Past-paper walk-through

Firms ▪ 3.4

eXercise

Questions in this set

- 0455/12 N25 Q13 ▪ 1 mark
- 0455/12 N25 Q14 ▪ 1 mark
- 0455/11 J25 Q27 ▪ 1 mark
- 0455/12 N24 Q12 ▪ 1 mark
- 0455/11 J24 Q15 ▪ 1 mark

Question 13

0455/12 N25 ▪ Q13 ▪ 1 mark

13 How might a trade union increase its bargaining power?

A by expanding the market for the product

B by increasing the cost of union membership for workers

C by restricting the entry of workers to the industry

D by supporting wage claims in other industries

Solution 13

Answer: **C**

Why

- A union's bargaining power depends on how much it can hurt the employer and how many it represents.
- So more members, and members whose labour is hard to replace, both strengthen it.
- Raising membership fees would reduce membership, weakening the union.

Question 14

0455/12 N25 ▪ Q14 ▪ 1 mark

14 To be able to produce a car tyre, rubber is required.

If a car tyre manufacturer merges with a supplier of rubber, which type of merger is this?

A conglomerate

B horizontal

C internal

D vertical

Solution 14

Answer: **D**

Why

- Vertical integration joins firms at different stages of the same production chain.
- *Backward* means moving towards the source of supply.
- A tyre maker buying its rubber supplier is therefore backward vertical integration.

Question 27

0455/11 J25 ▪ Q27 ▪ 1 mark

27 What will increase the level of specialisation in an economy?

A A computer manufacturer takes over an advertising company.

B A retail store issues its own credit card.

C A travel agent provides transport to the airport.

D A vehicle assembler reduces its range of vehicles.

Solution 27

Answer: **D**

Why

- Specialisation means concentrating on a narrower range of activities.
- So anything that makes firms or workers focus more narrowly increases it.
- A takeover of an unrelated business is diversification, which does the opposite.

Question 12

0455/12 N24 ▪ Q12 ▪ 1 mark

12 A fast-food multinational bought a food-ordering website, in order to allow the multinational's customers to download menus and make advance payments.

Which term best describes this merger?

A backward vertical

B conglomerate

C forward vertical

D horizontal

Solution 12

Answer: **C**

Why

- Vertical integration joins firms at different stages of the same chain.
- *Forward* means moving towards the customer.
- A restaurant chain buying the website through which customers order is forward vertical integration.

Question 15

0455/11 J24 ▪ Q15 ▪ 1 mark

15 A clothing manufacturer expands by taking over a clothing retailer.

Which type of merger is this?

A backward vertical

B conglomerate

C forward vertical

D horizontal

Solution 15

Answer: **C**

Why

- Vertical integration joins firms at different stages of the same chain.
- *Forward* means moving towards the customer.
- A manufacturer buying a retailer is therefore forward vertical integration.