



**Economics
Leaving Certificate
Higher Level**

**Past Exam Questions on
Price & Output: Competition & Monopolies**

Q4 Section A 2013

4. (a) Collusion may be a feature of an oligopolistic market. Explain what is meant by 'collusion'.

- (b) Collusive practices may be undermined by price wars. Outline two benefits of price wars for the consumer.

(i) _____

(ii) _____

(16 marks)

Q2 Section B 2013

2. (a) Technology companies such as Apple and Samsung are currently involved in legal disputes regarding patents on various aspects of their smartphones. When a company wins a patent dispute it may become the sole producer using the patented technology.

(i) Explain **three** barriers to entry, other than patents, that can exist in business.

(ii) Outline **two** reasons why monopolies may not be in the public interest.

(25)

- (b) Explain, with the aid of a diagram, the long run equilibrium position of a monopoly firm.

(25)

- (c) The global market for toothpaste products can be described as an imperfectly competitive market, where firms engage in competitive advertising and branding.

(i) Explain the term 'competitive advertising'.

(ii) Outline, using an example, how advertising can be used to prevent small firms entering an industry.

(iii) State and explain **two** possible disadvantages of advertising for the consumer.

(25)

[75 marks]

Q8 Section B 2012

8. 'Imperfect Competition is wasteful of resources'. Do you agree with this statement? Yes /No
Explain your answer.

(17 marks)

Q2 Section B 2012

2. (a) (i) Explain the reason for the shape of the demand curve of an individual firm in perfect competition. (20)
- (ii) Outline two advantages of perfect competition. (20)
- (b) (i) Explain, with the aid of a labelled diagram, the equilibrium position of a firm in short run perfect competition. (35)
- (ii) With the aid of labelled diagrams, explain the impact which the entry of new firms would have on the market and on the equilibrium position of the firm. (35)
- (c) Contrast the characteristics of perfect competition with monopoly under the following headings: (20)
- Barriers to entry;
 - Profits in the long run;
 - Economies of scale;
 - Price discrimination.
- [75 marks]

Q7 Part (a) Section B 2012

7. (a) The table below illustrates the Law of Comparative Advantage.

Country	Output (production per worker per week)	
	Food	Clothing
United Kingdom	40 units	10 units
China	60 units	20 units
Total Output	100 units	30 units

- (i) State the *Law of Comparative Advantage*. (30)
- (ii) Explain how both countries benefit from international trade in the above example. (30)
- (iii) Calculate the terms of trade for both goods. Show your workings. (30)

Q3 Section A 2011

3. Name the market structure (Perfect Competition, Imperfect Competition or Monopoly) to which each statement below is most likely to apply:

	STATEMENT	MARKET STRUCTURE
(i)	The firm has a perfectly elastic demand curve.	
(ii)	The product of the firm is unique.	
(iii)	Restaurants could be an example of this market structure.	
(iv)	Average costs of the firm are at a minimum.	

(16 marks)

Q2 Section B 2011

2. (a) *Some Telecoms' analysts believe the main mobile operators in Ireland – Vodafone, O2, Meteor and 3 – control an oligopoly and have little reason to make the market really competitive.* (The Irish Times, November, 2010)

(i) Outline **three** key features of an oligopolistic market.

Firms in an oligopolistic market may have objectives other than profit maximisation.

(ii) Outline **two** objectives firms in oligopoly may have, other than achieving the maximum level of profits. (25)

(b) Using **one** clearly labelled diagram:

(i) Explain the shape of the 'kinked' demand curve facing a firm in oligopoly.

(ii) Explain the long run equilibrium position of this firm. (25)

(c) It is suggested that consumers prefer price competition in the market place, yet there are benefits for consumers arising from non-price competition.

(i) Explain **two** reasons why consumers may prefer price competition.

(ii) Describe **two** benefits to consumers of non-price competition.

(25)

[75 marks]

Q2 Section B 2010

2. (a) (i) State and explain **three** assumptions underlying the theory of monopoly.

(ii) Outline **two** possible advantages of monopoly as a market structure.

(25 marks)

(b) Iarnród Eireann (Irish Rail) is the state monopoly in the provision of rail transport in Ireland. It operates a system of price discrimination in setting some of its prices.

(i) Explain the underlined term, giving **one** example as practiced by Iarnród Eireann.

(ii) State and explain **three** conditions necessary for price discrimination to take place.

