**TUTORIAL 8:**

**MARKET STRUCTURE 2**

**MONOPOLISTIC COMPETITION AND OLIGOPOLY**

**Name:**

**Marks**:

**ID:**

**Section:**

Question 1

1. Draw two graphs to compare the demand curve for a monopolist firm and a monopolistic competitive firm.
2. Based on your answer in (a), which of the two market structure has an elastic demand curve. Give a reason for your answer.

Question 2

Complete the table below with appropriate answers.

|  |  |
| --- | --- |
| **Market structure** | **Characteristics** |
| **Number of sellers** | **Products sold** | **Market entry and exit**  | **Equilibrium/Profit maximization condition.** |
| Monopolistic competition |  |  |  |  |
| Monopoly |  |  |  |  |
| Oligopoly |  |  |  |  |

Question 3

The following figure shows the short-run equilibrium/profit maximization position of a firm in a monopolistic competitive market.

**Price/Cost (RM)**

**MC**

**ATC**

25.00

18.00

20.00

16.00

**AR**

**MR**

120

100

**Quantity (unit)**

**Figure 1**

1. Based on the figure, find the equilibrium quantity and price.
2. Calculate the amount of profit/loss that the firm is making at equilibrium. State whether there is profit or loss.

Question 4

Complete the table below with the concept of price setting in oligopoly market.

|  |  |
| --- | --- |
| **Price in oligopoly** | **Definition** |
| 1. Price rigidity |  |
| 2. Dominant price leadership |  |
| 3. Barometric price leadership |  |
| 4. Cartel |  |