

Firms

- 1 What will occur when there is a conglomerate merger?
 - A increased control over supply of raw materials
 - B increased risk-bearing economies of scale
 - C reduced marketing economies of scale
 - D reduced technical economies of scale

- 2 How would a state-owned oil refining firm be classified?
 - A as a multi-national company (MNC) in the private sector
 - B as a private sector firm in the tertiary sector
 - C as a public sector firm in the primary sector
 - D as a public sector firm in the secondary sector

- 3 A company mining cobalt, invests in machinery to replace some workers. Eventually diseconomies of scale occur.
What could cause this situation?
 - A As more cobalt is mined average costs increase.
 - B Fewer workers are needed to produce the required output.
 - C Output per hour increases as more machinery is used.
 - D Overhead costs are spread as output increases.

- 4 Why are many hairdressers able to operate as small businesses?
 - A high level of competition
 - B high scope for economies of scale
 - C long period of training required
 - D low start-up and running costs

- 5 A Swedish furniture maker bought a Romanian firm that owned 83 000 hectares of trees.
Which type of merger is this **most** likely to be?
 - A diversification
 - B horizontal
 - C vertical backward
 - D vertical forward

- 6 Which firm is in the tertiary sector?
- A bread bakery
 - B fruit grower
 - C meal delivery
 - D road builder
- 7 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.
- 8 What is a major advantage of a horizontal merger compared with a conglomerate merger?
- A It causes more motivation of the workforce.
 - B It gains financial economies of scale with cheaper borrowing from banks.
 - C It leads to a diversification making the firm less vulnerable.
 - D It reduces competition and increases the merged firm's market share.
- 9 The table shows the average total cost of a firm over a range of output.

output (units)	average total cost (\$)
1	10
2	8
3	6
4	5
5	7
6	9

What happens after 4 units are produced?

- A The firm experiences management problems.
- B The firm gains the benefits of merging with another firm.
- C The firm pays lower interest rates to banks.
- D The firm receives significant discounts from bulk buying.

10 Two car manufacturers agree to merge.

Which outcome would be a disadvantage for customers?

- A increased capital for research and development
- B lower average costs through economies of scale
- C reduced range of vehicles produced
- D use of a wider range of marketing information