

# 3.5 Firms

## Question Paper

Course	CIE IGCSE Economics
Section	3. Microeconomic Decision Makers
Topic	3.5 Firms
Difficulty	Medium

**Time allowed:** 20  
**Score:** /15  
**Percentage:** /100

### Question 1

A large pizza chain in the US decided to sell sandwiches as well to try to increase its revenue.

Which term describes this change?

- A. diversification
- B. externalities
- C. horizontal merger
- D. vertical merger

[1 mark]

### Question 2

Firm X supplies bricks and decides to merge with firm Y that also supplies bricks.

Which form of merger has taken place?

- A. backward vertical
- B. conglomerate
- C. forward vertical
- D. horizontal

[1 mark]

### Question 3

Who owns a public sector organisation?

- A. individuals
- B. shareholders
- C. specialist managers
- D. the government

[1 mark]

**Question 4**

A mining company bought another mining company.

How may this integration be described?

- A. diversification
- B. horizontal merger
- C. specialisation
- D. vertical merger

[1 mark]

**Question 5**

Which type of business organisation is necessarily in the public sector of the economy?

- A. multinational company
- B. public limited company
- C. public corporation
- D. sole trader

[1 mark]

**Question 6**

Which type of business is always in the public sector?

- A. monopoly
- B. multinational corporation
- C. public corporation
- D. public limited company

[1 mark]

### Question 7

What is the definition of diseconomies of scale?

- A. the decrease in average revenue as output increases
- B. the decrease in fixed cost as output increases
- C. the increase in average total costs as output increases
- D. the increase in total costs as output increases

[1 mark]

### Question 8

What could cause internal diseconomies of scale for a firm?

- A. a fall in demand for the products produced by the firm
- B. a merger with another firm that results in slower decision-making
- C. spending more on research and development to create new products
- D. the lack of skilled labour in the geographical area where the firm is based

[1 mark]

### Question 9

In 2015, a large UK company attempted to acquire a rival US medical company to become the world's leading supplier. Both companies specialised in the manufacture of medicines for treating rare diseases.

Which term would describe the acquisition if it had been successful?

- A. backwards vertical integration
- B. conglomerate integration
- C. forwards vertical integration
- D. horizontal integration

[1 mark]

### Question 10

What is a characteristic of tertiary industries?

- A. They are located away from centres of population.
- B. They do not sell to the final consumer.
- C. They tend to be labour-intensive.
- D. They transform raw materials into goods.

[1 mark]

### Question 11

What is an example of a technical economy of scale?

- A. Banks provide loans at a lower interest rate to bigger firms.
- B. Bigger firms hire more workers.
- C. Firms obtain discounts when buying in bulk.
- D. Machines are used closer to their full capacity.

[1 mark]

### Question 12

A large bakery buys a flour mill.

Which form of integration is this?

- A. conglomerate
- B. conglomerate
- C. vertical backwards
- D. vertical forwards

[1 mark]

### Question 13

Which form of production would be **least** likely to have the advantages of economies of scale?

- A. car manufacturing
- B. commercial cereal farming
- C. handmade jewellery
- D. refining of oil products

[1 mark]

### Question 14

A film production company purchases a group of cinemas.

Of what is this an example?

- A. backward vertical integration
- B. conglomerate merger
- C. forward vertical integration
- D. horizontal integration

[1 mark]

### Question 15

A computer chip manufacturer expands by taking over a computer chip designer.

Of what is this an example?

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

[1 mark]