3.1 Perfect Competition Long Questions

1997 Q2

(a) Explain, with the aid of a diagram, the long run equilibrium position of a firm operating in perfect competition. (25 marks)

(b) Outline the assumptions governing perfect competition. (25 marks)

(c) **(i)** Why does perfect competition benefit consumers?

(ii) Why does perfect competition benefit the economy?

(iii) A firm operating in perfect competition is said to be a 'price taker'. Explain briefly. (25 marks)

2002 Q1

(a) Outline the assumptions underlying the theory of Perfect Competition. (20 marks)

(b) (i) Explain, with the aid of a labelled diagram, how a firm in Perfect Competition achieves equilibrium in the **short run**.

(ii) Derive and explain the short run supply curve of this firm. (20 marks)

(c) Discuss, with the aid of labelled diagrams, the impact which the entry of new firms would have on the short run equilibrium of existing firms, in perfectly competitive markets, earning supernormal profits. (20 marks)

(d) Firms in Perfect Competition tend not to engage in advertising.
State and explain **TWO** reasons why. (15 marks)

[75marks]

2007 Q2

(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]

2012 Q2

(a) (i) Explain the reason for the shape of the demand curve of an individual firm in perfect competition.
(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.**
(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:

- Barriers to entry;
- Profits in the long run;
- Economies of scale;
- Price discrimination. (20)

2017 Q2

(a) (i) Show, by means of **two** separate labelled diagrams, the **short run** and **long run** equilibrium positions of a profit maximising firm in **perfect competition.**
(ii) Compare the short run equilibrium position with the long run equilibrium position of a perfectly competitive firm under the following headings:

- Price and Output
- Profits
- Efficiency. [35]

(b) The table below shows data for a perfectly competitive firm in equilibrium.

Average Revenue (€)	Average Variable Cost (€)	Average Total Cost (€)
50	40	60

(i) Using your knowledge of perfect competition, what is the marginal revenue earned by this firm? Explain your answer.
(ii) Should this firm continue in business? Explain your answer. [20]