

MICROECONOMICS

PERFECT MARKETS

ACTIVITY 1

PERFECT COMPETITION:

Study the picture below and answer the questions that follow.



1.1 Identify the market structure as illustrated above. (1)

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1.2 List an example of the above mentioned market structure. (1)

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1.3 Briefly describe the term Perfect Competition. (2)

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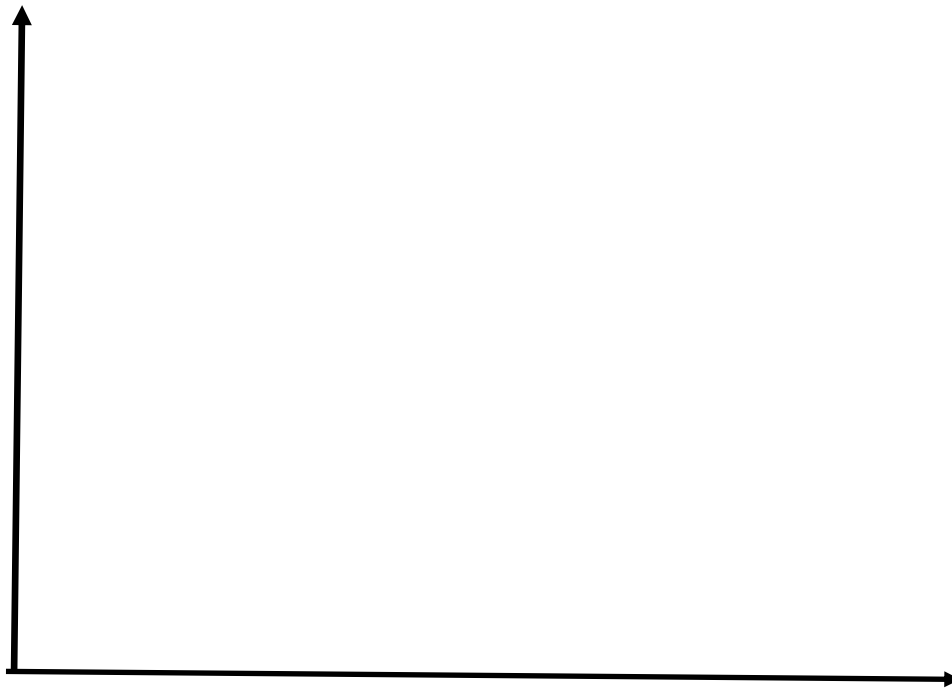
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1.4 Why does competitors in a perfect market not influence the market price? (2)

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1.5 Draw a fully labelled graph that illustrates an economic loss of the individual firm in a perfect market. (4)



ACTIVITY 2

THE INDIVIDUAL BUSINESS AND THE INDUSTRY

Study the graphs below and answer the questions that follow.



2.1 What market structure is depicted above?

(1)

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2.2 Identify the market price at which the business will sell its product? (1)

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2.3 Briefly describe the term *industry*. (2)

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2.4 Why is it not possible for a single business to adjust its selling price? (2)

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2.5 What will happen to the market price in the long-run when all the individual firms in the industry making economic profit in the short-run? (4)

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ACTIVITY 3

MARKET STRUCTURE

3.1 When can a market be called a perfect market?

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3.2 Discuss *free competition* and *no preferential treatment* as characteristics of a perfect market. (8)

Free competition

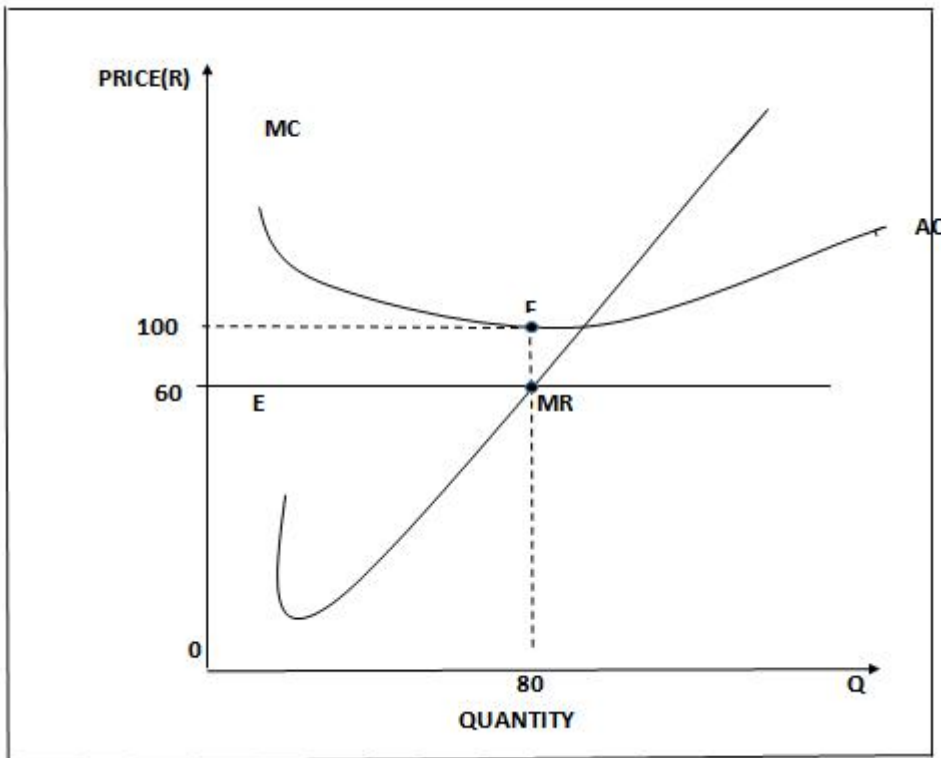
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No preferential treatment

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ACTIVITY 4

THE EQUILIBRIUM POSITIONS (GRAPHS)



4.1. Identify the market structure in the graph above. (1)

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4.2. Give the value of the market price depicted above. (1)

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4.3. Briefly describe the term economic-loss. (2)

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4.4. How will this equilibrium position change in the long run (long term)? (2)

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4.5. Calculate the economic loss faced by this firm. (Show ALL calculations) (4)

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