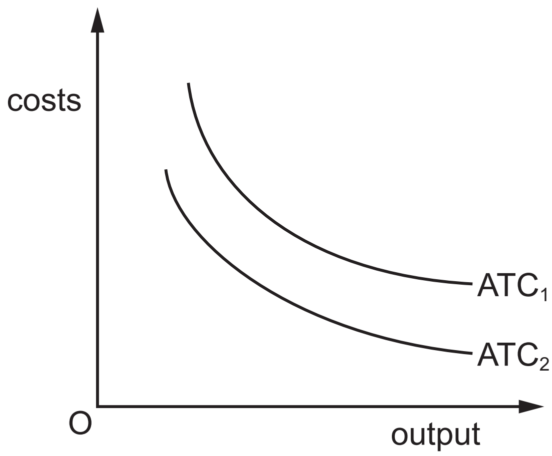
B internal and vertical

C external and horizontal

D external and vertical

IGCSE Economics: **w24 12**

13 The diagram shows the average total cost (ATC) for a firm, in the long run.



What would cause the shift from ATC_1 to ATC_2?

A difficulties in controlling the firm

B external economies of scale

C managerial economies of scale

D technical economies of scale

IGCSE ECONOMICS • EXERCISE SHEET

3.6 Firms' costs, revenue and objectives

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

KEY WORDS total cost 总成本 • revenue 收益 • profit 利润 • total revenue 总收益 • variable costs 可变成本

Objective

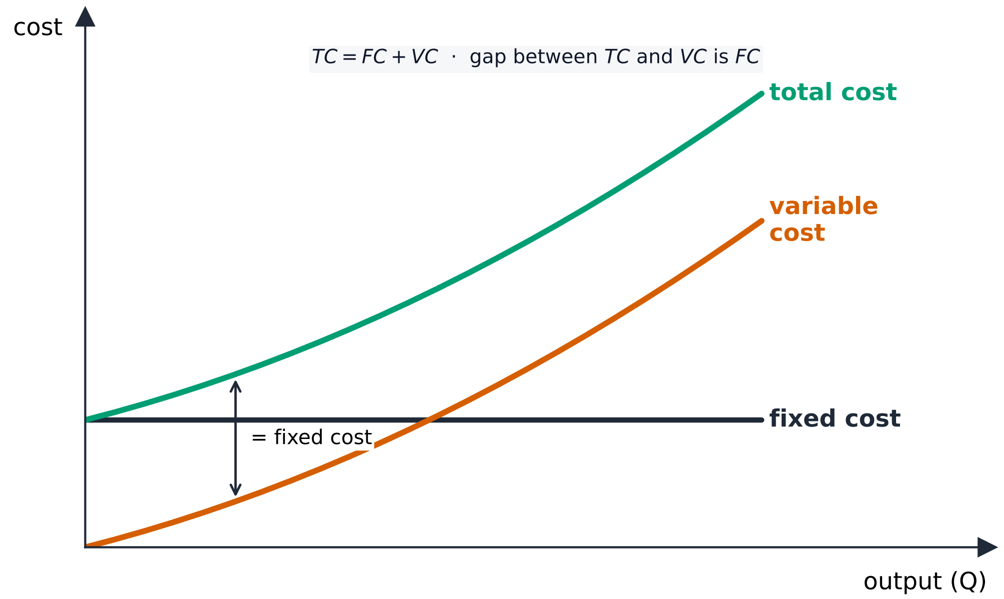
Build the skills to answer exam questions on **firms' costs, revenue and objectives 企业成本、收益与目标** — **fixed and variable costs 固定与可变成本**, **total and average 总与平均** cost, **revenue and profit 收益与利润**, and firms' **objectives 目标**.

