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?

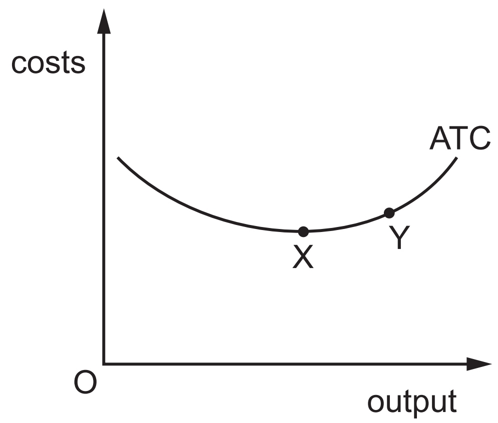
A external diseconomies of scale

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

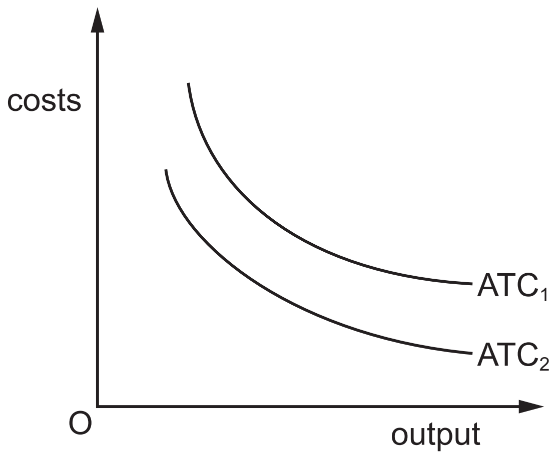
B internal and vertical

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