PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 3: TYPES AND SIZES OF BUSINESSES

SCORE	PERCENTAGE
/374	%

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Q1.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to the second paragraph of Extract A, analyse **two** reasons why Uniqlo has been very successful in establishing itself in international markets.

(Total for question = 6 marks)

Q2.

In July 2017 the German retailer Metro Group demerged into two independent companies. Its wholesale and food division became New Metro and a separate consumer electronics business, CECONOMY, was formed.

Evaluate the possible benefits of a demerger for the business **and** its workforce.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q3.

In 2021, the UK-based firm PhotonLens, which produces virtual reality smart glasses, merged with the Chinese firm Shadow Creator, which specialises in virtual reality software.

Evaluate the benefits of growth by merger.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q4.

Visinema, an Indonesian company that produces TV shows and feature films, is expanding into neighbouring countries. The company is also planning to acquire several Indonesian animation studios.

For an industry of your choice, evaluate why many businesses have growth as their main objective.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q5.

Answer the question with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Luxottica is a French–Italian company based in Italy. It sells sunglasses in an imperfectly competitive market. In 2022, its net profit was €2.28 billion.

Which **one** of the following conditions is necessary for Luxottica to maximise its profits?

☐ **A** Marginal revenue is equal to marginal cost

☐ **B** Average cost is equal to marginal cost

☐ **C** Marginal cost is equal to zero

☐ **D** Marginal revenue is equal to zero

(Total for question = 1 mark)

Q6.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In December 2020 Electronic Arts, an American video game producer, agreed to take over

Codemasters, the producer of Formula One racing video games.

Which **one** of the following is likely to be a benefit of this takeover for Electronic Arts?

☒ **A** An increase in contestability in the video games market

☒ **B** A decrease in total costs of production

☒ **C** An increase in competition in the video games market

☒ **D** A decrease in long-run average costs

(Total for question = 1 mark)

Q7.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

A monopolist changes its objective from profit maximisation to sales volume maximisation.

Which **one** of the following is the most likely impact of this decision?

☒ **A** A fall in the number of workers employed by the firm

☒ **B** An increase in the price of the good

☒ **C** A fall in the firm's total fixed costs

☒ **D** An increase in the firm's output

(Total for question = 1 mark)

Q8.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Extract B, examine the likely effects of the proposed merger between Tata

Steel and Thyssenkrupp on the profits of European car manufacturers.

Illustrate your answer with an appropriate diagram.

(Total for question = 8 marks)

Q9.

In 2022, the Canadian airline WestJet completed a takeover of Sunwing Travel Group, an airline and luxury holiday provider. WestJet's objective was to sell luxury flights and holidays to more destinations.

Evaluate the benefits of growth by takeover for a business in an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q10.

Jeff Bezos owns 12.7% of Amazon shares and works as the Executive Chair of the board of directors. By contrast, Daniel Kretinsky owns 22% of the shares in the UK's Royal Mail Service but he does not work for the company.

Evaluate the likely impact of the divorce of ownership from control on business objectives.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q11.

According to a 2021 World Bank report, small and medium-sized enterprises accounted for

98.5% of the businesses in Malaysia. The report stated that these businesses were reluctant to invest in the technology that would enable them to expand because many of them wanted to remain small.

Evaluate why the objectives of small and medium-sized enterprises may differ from those of large enterprises.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q12.

In 2019 the Indian Government announced plans to privatise up to 25 airports across India. These airports are not the largest in India, but they each have annual passenger numbers between 1 million and 1.5 million.

Evaluate the possible benefits of privatisation for the consumer.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q13.

JBS is the largest meat processing firm in the world, as measured by value of sales. Its revenue was $814.5 million in 2020. After a significant increase in sales to China in quarter 4 2020, its total revenue from sales to China rose by 60%.

Evaluate the view that revenue maximisation is always the main objective of a firm.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q14.

In 2017 19% of firms in the UK construction industry were small or medium-sized businesses.

Evaluate why some firms remain small.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q15.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract A, examine the impact of an increase in car sales in the USA on the profits of Stellantis.

Illustrate your answer with an appropriate diagram.

(Total for question = 8 marks)

Q16.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract A, explain what is meant by 'horizontal integration'.

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(Total for question = 4 marks)

Q17.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to the first paragraph of Extract A, explain what is meant by the term 'organic growth'.

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(Total for question = 4 marks)

Q18.

Garuda Indonesia is the country's national airline. In November 2017 the company's Vice-President stated that the airline's main objective was to maximise revenue.

Evaluate the extent to which different business objectives may affect a firm's profits.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q19.

In 2023 Mars, a confectionery manufacturer, completed the takeover of Hotel Chocolat, a UK luxury chocolate company, for £534 million.

Evaluate the benefits of a takeover for businesses **and** consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q20.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box . If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 the pharmaceutical company GlaxoSmithKline (GSK) demerged from the consumer

health business Haleon. GSK's shareholders believed that the businesses would be able to work more successfully as separate companies.

