

Name:

Date:

Grade:

Section 1 : Match each type of economy of scale with its correct description:

- | | |
|---------------------------------|---|
| a) Purchasing Economies | 1. Buying more units at a lower cost. |
| b) Technical Economies | 2. Spreading advertisement costs over more units. |
| c) Marketing Economies | 3. Hiring specialized managers to improve efficiency. |
| d) Managerial Economies | 4. Upgrading production lines for higher output. |
| e) Financial Economies | 5. Gaining access to loans at lower interest rates. |
| f) Transport Infrastructure | 6. Improvements in roads and ports that benefit all businesses. |
| g) Research & Development (R&D) | 7. Industry-wide technological advancements. |

Section 2: Determine if the following statements are true or false:

1. Internal economies of scale come from factors outside the business.
2. A business that purchases raw materials in bulk benefits from purchasing economies of scale.
3. Government subsidies are an example of internal economies of scale.
4. Managerial economies come from hiring specialists to oversee different tasks.
5. Research and development (R&D) is an example of an internal economy of scale.
6. External economies of scale benefit only one business at a time.

Section 3: Multiple Choice

1. Which of the following is NOT an internal economy of scale?
 - a) Bulk buying
 - b) Managerial specialization
 - c) Better transport infrastructure
 - d) Technical improvements
2. External economies of scale occur when:
 - a) A company grows and reduces its costs.
 - b) An entire industry benefits from improvements in infrastructure or technology.
 - c) A business hires specialized managers to increase efficiency.
 - d) A company increases production and reduces average costs.
3. A business receives a lower interest rate on loans because of its strong reputation. This is an example of:
 - a) Marketing economies
 - b) Financial economies
 - c) External economies
 - d) Technical economies

Section 4: Read the following scenario and select the external economies of scale involved.

A large automobile manufacturer benefits from purchasing raw materials in bulk, employing specialized workers, and using advanced machinery. At the same time, it also benefits from lower transportation costs due to improved highways and a growing local workforce trained in automotive engineering.