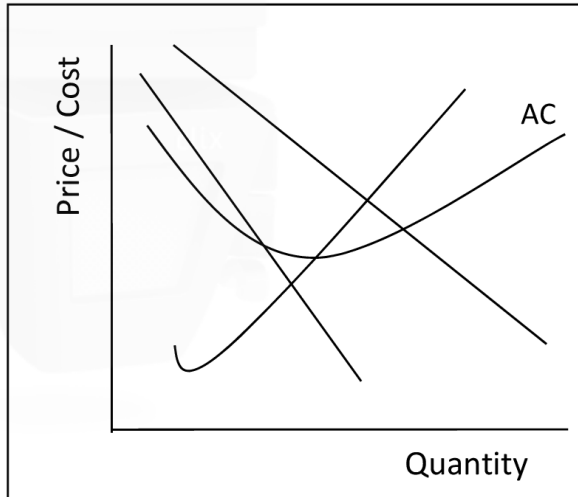


Monopoly

Question 1

6. The diagram below shows a firm operating under conditions of **Monopoly**.
 (a) Label the lines/curves in the diagram and (b) Use the diagram to explain the **long run equilibrium position** for a firm in Monopoly.



Explanation:

- (i) _____
 (ii) _____
 (iii) _____
 (iv) _____

(17 marks)

Question 2

2. (a) (i) State and explain **two** examples of barriers to entry facing firms wishing to enter a monopoly market.
 (ii) Explain, with the aid of a diagram, the long run equilibrium position of a monopolist. Identify on your diagram the profit the monopolist makes. (35)
- (b) *A monopolist can increase its profits by engaging in price discrimination.*
 (i) Explain the concept *price discrimination*, using a suitable example.
 (ii) State and explain the market conditions necessary for price discrimination to take place. (25)
- (c) *The Commission for Energy Regulation (CER), Ireland's independent energy regulator, has been appointed as the independent economic regulator for Ireland's public water services.*

Discuss whether or not Irish Water (Uisce Éireann), Ireland's new water utility company, should be regulated. (15)

[75 marks]

Question 3

5. State **three** assumptions/characteristics underlying the theory of monopoly.

- (i) _____
- (ii) _____
- (iii) _____

(16 marks)

Question 4

3. Name the market structure (Perfect Competition, Imperfect Competition or Monopoly) to which each statement below is most likely to apply:

	STATEMENT	MARKET STRUCTURE
(i)	The firm has a perfectly elastic demand curve.	
(ii)	The product of the firm is unique.	
(iii)	Restaurants could be an example of this market structure.	
(iv)	Average costs of the firm are at a minimum.	

(16 marks)

Question 5

2. (a) (i) State and explain **three** assumptions underlying the theory of monopoly.
(ii) Outline **two** possible advantages of monopoly as a market structure. (25 marks)
- (b) Iarnród Eireann (Irish Rail) is the state monopoly in the provision of rail transport in Ireland. It operates a system of price discrimination in setting some of its prices.
(i) Explain the underlined term, giving **one** example as practiced by Iarnród Eireann.
(ii) State and explain **three** conditions necessary for price discrimination to take place. (20 marks)
- (c) Using suitably labelled diagram(s), **compare** the long run equilibrium position of the monopoly firm with that of a perfectly competitive firm (assuming both operate under the same cost conditions) under the following headings:
- Price and Output;
 - Profits;
 - Efficiency.

(30 marks)
[75 marks]

Question 6

2. (a) Explain, with the aid of a diagram, the long run equilibrium position for a monopoly firm which seeks to maximise profits. (25 marks)
- (b) (i) Define price discrimination.
(ii) Explain **three types** of price discrimination, using suitable examples in each case. (20 marks)
- (c) (i) State and explain **three** barriers to entry facing entrants to a monopoly market.
(ii) **Deregulation** of markets (i.e. allowing more suppliers of a good or service into the market) is a continuing development in the Irish economy e.g. energy, mobile phones, transport etc.
- Explain** how deregulation could affect:
- (i) Consumers of the good/service;
(ii) Employees in the industry;
(iii) Profits of existing firms. (30 marks)
- [75 marks]**

Question 7

4. Firms attempting to enter a **monopoly** market must overcome barriers to entry. Outline **THREE** such barriers to entry.
- (i) _____
- (ii) _____
- (iii) _____
- (16 marks)**