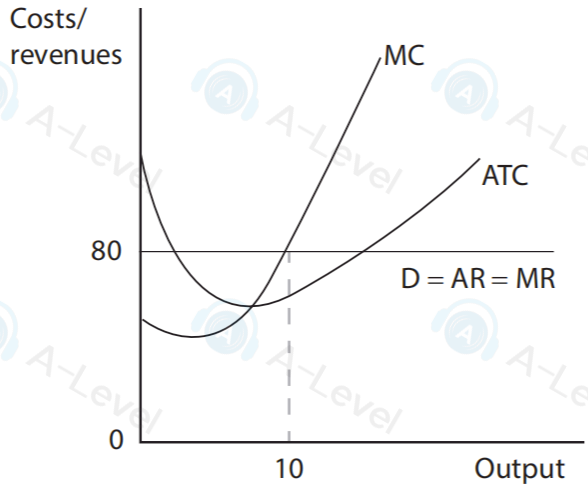
6 A small fruit farm in Namibia is operating in a perfectly competitive market. Which of the following is true for such a firm in long-run equilibrium?

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

(Total for Question 6 = 1 mark)

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)

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

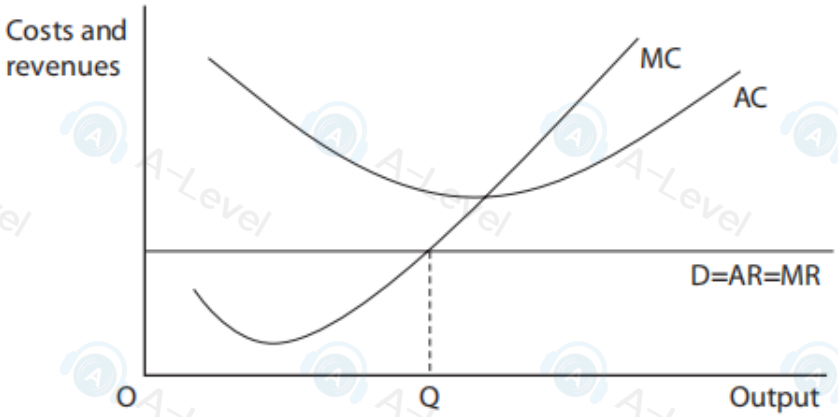
(Total for Question 1 = 1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AR
RITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

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

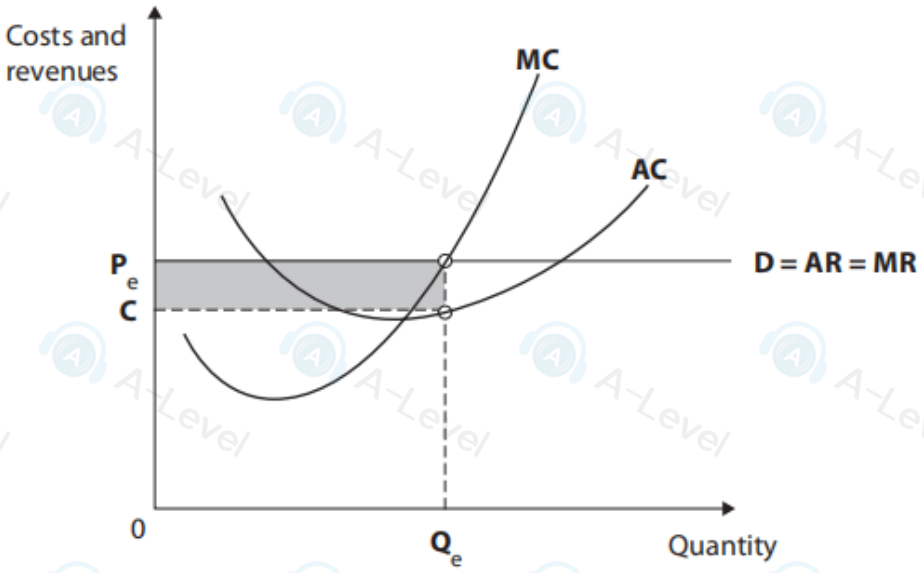


Which **one** of the following can be deduced from this diagram?

		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)

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)

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?

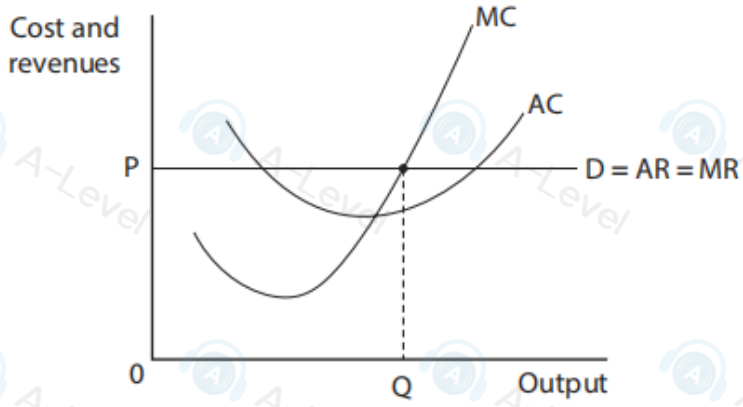
Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

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)

N THIS AREA