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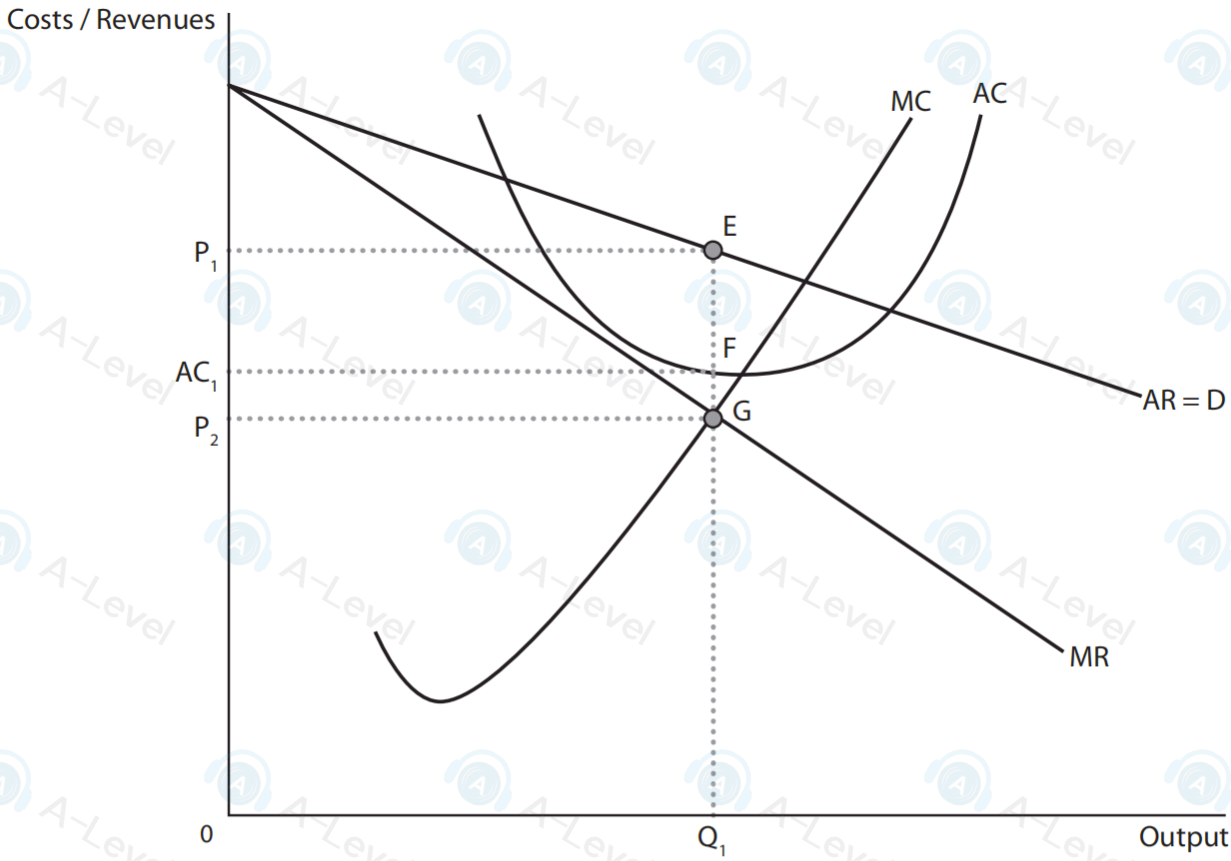
6 Which **one** of the following combinations best describes a profit-maximising firm operating in a monopolistically competitive market in the long-run?

		Efficiency	Profit
☒	**A**	Productively inefficient	Normal profit
☒	**B**	Productively efficient	Supernormal profit
☒	**C**	Allocatively inefficient	Supernormal profit
☒	**D**	Allocatively efficient	Normal profit

(Total for Question 6 = 1 mark)

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2 The diagram shows the short-run cost and revenue curves for a hairdresser operating in a monopolistically competitive market in Mumbai.



