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]

2011 DEB Q2

(a) (i) State and explain the assumptions underlying the theory of **perfect competition**.
(ii) Outline **two** advantages and **two** disadvantages of perfect competition as a market structure.
(30 marks)

(b) Using suitably labelled diagrams, **compare** the short run equilibrium position with the long run equilibrium position of a firm operating under conditions of perfect competition. Refer to the assumptions in your answer in 2**(a)** (i) above.
(25 marks)

(c) Explain, with the aid of a diagram in **each** case, the short run supply curve and the long run supply curve of a firm in perfect competition.
(20 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)

2012 EC Q2

(b) With the aid of clearly labelled diagrams:

(i) Explain the shape of the demand curve of a firm operating in Perfect Competition.
(ii) Explain the shape of the demand curve of a firm operating in Monopoly.
(iii) Indicate the difference between a perfectly competitive firm and a monopolist operating under long-run equilibrium conditions. *(30)*