You must be able to:

- distinguish fixed from variable costs and calculate total/average cost
- calculate total revenue and profit
- explain the different objectives of firms

1 Worked examples

■ Costs, revenue and profit

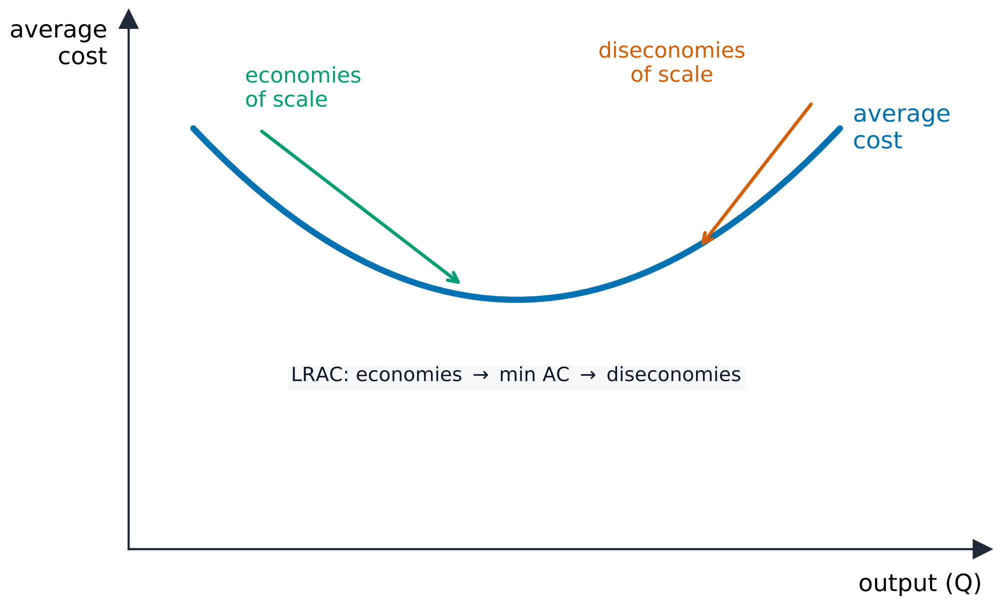


Profit is what is left after costs

- **Fixed costs 固定成本**: do not change with output (rent). **Variable costs 可变**

成本: change with output (materials).

- **Total cost** = fixed + variable. **Average cost** = total cost ÷ output.
- **Total revenue** 总收益 = price × quantity. **Profit** = total revenue − total cost.
- **Objectives:** profit, **survival** 生存, **growth** 增长, social objectives.



Average cost falls then rises as output grows — the scale picture behind profit

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State the difference between a *fixed* and a *variable* cost. [2]

2.2 A firm sells 500 units at $8 each. Calculate its total revenue. [2]

2.3 State the formula for *profit*. [1]

3 Exam-style questions

3.1 A firm has total revenue of $10,000 and total cost of $7,000. Its profit is: [1]

- **A** $3,000
- **B** $7,000
- **C** $10,000
- **D** $17,000

3.2 Explain why a new firm might aim for **survival** rather than maximum profit. [4]

3.3 Analyse how a firm could increase its profit. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 a fixed cost does not change with output (rent, insurance); a variable cost changes with output (materials, power) (2 for a clear difference; 1 for a partial idea).

2.2 $500 \times \$8 = \$4{,}000$ (2; award 1 for a correct method with the wrong figure).