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

☒ **A** At output Q_1 the firm is maximising its total revenue

☒ **B** At output Q_1 the firm is minimising its average cost

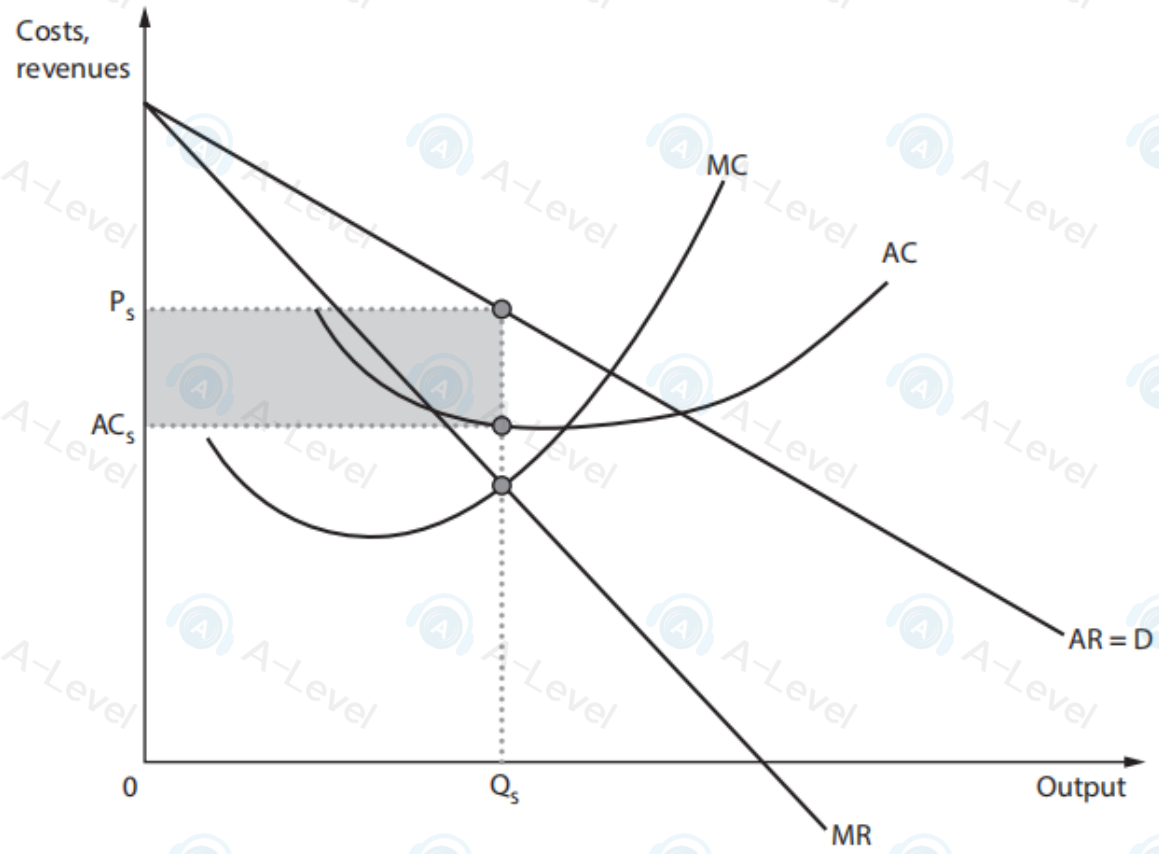
☒ **C** At output Q_1 the firm is making normal profit

☒ **D** At output Q_1 the firm is making supernormal profit

(Total for Question 2 = 1 mark)

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3 The diagram illustrates the profit-maximising output for a street food seller in Taiwan operating in a monopolistically competitive market.

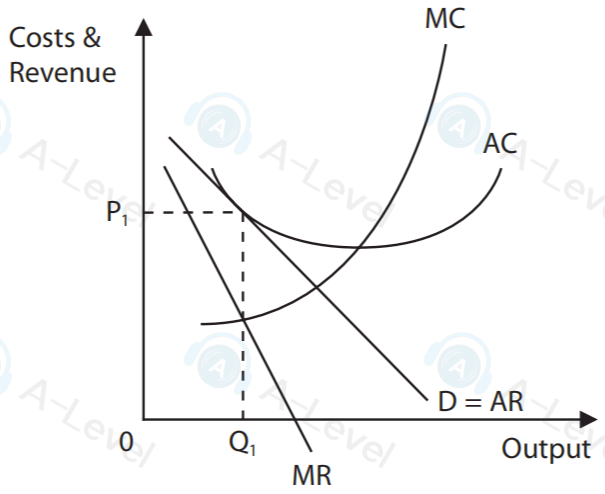


Which **one** of the following can be deduced from this information?

- ☐ **A** The street food seller is operating at the short-run equilibrium output
- ☐ **B** The street food seller is operating at the long-run equilibrium output
- ☐ **C** The street food seller is operating at the productively efficient level of output
- ☐ **D** The street food seller is operating at the allocatively efficient level of output

(Total for Question 3 = 1 mark)

2 The diagram shows the long-run equilibrium for a restaurant in Bangkok, Thailand, operating in a monopolistically competitive market.



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

- ☒ **A** The firm is producing the allocatively efficient level of output at price P_1
- ☒ **B** The firm will leave the industry if average costs fall
- ☒ **C** The firm is producing the productively efficient level of output Q_1
- ☒ **D** The firm is making normal profit

(Total for Question 2 = 1 mark)

6 A farm producing wheat is operating in a monopolistically competitive market.
Which **one** of the following will apply to this firm?

- ☒ **A** Allocative inefficiency in the long-run
- ☒ **B** Productive efficiency in the short-run
- ☒ **C** Supernormal profit in the long-run
- ☒ **D** Allocative efficiency in the short-run

(Total for Question 6 = 1 mark)

3 Hairdressing salons are assumed to operate under conditions of monopolistic competition.

Which **one** of the following will be true for a hairdressing salon in long-run equilibrium?

- ☒ **A** It is productively efficient
- ☒ **B** It makes supernormal profit
- ☒ **C** It is allocatively efficient
- ☒ **D** It makes normal profit

(Total for Question 3 = 1 mark)

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3 A hairdressing business in Sri Lanka is operating in a monopolistically competitive market.

Which **one** of the following combinations would apply to such a business in long-run equilibrium?

	Profit	Allocatively efficient
A	Normal	No
B	Supernormal	No
C	Normal	Yes
D	Supernormal	Yes

(Total for Question 3 = 1 mark)