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# IGCSE ECONOMICS

## MERGER OF FIRMS

### 1. EXPLAIN TWO REASONS WHY FIRMS MERGE

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**Note: Every reason is followed by an explanation.**

Reason1 :To take advantage of economies of scale

Explanation: A merged firm will be larger and due to economies of scale , average cost may be lower

Reason 2:To prevent one from going out of business

Explanation: A combined larger firm will be able to survive

Reason 3:To grow/expand or become larger

Explanation: Growth is one of the key business goals

Reason: Diversify

Explanation: A conglomerate merger will increase the range of products.

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**Also note: All material provided in the LMR section is purely based on past papers. The material are guidelines around which you need to elaborate your answers.**