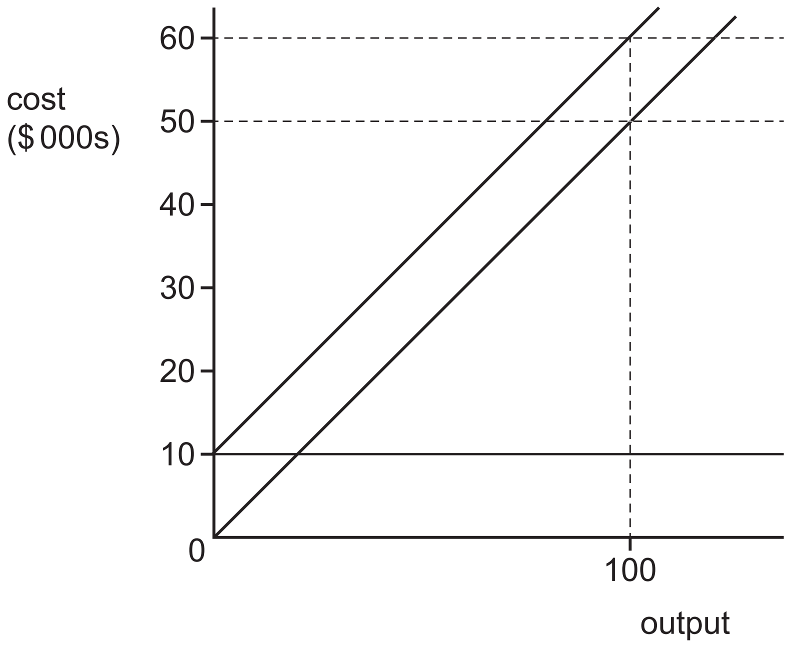
2.3 profit = total revenue − total cost (1).

3.1 **A**. Profit = \$10,000 – \$7,000 = \$3,000.

3.2 *[4]* K 1 + An up to 3 — a new firm is still building customers and may make losses at first → it has little cash and many rivals → so its first aim is simply to stay open (survive) and not run out of cash → once established, it can aim for profit and growth.

3.3 *[6]* K/App/An — profit = revenue − cost, so a firm can raise profit by raising **revenue** (sell more, e.g. through advertising; or raise the price if demand is inelastic) **or** by cutting **costs** (use cheaper suppliers, raise productivity, gain economies of scale) → it must be careful: raising the price too far may lose sales if demand is elastic, and cutting costs too far may harm quality → so the best route depends on the market.

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

16 If the average revenue of a firm increases from $4 to $5 and quantity demanded decreases from 20 units to 10 units, what will be the effect on the firm's total revenue?

A decreases by $20

B decreases by $30

C increases by $20

D increases by $30

IGCSE Economics: **w25 12**

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 total cost?

A $3 **B** $24 **C** $27 **D** $30

15 The table shows a firm's average revenue and average cost at different levels of output.

When all output is sold, which level of output generates the most profit?

	output (units)	average revenue (US$)	average cost (US$)
A	5	10	30
B	10	20	20
C	15	25	15
D	20	30	18

17 Which role is **not** performed by a government?

A paying dividends to shareholders

B promoting international trade agreements

C providing state benefits

D subsidising merit goods

IGCSE Economics: **w25 23**

2 A Swiss multinational food manufacturer increased prices for its products by an average of 8% in 2022. It increased its prices in the USA by 11.6%. This multinational company (MNC) is one of the world's oldest MNCs. It started as a small firm but has grown over the last 160 years. Over this period, its decisions have always been influenced by opportunity cost.

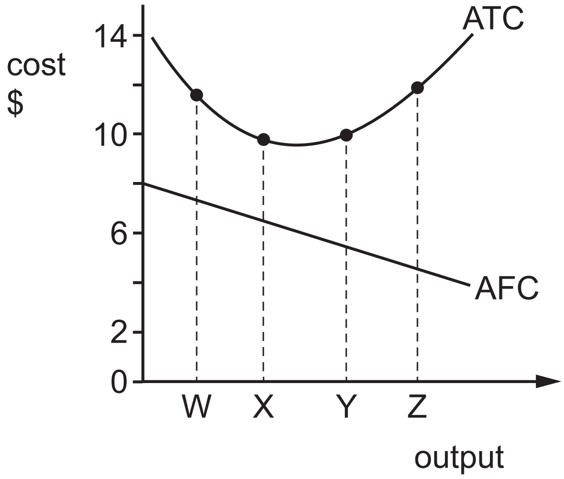
(a) Define *multinational company*. [2]

(b) Explain **two** reasons why a firm may charge a different price for the same product in two different countries. [4]

(c) Analyse how opportunity cost influences the decisions made by consumers, workers and producers. [6]

(d) Discuss whether or not consumers would benefit from an increase in the number of small firms in an industry. [8]

16 The diagram shows the average total costs (ATC) and average fixed costs (AFC) for a firm.



Which statement is correct?

