

IBQ 1.5 Theory of the Firm

You can use these questions for
working on Webnote 99

IBQ@perfect competition

- M13/3/ECONO/HP1/ENG/TZ2/XX
- SECTION A
- Answer one question from this section.
- Microeconomics
- 1. (a) Distinguish between decreasing returns to scale and the law of diminishing
- returns. [10 marks]
- (b) Using diagrams, compare and contrast the market structure of monopoly with
- that of perfect competition. [15 marks]

IBQ@monopolistic

- 2014 May
- **2 a) Using a diagram, explain why firms in monopolistic competition are neither allocatively nor productively efficient.**
- **2b) Examine the view that the market for food is more beneficial to consumers if dominated by a monopoly retailer (supermarket) rather than by a large number of small shops operating under monopolistic competition.**

IBQ@oligopoly

- N14/3/ECONO/HP1/ENG/TZ0/XX
- SECTION A
- Answer one question from this section.
- Microeconomics
- 2. (a) Explain why firms might wish to collude. [10 marks]
- (b) Discuss the view that governments should always try to prevent a monopoly occurring in a market. [15 marks]

IBQ@oligopoly

- M16/3/ECONO/HP1/ENG/TZ2/XX
- Answer **one** question from this section.
- **Microeconomics**
- **2. (a)** Explain the conditions necessary for firms in oligopolistic markets to engage in price discrimination. [10]
- **(b)** Discuss whether producers in oligopolistic markets should compete or collude. [15]

IBQ@monopoly

- M13/3/ECONO/HP1/ENG/TZ1/XX
- SECTION A
- Answer one question from this section.
- Microeconomics
- 1. (a) Explain how welfare loss may result from monopoly power. [10 marks]
- (b) Discuss the effectiveness of government policies (legislation and regulation) to reduce monopoly power. [15 marks]