

1.3 Size of business

Name: _____ Class: _____ Date: _____

Total: 29 marks

KEY WORDS merger 合并 • economies of scale 规模经济 • diseconomies of scale 规模不经济
 • external growth 外部增长 • internal growth 内部增长

Objective

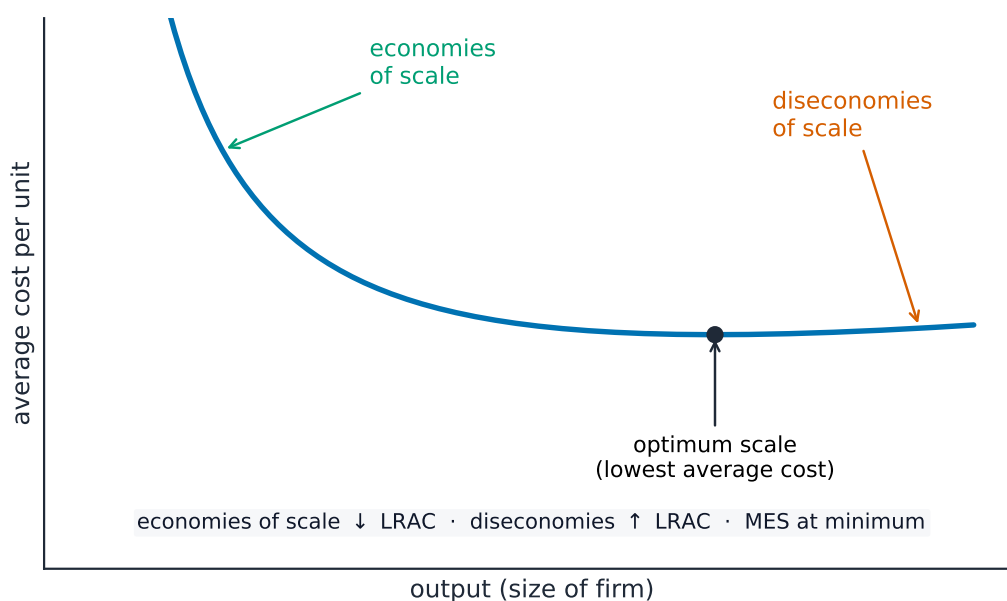
Build the skills to answer exam questions on the **size of a business** 企业规模 — how size is measured, **internal and external growth** 内部增长和外部增长 (**integration** 整合), and **economies and diseconomies of scale** 规模经济和规模不经济.

You must be able to:

- state ways to measure the size of a business
- describe internal growth and the three types of integration (horizontal, vertical, conglomerate)
- analyse benefits of growth and evaluate whether a firm should grow

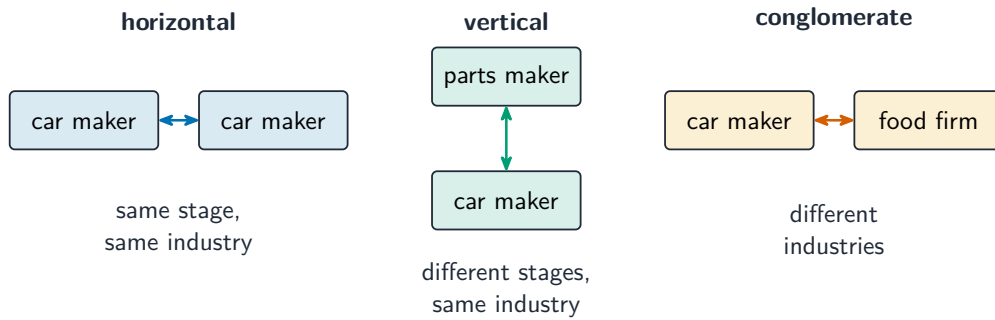
1 Worked examples

■ Growth and economies of scale



As output rises, average cost falls (economies of scale) then eventually rises (diseconomies)

- **Economies of scale:** cost savings as a firm grows — purchasing, technical, financial, managerial, marketing.
- **Internal growth** (organic, lower-risk) vs **external growth** (a merger/takeover) — classified by **integration**:



Horizontal (same stage) · vertical (different stages, same industry) · conglomerate (different industries)

Answer shapes: an **Analyse two benefits of growth** [8] answer needs, per benefit, AO1 (name) + AO2 (apply) + AO3 (a reasoning chain). An **Evaluate** [12] answer weighs the gains of size against the diseconomies, then judges *in context*.

2 Practice

2.1 State two ways to measure the size of a business.

[2]

2.2 Define the term *economies of scale*.

[2]

2.3 State the difference between horizontal and vertical integration.

[2]

3 Exam-style questions

3.1 Explain one reason why a business might want to grow larger. [3]

3.2 Analyse two benefits to a business of using a vertical merger for growth. [8]

3.3 'A business should always try to grow as large as possible.' Evaluate this view. [12]