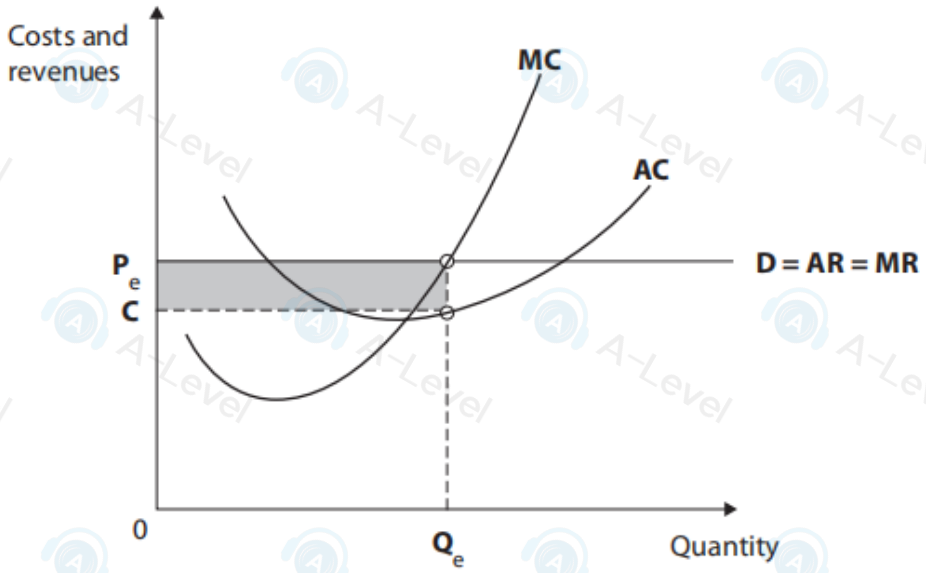
6 A small fruit farm in Namibia is operating in a perfectly competitive market. Which of the following is true for such a firm in long-run equilibrium?

	Allocative efficiency	Profit
☒ **A**	No	Supernormal
☒ **B**	No	Normal
☒ **C**	Yes	Supernormal
☒ **D**	Yes	Normal

(Total for Question 6 = 1 mark)

3 The diagram shows the short-run profit maximising equilibrium for an agricultural business operating in a perfectly competitive market.



Ceteris paribus, which **one** of the following is the most likely outcome in the long-run?

☒ **A** The agricultural business will make normal profit

☒ **B** The agricultural business will shut down

☒ **C** The agricultural business will increase its output

☒ **D** The agricultural business will increase its price

(Total for Question 3 = 1 mark)

1 A pineapple producer in Costa Rica, operating in a perfectly competitive market, is currently making supernormal profits.

Which **one** of the following is the most likely outcome in the long-run?

☒ **A** The producer will make more supernormal profit

☒ **B** The producer's output will decrease but industry output will increase

☒ **C** The producer will leave the market

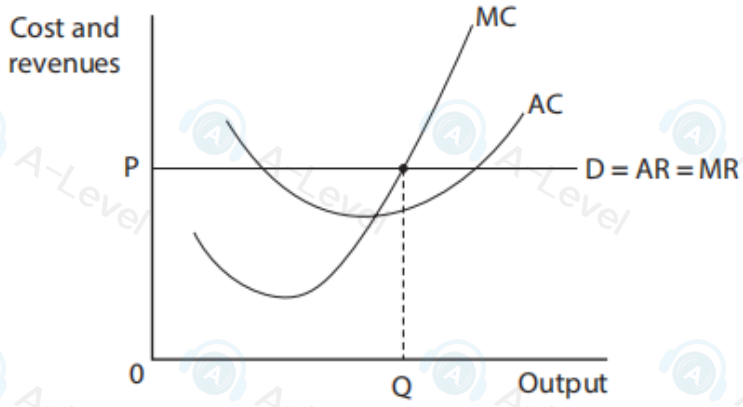
☒ **D** The market concentration will increase

(Total for Question 1 = 1 mark)

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4 The diagram shows the short-run costs and revenues for a farmer producing wheat in India.



Which **one** of the following is most likely to occur in the long-run?

- ☒ **A** Additional wheat farmers will enter the market
- ☒ **B** Some wheat farmers will leave the market
- ☒ **C** The wheat farmer will make supernormal profit
- ☒ **D** The wheat farmer will make a loss

(Total for Question 4 = 1 mark)

9 There are many hotel businesses in the Philippines that operate in a monopolistically competitive market.

To what extent would a perfectly competitive market be more efficient than a monopolistically competitive market?

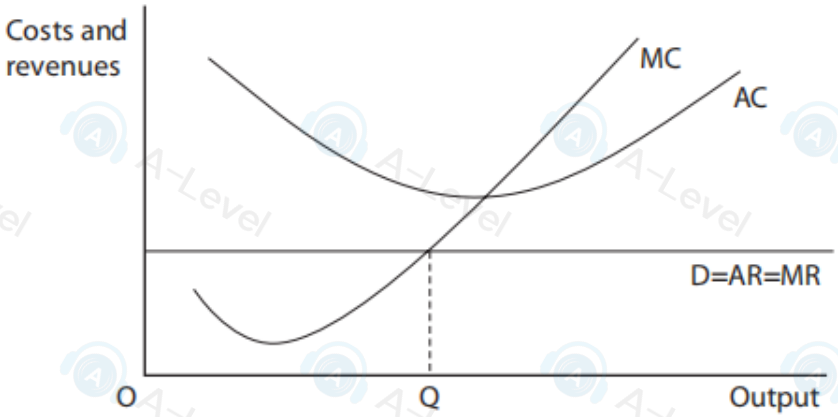
Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

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4 The diagram shows the equilibrium output of a profit-maximising firm operating in a perfectly competitive market.

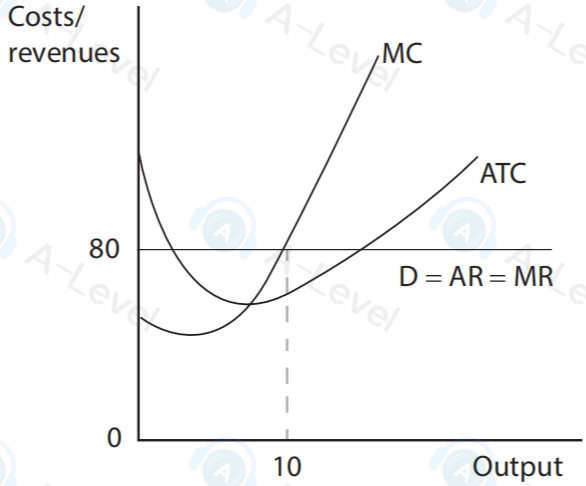


Which **one** of the following can be deduced from this diagram?

		Profits of the firm in the short-run	Number of firms in the industry in the long-run
☒	**A**	Loss	Increase
☒	**B**	Normal	Decrease
☒	**C**	Normal	Increase
☒	**D**	Loss	Decrease

(Total for Question 4 = 1 mark)

2 The diagram shows the short-run profit-maximising equilibrium of a street food seller in Beijing.



Which **one** of the following can be deduced from the information provided?

☒ **A** The productively efficient level of output is being produced

☒ **B** The allocatively inefficient level of output is being produced

☒ **C** There would be an incentive for new firms to enter the market

☒ **D** Firms will always make supernormal profits in this market

(Total for Question 2 = 1 mark)

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