

CFA® SAMPLE QUESTION - LEVEL I

Economics

Q: If a firm's long-run average cost of production increase by 15% as a result of an 8% increase in production the firm is most likely experiencing:

CORRECT ANSWER:

(b) diseconomies of scale

As a company faces diseconomies of scale when long-term average production cost rise faster than increases in production.

When diseconomies of scale are present, the LRAC curve slope upward. The main reason of diseconomies of scale is the difficulty of managing a very large enterprise.



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