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

- **labour-intensive** uses mostly labour; **capital-intensive** uses mostly machines (K)

2.2

- **productivity** is **output per worker** (or per machine) in a set time (K)

2.3

- **economies of scale** are the fall in **average cost per unit** as a firm increases its output (K)

3.1 A

- economies of scale mean **average cost per unit falls** (K)
- B is diseconomies; C confuses total with average; D is not the definition

3.2

- for **each** of two ways: K + An
- e.g. **training**: skilled workers make more and fewer mistakes → output per worker rises
- e.g. **better machines**: modern equipment does more in the same time → output per worker rises

3.3

- as a firm grows it gains **economies of scale**: bulk buying, large machines, cheaper borrowing → average cost **falls** (K + An)
- if it grows too large, **diseconomies of scale** set in: hard to manage, slow messages, workers feel less important (An)
- average cost **rises again** — there is a lowest-cost size (An)