A At output X, average variable costs are lower than average fixed costs.

B At output Y, total variable costs are greater than total fixed costs.

C Between outputs W and Z, total fixed costs are falling.

D Between outputs W and Y, average variable costs have not changed.

14 The table shows the daily output and costs of four firms making chairs.

Which firm has the highest average cost of production?

	output (units)	fixed costs ($)	variable costs ($)
A	6	100	140
B	9	30	150
C	12	200	160
D	15	120	330

15 A firm has fixed costs of $100 for its daily output. The table shows its daily total variable costs.

output (units)	1	2	3	4
total variable costs ($)	200	360	500	720

What can be concluded about the firm's average total cost?

A It falls continuously.

B It is highest at output 4 units.

C It is lowest at output 3 units.

D It rises continuously.

IGCSE Economics: **m25 12**

16 The table shows the average revenue of a firm at various levels of output.

output	average revenue ($)
1	10
2	8
3	6
4	4

What happens to total revenue as output rises?

A Total revenue falls and then rises.

B Total revenue falls continuously.

C Total revenue rises and then falls.

D Total revenue rises continuously.

IGCSE ECONOMICS • EXERCISE SHEET

3.7 Types of markets

Name: ________ Class: ________ Date: ________ **Total: 18 marks**

KEY WORDS competition 竞争 • barriers to entry 进入壁垒 • competitive markets 竞争市场 • monopoly 垄断 • types of markets 市场类型

Objective

Build the skills to answer exam questions on **types of markets 市场类型** — **competitive markets 竞争市场** and **monopoly 垄断**, and how each affects consumers and firms.

You must be able to:

- describe a competitive market and a monopoly
- explain **barriers to entry 进入壁垒**
- compare competition and monopoly for consumers and firms