(20 marks)

(c) Using suitably labelled diagram(s), **compare** the long run equilibrium position of the monopoly firm with that of a perfectly competitive firm (assuming both operate under the same cost conditions) under the following headings:

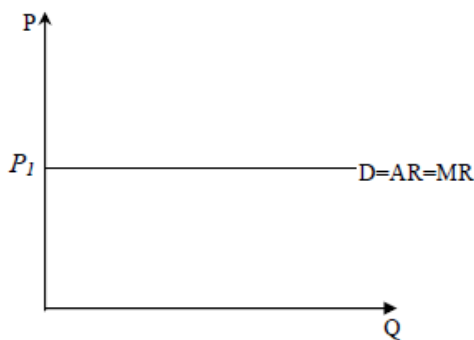
- Price and Output;
- Profits;
- Efficiency.

(30 marks)

[75 marks]

Q2 Section A 2009

2. The diagram below represents the demand curve facing a firm in Perfect Competition.



This demand curve is; (✓ correct answer)

- Unitary Elastic
- Perfectly Inelastic
- Perfectly Elastic

State the reason for your choice:

(16 marks)

Q2 Section B 2009

2. (a) (i) State and explain the assumptions underlying the theory of imperfect competition.
 (ii) Outline the advantages imperfect competition may offer consumers. (30 marks)

(b) Explain with the aid of a diagram in each case the conditions for a profit maximising firm to be in equilibrium under imperfect competition:
 (i) in the short run;
 (ii) in the long run. (30 marks)

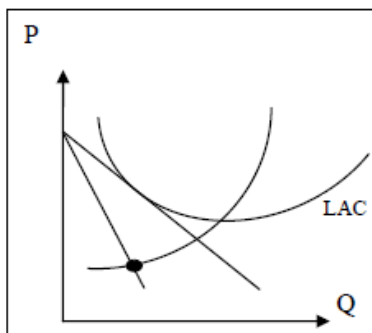
(c) 'Major food retailers in the Irish market, such as Aldi, Dunnes, SuperValu and Tesco operate under conditions of Imperfect Competition'.

Do you agree with this statement? Give reasons for your answer, referring to major food retailers in the Irish market mentioned above.

(15 marks)
 [75 marks]

Q8 Section A 2008

8. The diagram below represents the long run equilibrium of a firm in imperfect competition, which seeks to maximise profits. Label the diagram and use it to describe the long run equilibrium position for a firm in Imperfect Competition.



Description:

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

(17 marks)

Q2 Section B 2008

2. (a) Explain, with the aid of a diagram, the long run equilibrium position for a monopoly firm which seeks to maximise profits. (25 marks)
- (b) (i) Define price discrimination.
(ii) Explain three types of price discrimination, using suitable examples in each case. (20 marks)
- (c) (i) State and explain three barriers to entry facing entrants to a monopoly market.
(ii) Deregulation of markets (i.e. allowing more suppliers of a good or service into the market) is a continuing development in the Irish economy e.g. energy, mobile phones, transport etc.
- Explain how deregulation could affect:
- (i) Consumers of the good/service;
(ii) Employees in the industry;
(iii) Profits of existing firms. (30 marks)
- [75 marks]**

Q4 Section A 2007

4. Firms attempting to enter a monopoly market must overcome barriers to entry. Outline THREE such barriers to entry.
- (i) _____
- (ii) _____
- (iii) _____
- (16 marks)**

Q2 Section B 2007

2. (a) (i) A firm operating under conditions of perfect competition is a 'price taker'. Explain the concept of being a 'price taker'.
(ii) Explain, with the aid of a labelled diagram, the equilibrium position of a firm in short run perfect competition. (25 marks)
- (b) With the aid of a labelled diagram(s), explain the impact which the entry of new firms would have on the market and on the equilibrium position of this firm. (25 marks)
- (c) (i) Many firms today engage in product differentiation. Explain this underlined term showing, with suitable examples, how it can be achieved.
(ii) Explain the effect of product differentiation on the AR and MR curves of a firm, which previously operated under conditions of perfect competition. (25 marks)
- [75 marks]**

Q7 Section A 2006

7. Define **price discrimination**. State **TWO** conditions under which it would be possible for a firm to price discriminate.

Definition: _____

Condition (i): _____

Condition (ii): _____

(17 marks)

Q2 Section B 2006

2. (a) State and explain **THREE** key features of an **oligopolistic market**. *(15 marks)*
- (b) With the aid of **ONE** clearly labelled diagram:
- (i) Explain the shape of the 'kinked demand curve' under oligopoly.
 - (ii) Explain the long run equilibrium position of a firm facing a 'kinked demand curve'.
 - (iii) Explain what is meant by the term 'rigidity of prices' under a 'kinked demand curve'.
- (35 marks)*
- (c) (i) Explain **THREE** types of collusion which may occur in an oligopolistic market.
- (ii) Do you believe that the Irish retail market for banking services (e.g. personal current accounts.) operates under oligopolistic conditions? Explain your answer. *(25 marks)*
- [75 marks]**