

Multiple Choice Answers

Q2: A

2(a)	Define <i>multinational company</i>. A firm that is based / has its headquarters in one country (1). Operates / produces / sets up / works (1) in another country or countries (1).
2(b)	Explain <u>two</u> reasons why a firm may charge a different price for the same product in two different countries. Logical explanation which might include: • demand may be higher / lower in one country (1) resulting in higher / lower prices (1) • supply maybe higher / lower in one country (1) resulting in lower prices (1) • higher income / GNP per head in one country (1) means more able to afford to pay higher price (1) • price elasticity of demand may vary (1) more power to raise price where demand is inelastic (1) • greater competition in one country / more substitutes (1) leads to lower prices to be competitive (1) • indirect tax rates may vary e.g. higher GST / VAT / import tariffs (1) will lead to higher price (1) • government subsidies may be given in some countries (1) lowering price (1) • local material costs / wages may be lower in one country (1) lowering costs of production mean lower prices (1) • different transport costs (1) may be cheaper to transport to countries close by (1) • quality of good may be higher (1) enable firm to charge a higher price (1).

2(c)	Analyse how opportunity cost influences the decisions made by consumers, workers and producers. Coherent analysis which might include: • opportunity cost is the (next) best alternative (1) forgone / given up (1) • example of consumers e.g. must decide between buying different products (1) due to limited income (1) • example of workers e.g. must decide between different jobs or between work and leisure (1) as time is limited (1) • example of producers / firms e.g. must decide what to make / how to make it / where to locate (1) as they have limited (financial) resources (1).
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2(d)

Discuss whether or not consumers would benefit from an increase in the number of small firms in an industry.

In assessing each answer, use the table opposite.

Why they might:

- more competition, lower price, higher quality
- small firms may provide a more personal service
- may produce niche products
- may be more flexible / react quickly to consumer needs
- may introduce new ideas / new varieties of products
- may be easier access – consumers may not have to travel so far.

Why they might not:

- may be wasteful duplication
- may waste consumers time with too much information to process
- may have higher costs as unable to take advantage of economies of scale
- may reduce profits of larger firms, reducing their spending on research and development
- may not stay in business for long.

2(d)

Multiple Choice Answers

Q9: B

Multiple Choice Answers

Q3: B

Multiple Choice Answers

Q3: C