1 Worked examples

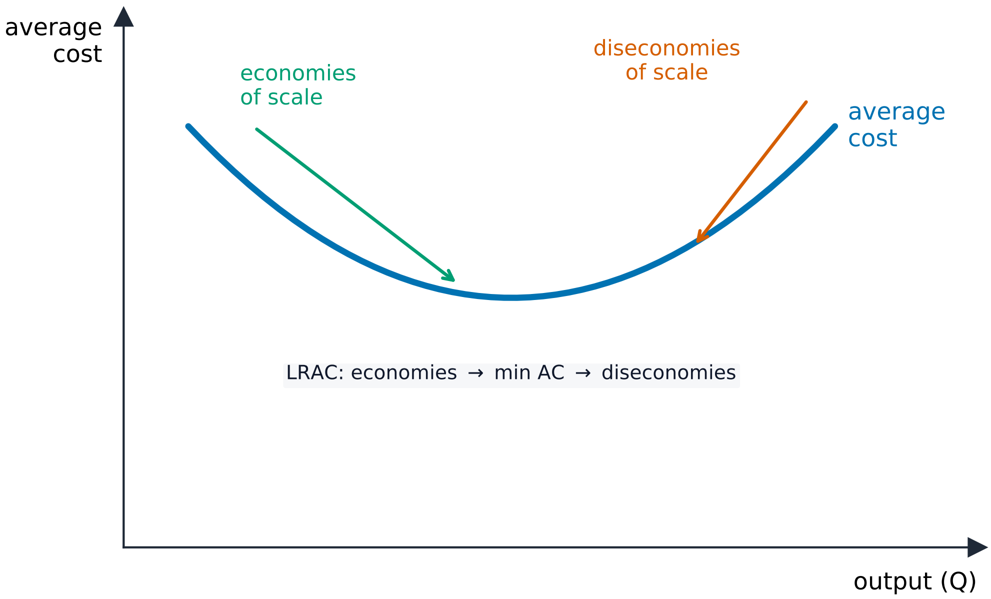
Competition versus monopoly

Markets differ by the number of firms and how easy it is to enter

- **Competitive market:** many firms, easy entry → low prices, high quality, wide choice (good for consumers; lower profit for firms).
- **Monopoly 垄断**: one firm, **barriers to entry 进入壁垒** (high start-up costs) →

high prices, less choice, little pressure to improve.

- **But** a monopoly may gain economies of scale and fund research.



A large firm's cost advantage from economies of scale is a barrier to entry that shapes the market

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *monopoly*. [2]

2.2 Define the term *barriers to entry*. [2]

2.3 State one benefit to consumers of a competitive market. [1]

3 Exam-style questions

3.1 In a competitive market, firms are most likely to: [1]

- **A** charge high prices and ignore quality
- **B** keep prices low and quality high
- **C** make very high profits easily
- **D** face no pressure to cut costs

3.2 Explain two reasons why a monopoly can charge high prices. [4]

3.3 Discuss whether a monopoly is always worse for consumers than a competitive market. [8]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 a market with only one firm, or one firm that controls most of it (2 for a clear definition; 1 for a partial idea).

2.2 things that make it hard for new firms to enter a market, such as high start-up costs (2 for a clear definition; 1 for a partial idea).

2.3 any one of: lower prices; wider choice; better quality (1).

3.1 B. In competition, firms keep prices low and quality high to win customers.

3.2 *[4]* For **each** of two reasons: K 1 + An 1 — *no competition*: buyers have no other firm to go to → they must pay the monopoly's price; *barriers to entry*: new firms cannot enter to undercut it → the monopoly can keep its price high.

3.3 *[8]* K/App/An up to 5 + Ev up to 3. **Worse for consumers:** a monopoly can charge high prices, offer less choice, and has little pressure to improve quality. **Not always:** a large monopoly may gain economies of scale (lower costs, which could mean lower prices) and use its profit to fund research and new products. **Judgement (Ev):** a monopoly is usually worse because of high prices and weak choice, but it can benefit consumers if economies of scale are passed on and it innovates — so it depends on the firm and whether the government regulates it.

Name:

IGCSE Economics: **w25 11**

27 What is an advantage for consumers from international specialisation?

A competition between firms results in lower prices

B labour can move more freely between countries

C less wealth is created throughout the world

D multinational companies can increase their profits

IGCSE Economics: **w25 12**

16 What is likely to be found when there are many small firms in an industry?

A There are few barriers to entry.

B There is high expenditure on research and development.

C There is little competition.

D Very large capital costs are needed to establish a firm.

IGCSE Economics: **w25 13**

16 What would make the existence of a monopoly market more likely?

A consumers prefer a variety of choice in products

B significant economies of scale can be achieved

C there are low barriers to entry and exit for firms

D there are no restrictions on international trade

IGCSE Economics: **w24 11**

27 Which statement shows two benefits for consumers from specialisation at a national level?

A decreased prices and better quality

B decreased profits and high-quality raw materials

C increased choice and high transport costs

D increased productivity and increased economies of scale

IGCSE Economics: **w24 12**

16 A competitive industry becomes a monopoly.

What is the most likely advantage for consumers?

A consumer choice may increase

B economies of scale may reduce prices

C more goods may be produced

D prices may be set by market forces

8 What could **not** occur in a market economic system?

A a monopolist supplying specialist goods to the market

B excessive pollution created by power stations

C governments setting minimum wages to relieve poverty

D private ownership of firms making defence equipment