



## WEEKLY HOME STUDY PACKAGE - WEEK 2 (12/07/21 –16/07/21)

<b>Subject</b>	<b>Economics</b>	<b>Year/Level</b>	<b>12</b>
<b>Strand</b>	<b>2: Microeconomics</b>		
<b>Sub-strand</b>	<b>Market Structure – Monopolistic Competition</b>		
<b>Content Learning Outcome</b>	*Explain monopolistic competition in terms of features and examples. * Use graphs to illustrate the short run profit situations of monopolistic competition.		

### LESSON NOTES:

**Monopolistic Competition**-It is a mixture of perfect competition and monopoly so it has characteristics of both.

#### Features

- There are many firms in the industry.
- Firms produce a differentiated product eg, different brand names, differences in quality and design and special packaging. However products can be substituted.
- They are price makers or price setters.

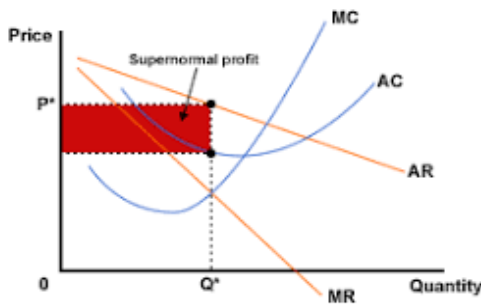
#### Examples of monopolistic firms

- Solicitors, Restaurants, Doctors surgery, Hair dresser, Bread shops

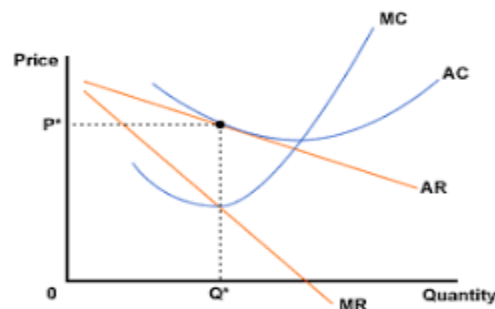
**Profit maximizing output for monopolistically competitive firm is determined at the point where  $MR = MC$ .**

**Types of profits situation in the short run**-In short run it is possible for monopolistic competitive firms to earn **supernormal, subnormal and normal profit.**

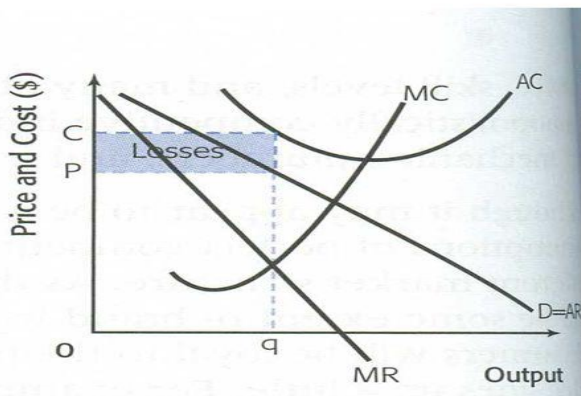
#### Supernormal Profit



#### Normal Profit



#### Subnormal Profit



**Activity 1**

1. Define the term Monopolistic Competition. (1 mark)

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2. Explain Monopolistic competition in terms of its 2 main features. (2 marks)

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3. Outline 3 ways in which monopolistic competition is different from perfect competition.

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(3 marks)

4. Compare a monopolistically competitive firm's demand curve to those of a perfect competitor.

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(2 marks)

5. What is the difference between oligopoly and monopolistic competition?

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(2 marks)

**Activity 2**

Complete the table given below.

Market Structure	Number of sellers	Type of Product	Entry condition	Example
Perfect Competition				
Monopoly				
Oligopoly				
Monopolistic Competition				

(8 marks)

(1/2 mark each = 8 marks)