***AQA AS Economics exam practice answers***

4 Competitive and concentrated markets

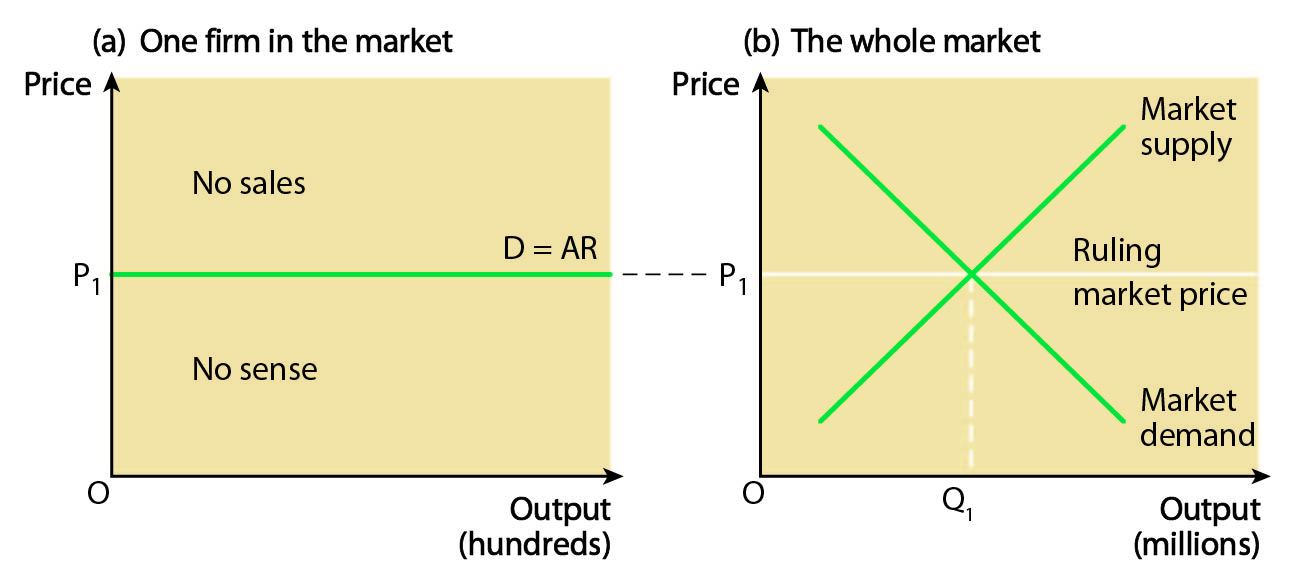
**1** Relevant points include:

* definition of profit maximisation, sales maximisation, growth maximisation and survival
* explanation of alternative objectives of profit maximisation [4]

**2** Features include:

* large number of firms and buyers
* perfect knowledge
* no barriers to entry/exit
* homogeneous products
* firms are price takers [4]