Which **one** of the following is the most likely reason why GSK decided to demerge from Haleon?

☒ **A** To benefit from external economies of scale

☒ **B** To diversify the business

☒ **C** To achieve diseconomies of scale

☒ **D** To focus on its core business

(Total for question = 1 mark)

Q21.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Mara Phone is a new smartphone developed by the African conglomerate, Mara Group. The business is aiming to grow its market share by maximising its sales.

Which **one** of the following conditions is necessary for Mara Group to maximise sales volume of this new phone without making a loss?

☒ **A** Marginal revenue equals marginal cost

☒ **B** Average revenue equals average cost

☒ **C** Marginal revenue equals zero

☒ **D** Average revenue equals marginal revenue

(Total for question = 1 mark)

Q22.

Answer the question with a cross in the box you think is correct ☒. If you change your

mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

A German electricity company aims to maximise its total revenue.

At which **one** of the following would total revenue be maximised?

☒ **A** The level of output at which marginal cost is equal to marginal revenue

☒ **B** The level of output at which average variable cost is equal to marginal cost

☒ **C** The level of output at which average revenue is equal to zero

☒ **D** The level of output at which marginal revenue is equal to zero

(Total for question = 1 mark)

Q23.

In October 2023, Lidl was the fastest-growing supermarket by revenue in the UK. The business opened 25 new stores in 2023 and plans to open a further 50 by 2025.

Evaluate the benefits of organic growth to a business such as Lidl.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q24.

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering in this question.

With reference to Extract C, explain what is meant by organic growth.

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(Total for question = 4 marks)

Q25.

In January 2022 the Australian firm Peak Minerals demerged from Vertex Minerals. The main reason for the demerger was to enable Peak Minerals to focus on copper and gold mining production in Western Australia.

Evaluate the possible benefits of a demerger.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q26.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

A profit maximising firm decides to change its objective to revenue maximisation.

Which **one** of the following combinations is the most likely impact of this decision?

	Supernormal profit	Price
☒ **A**	No change	No change
☒ **B**	Increase	Increase
☒ **C**	Decrease	Decrease
☒ **D**	Increase	No change

(Total for question = 1 mark)

Q27.

A monopoly is operating at its revenue maximising output.

Which **one** of the following is true?

☒ **A** Marginal revenue is equal to marginal cost

☒ **B** Average revenue is equal to average cost

☒ **C** Average fixed costs are rising

☒ **D** Marginal revenue is zero

(Total for question = 1 mark)

Q28.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2018 the Competition and Markets Authority carried out an investigation into a proposed merger between two of the largest UK supermarket companies, Sainsbury's and Asda.

If approved, this type of merger would be an example of

☒ **A** conglomerate integration

☒ **B** horizontal integration

☒ **C** backward vertical integration

☒ **D** forward vertical integration

(Total for question = 1 mark)

Q29.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 Canadian National Railway paid $27.2 billion to acquire Kansas City Southern, a Mexico-USA
cross-border railway.

Which **one** of the following best describes the acquisition of the Kansas City Southern railway by Canadian National Railway?

☒ **A** Conglomerate integration

☒ **B** Forward vertical integration

☒ **C** Horizontal integration

☒ **D** Backward vertical integration

(Total for question = 1 mark)

Q30.

Nestlé is the largest manufacturer of pre-packaged food and beverages in the world, based on revenue. Its size has enabled it to reduce its average cost of production.

Evaluate the impact that the size of a business has on its efficiency.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q31.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Extract A, Extract B and your own knowledge, discuss the benefits to Tata Steel and Thyssenkrupp of the proposed horizontal integration.

Illustrate your answer with an appropriate diagram.

(Total for question = 14 marks)

Q32.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to the information provided and your own knowledge, discuss the possible impact of the merger between PSA Group and Fiat Chrysler on workers and consumers.

(Total for question = 14 marks)

Q33.

The Government of Norway fully subsidises university education. Universities in Norway have social objectives rather than a profit maximising objective. By contrast, in the USA, students pay fees to study at profit maximising universities.

Evaluate the view that the objectives of state-owned enterprises and private sector

organisations always differ.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q34.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 the entertainment production companies Sony Picture Networks India and Zee Entertainment Enterprises Ltd signed an agreement to merge.

Which **one** of the following best describes this type of merger?

☒ **A** Forward vertical integration

☒ **B** Backward vertical integration

☒ **C** Horizontal integration

☒ **D** Conglomerate integration

(Total for question = 1 mark)

Q35.

Answer the question with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Sony, an electronics company, and Honda, a vehicle manufacturing company, have collaborated to develop a new electric car.

Which **one** of the following best describes this type of arrangement?

☒ **A** A co-operative

☒ **B** State-owned enterprise

☒ **C** A joint venture

☒ **D** Horizontal integration

(Total for question = 1 mark)