

**TAVUA COLLEGE**  
**YEAR 12 ECONOMICS**  
**WEEKLY HOME STUDY PACKAGE – WEEK 2 (12/07/21 – 16/07/21)**  
**SOLUTION**

**Activity 1**

1. Monopolistic Competition - is a market structure characterized by many small sellers, differentiated products, and easy market entry and exit. **(1 mark)**
2. Price makers or setters, they sell differentiated products, large number of buyers and sellers in the industry, there is easy entry into the industry.  
**(any two points, 1 mark each)**
3. In the long run the monopolistically competitive firm does not achieve allocative efficiency, they charge a higher price, restricts output, and do not produce where average costs are at a minimum.  
**(any three points, 1 mark each)**
4.
  - ✓ The demand curve for a monopolistically competitive firm is downward sloping and less elastic (steeper) than that for a perfectly competitive firm.
  - ✓ Perfectly competitive firm's demand curve is perfectly elastic (horizontal).**(two points, 1 mark each)**
- 5.

<b>Monopolistic Competition</b>	<b>Oligopoly</b>
✓ Many sellers	✓ Few large sellers
✓ Easy entry into the industry	✓ Strong barriers to entry into the industry

**( 1/2 mark each)**

**Activity 2**

<b>Market structure</b>	<b>Number of sellers</b>	<b>Type of product</b>	<b>Entry condition</b>
Perfect competition	Large	Homogeneous	Very easy
Monopoly	One	Unique	Impossible
Monopolistic competition	Many	Differentiated	Easy
Oligopoly	Few	Homogeneous or differentiated	Difficult

- Examples:** Perfect Competition: Market vendors, baby sitters, grass cutting **(any one eg.)**
- Monopoly: EFL, FSC **(any one eg.)**
- Oligopoly: Total, Mobil, Pacific Energy **(any one eg.)**
- Monopolistic Competition: Restaurants, Lawyers, Hair Dressers **(any one eg.)**

**( 1/2 mark each = 8 marks)**