Solutions

Each answer shows the steps, then the **result**.

2.1

- all inputs are variable, so none are fixed

2.2

- falling long-run average total cost as output rises

2.3

- it rises

3.1 B

3.2 B

3.3

(a)

- economies of scale (increasing returns to scale)

(b)

- it falls

(c)

- any one of: specialization of labour, bulk buying, spreading fixed costs