

1

2. (a) (i) State and explain **three** assumptions underlying the theory of imperfect competition.
(ii) Explain why a firm's demand curve under imperfect competition differs from a firm's demand curve under perfect competition. (25)
- (b) (i) Explain, with the aid of a diagram, the long run equilibrium of a firm in imperfect competition.
(ii) With reference to your diagram in (b) (i) explain why the firm is not making socially efficient use of scarce resources. (30)
- (c) "A few large retailers (e.g. Tesco, SuperValu, Dunnes Stores, Aldi, Lidl) dominate the Irish grocery market at present."
Suggest a market structure which most closely reflects this situation. Explain your answer. (20)
- [75 marks]

2

2. (a) Technology companies such as Apple and Samsung are currently involved in legal disputes regarding patents on various aspects of their smartphones. When a company wins a patent dispute it may become the sole producer using the patented technology.
(i) Explain **three** barriers to entry, other than patents, that can exist in business.
(ii) Outline **two** reasons why monopolies may not be in the public interest. (25)
- (b) Explain, with the aid of a diagram, the long run equilibrium position of a monopoly firm. (25)
- (c) The global market for toothpaste products can be described as an imperfectly competitive market, where firms engage in competitive advertising and branding.
(i) Explain the term 'competitive advertising'.
(ii) Outline, using an example, how advertising can be used to prevent small firms entering an industry.
(iii) State and explain **two** possible disadvantages of advertising for the consumer. (25)
- [75 marks]

2. (a) (i) State and explain the assumptions underlying the theory of **imperfect competition**.
(ii) Outline the advantages imperfect competition may offer consumers. *(30 marks)*
- (b) Explain with the aid of a diagram in **each** case the conditions for a profit maximising firm to be in equilibrium under imperfect competition:
(i) in the short run;
(ii) in the long run. *(30 marks)*
- (c) ‘Major food retailers in the Irish market, such as Aldi, Dunnes, SuperValu and Tesco operate under conditions of Imperfect Competition’.
- Do you agree with this statement? Give reasons for your answer, referring to major food retailers in the Irish market mentioned above. *(15 marks)*
- [75 marks]**

