Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

2.1

- any **two** of: **number of workers** / **amount of capital** / **output** (K, K)

2.2

- a **horizontal merger** is when two firms at the **same stage** of the same industry join (e.g. two car makers) (K)

2.3

- any **one** of: a **small market** / a **personal product** / the owner wants **control** / little **finance** to grow (K)

3.1 B

- a car maker and a tyre maker are at **different stages** of one industry — a **vertical merger** (K)
- A is same-stage; C is unrelated industries; D is not a merger type

3.2

- for **each** of two reasons: K + An
- e.g. **too few sales**: revenue does not cover costs → losses → the firm closes
- e.g. **not enough cash**: even a profitable firm can run out of cash to pay bills → it stops trading

3.3

- firms stay small when the market is small, the product is personal, the owner wants control, or finance is scarce (K)
- firms grow large when demand is high and they want **economies of scale**, more market power and higher profit (An)
- size depends on the **market**, the **owner's aims**, and the gains from being bigger (An)