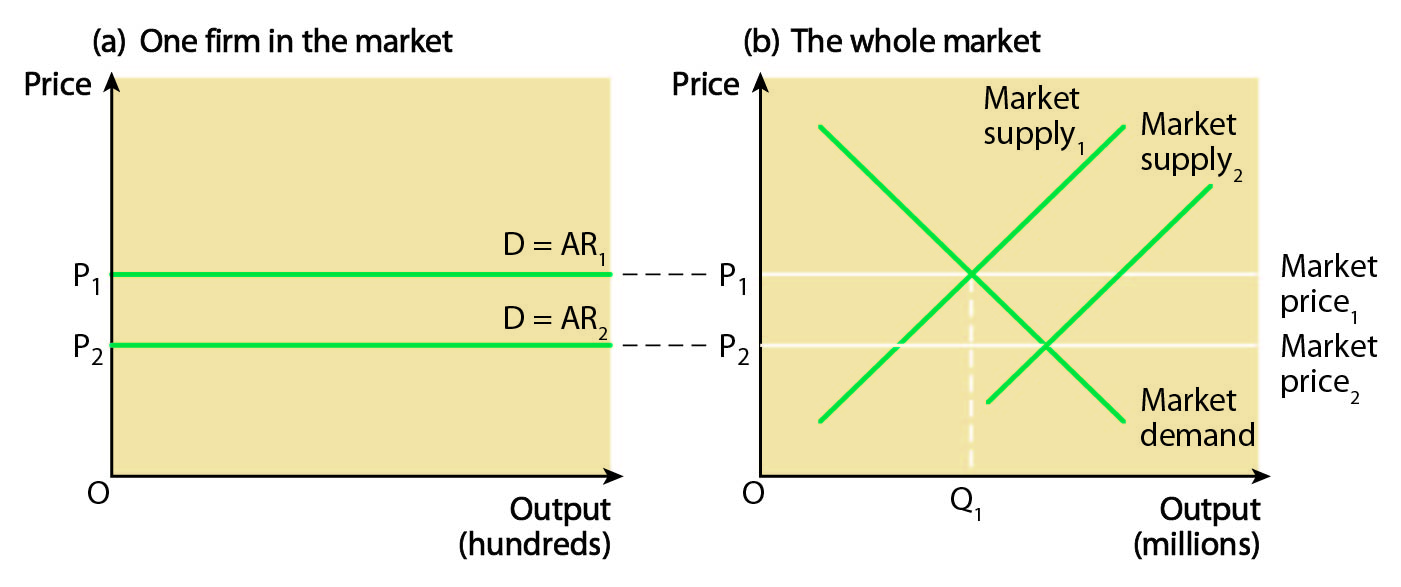
**3** A correct diagram, as below, earns 4 marks:



Points for analysis include:

* definition of a competitive market
* features of competitive markets
* how lack of price-setting power leads to a perfectly elastic demand curve at the equilibrium market price [8]

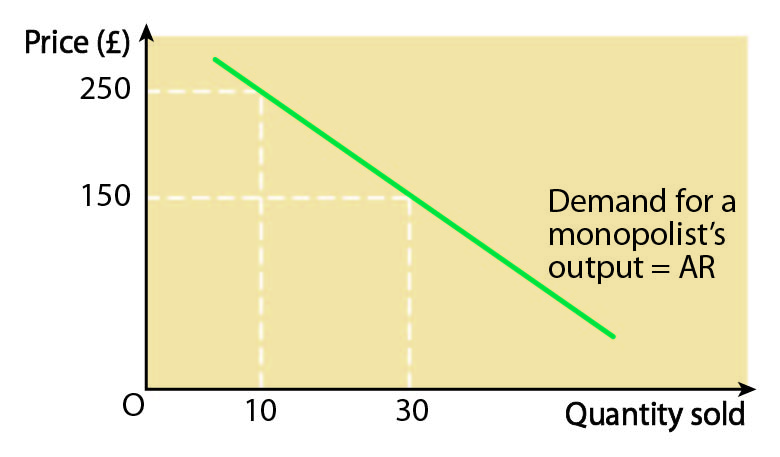
**4** A correct diagram, as below, earns 4 marks:



Points for analysis include:

* definition of a competitive market
* features of a competitive market
* increase in market supply leads to a reduction in price, which individual firms are obliged to take [8]

**5** A correct diagram, as below, earns 4 marks:



Points for analysis include:

* definition of a concentrated market
* examples of a concentrated market
* restriction of output in order to raise price [8]

**6** (15.6 + 13.2 + 11.4 + 11.2 + 10.1)/5 = 61.5:5 (or 61.5%) [2]

**7 (a)** Relevant points include:

* definition of a highly concentrated market
* price competition, e.g. price war
* non-price competition, e.g. loyalty cards, quality of service, branding/advertising [4]

**(b)** Relevant points include:

* price competition, e.g. price war
* non-price competition, e.g. loyalty cards, quality of service, branding/advertising
* collusion between firms to deter a new competitor [4]