

3.6 Firms & Production

Question Paper

Course	CIEIGCSE Economics
Section	3. Microeconomic Decision Makers
Topic	3.6 Firms & Production
Difficulty	Medium

Time allowed: 60
Score: /49
Percentage: /100

Question 1

There is a range of factors that influence the supply of economic goods, including natural disasters. Recently a series of earthquakes in one country destroyed buildings, including factories and offices. One factory that survived has since increased its scale of production. This firm has employed more factors of production and has experienced a fall in its average cost of production.

Explain two influences on what factors of production a firm uses.

[4 marks]

Question 2

In 2015, the Malaysian government set out its objectives to increase productivity and savings. There has been higher consumer expenditure, driven in part by higher wages received mainly by older workers. However, low levels of savings remain a concern. Savings provide funds for investment (spending on capital goods) which contributes to economic growth and can influence inflation.

Explain two reasons why productivity may increase

[4 marks]

Question 3a

a)

Calculate, using information from the extract, the number of Japanese workers who left work early on Premium Friday in February 2017.

Refer to the [source material](#) in your answers

[2 marks]

Question 3b

b)

Analyse, using Fig. 1.1, the relationship between the average hours worked and productivity.

Refer to the [source material](#) in your answers

[5 marks]

Question 4

Estonia has one of the fastest internet speeds in the world. The government allows both direct and indirect taxes to be paid online. According to the World Bank, it is very easy for a firm to deal with construction permits and to register property in Estonia. A low level of government regulation affects how easy it is to start and to run a firm. Many new firms are labour-intensive but some become more capital-intensive as they grow.

Explain two reasons why a firm may become more capital-intensive as it grows.

[4 marks]

Question 5

Explain, using information from the extract, two reasons why productivity may have been low in Zambia.

Refer to the [source material](#) in your answers.

[4 marks]

Question 6

The food items people buy can be influenced by taxes, subsidies and health reports. A report published in 2017 outlined the health benefits of eating tomatoes including improved vision and reduced risk of heart disease. Egypt is a major producer of tomatoes and it also produces a large amount of cement. Cement is a product with price-inelastic demand. Egyptian cement producers have introduced more capital-intensive production methods.

Discuss whether or not introducing more capital-intensive production methods will increase a firm's profits.

[8 marks]

Question 7

A number of book publishers operate in Pakistan. These include multinational companies (MNCs). They employ a range of specialist workers. A number of these specialists estimate the price elasticity of demand (PED) for their firms' books. There is a debate about whether some books should be subsidised by the government.

Explain **two** disadvantages a worker could experience from specialising.

[4 marks]

Question 8

After the UK's decision to leave the European Union (EU) in June 2016, the value of the British currency, the pound (£), depreciated. However, in August 2016, despite the fall in the value of the £, the Bank of England reduced interest rates from 0.5% to 0.25%. This was to encourage further spending and borrowing to avoid a lower economic growth rate.

Explain two benefits a firm can gain by borrowing.

[4 marks]

Question 9

The largest airline in Pakistan was originally formed as a result of a merger between a state- owned airline and a private airline. In April 2016, the Pakistan government made this merged firm a public limited company. This was hoped to improve the productivity of this loss-making airline and also improve the overall economy of Pakistan.

Explain the difference between productivity and production.

[4 marks]

Question 10

Productivity has fallen recently in Finland particularly in the public sector. The country has a relatively high number of small firms. In recent years the price elasticity of demand and the price elasticity of supply of the products made by Finnish firms have changed.

Explain two reasons why productivity may fall.

[4 marks]

Question 11

The production process in the oil industry is capital-intensive. The pollution it generates means it is one cause of environmental market failure. A Nigerian oil monopoly is starting to produce more environmentally friendly liquefied petroleum gas (LPG), rather than kerosene, in an attempt to reduce pollution. The Nigerian government intends to split the monopoly firm into separate companies to improve efficiency.

Identify two features of a capital-intensive production process.

[2 marks]