

2.3 The Firm - SQs

1996

The Law of Diminishing Returns states

.....
.....
.....

(17 marks)

1999

Define external economies of scale. Give two examples.

.....
.....
.....

(17 marks)

2000

(a) Complete the following table:

Number of persons employed	1	2	3	4	5
Total Output, in units	10	25	42	58	62
Marginal Output, in units					

(b) State at what point **Diminishing Marginal Returns** set in.

(c) Explain why Diminishing Marginal Returns occurs.

.....
.....

(17 marks)

2001

With the aid of a clearly labelled diagram, explain the relationship between the **average** and **marginal** costs.

Diagram	Explanation
<div style="border: 1px solid black; width: 300px; height: 150px; margin: 0 auto;"></div>

(17 marks)

2003

A firm wishes to attract more labour. In order to increase its labour force from 7 to 8 employees, the firm must increase the weekly wage rate from €250 to €300 per worker. Calculate the firm's **marginal cost of labour**. Show your workings.

(17 marks)

2005

Outline **THREE** reasons for the survival of small firms in the Irish economy, even though they do not have the benefits of economies of scale.

(i) _____

(ii) _____

(iii) _____

(16 marks)

7. "When a firm produces at a level of output at which marginal cost is greater than marginal revenue the firm is maximising profit (or minimising losses)". **True/False**
(Place a circle around your choice and write a one-sentence explanation of your answer).

2005

(17 marks)

2006

Define **internal economies of scale**. State **TWO** examples.

Definition: _____

Example (i): _____

Example (ii): _____

(16 marks)

2007

A firm wishes to attract more labour. In order to increase its labour force from 5 to 6 employees, the firm must increase the weekly wage rate from €400 to €440 per employee. Calculate the firm's **marginal cost of labour**. Show your workings.

Workings

Answer:

(16 marks)

2008

A firm manufacturing 100 school desks weekly has the following total costs of production: Labour €2,000 (hired weekly); Raw Materials €3,500; Normal Profit €1,500; Rent €3,000. What is the minimum price per school desk this firm could charge in the **short run**? Explain your answer. (Show all your workings).

Workings:

Minimum Price:

Explanation:

(16 marks)

2012

In relation to each statement listed below, indicate whether it is an **internal** or **external** (a) **economy of scale** or (b) **diseconomy of scale**. (Place a tick (✓) for each correct answer.)

Statement	(a) Economy of Scale		(b) Diseconomy of Scale	
	Internal	External	Internal	External
Repetitive tasks, workers are bored				
R&D costs are shared by many firms				
Discounts are available for bulk buying				
Inadequate infrastructure				

(16 marks)

20

2016

Define the **Law of Diminishing Marginal Returns** and illustrate this with a suitable example.

Definition _____

Example _____

(16 marks)

2016

Firms within the aircraft industry can benefit from economies of scale. Explain the term **economies of scale** and provide **one** example for a firm in the aircraft industry.

Explanation _____

Example _____

(16 marks)

2018 Q4

(a) State the Law of Diminishing Marginal Returns.

(b) Does this law apply in the short run or in the long run? Explain your answer.

David Kelly