3.4 Firms

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

KEY WORDS merger 合并 • market 市场 • firms 企业 • vertical 纵向 • grow 增长

Objective

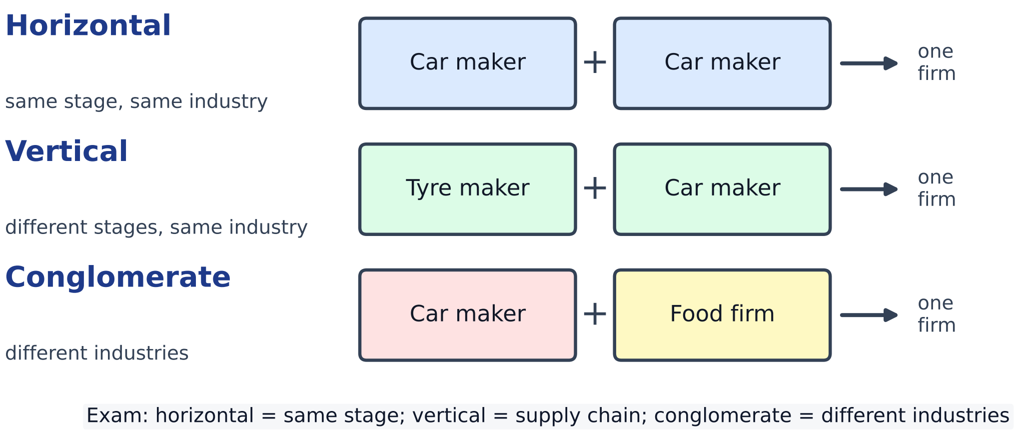
Build the skills to answer exam questions on **firms** 企业 — the **size of firms** 企业规模, why some stay small, how firms **grow** 增长 (the three **mergers** 合并), and **business failure** 企业倒闭.

You must be able to:

- state ways to measure the size of a firm and why some stay small
- describe horizontal, vertical and conglomerate mergers
- explain the causes of business failure

1 Worked examples

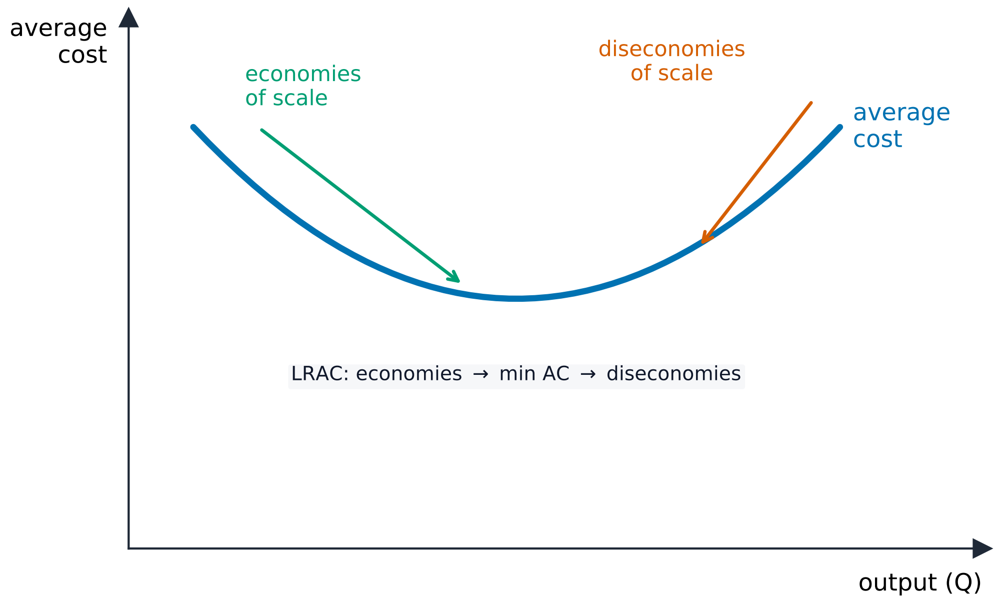
How firms grow



Firms grow by selling more, or by joining other firms

- **Measure size by:** number of workers, capital used, or output.
- **Stay small** because: a small market, a personal product, the owner wants control, little finance.
- **Mergers: horizontal** 横向 (same stage), **vertical** 纵向 (different stages of one industry), **conglomerate** 混合 (different industries).

- **Business failure 企业倒闭**: high costs, too few sales, poor management, too little cash.



Firms grow to win economies of scale — lower average cost as output rises

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State two ways to measure the size of a firm. [2]

2.2 Define the term *horizontal merger*. [2]

2.3 State one reason why a firm might stay small. [1]

3 Exam-style questions

3.1 A car maker joining with a tyre maker is an example of a: [1]

A | B
C | D

A horizontal merger
B vertical merger
C conglomerate merger
D social enterprise

3.2 Explain two reasons why a firm might fail and close down. [4]

3.3 Analyse why some firms stay small while others grow large. [6]