PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 3: MARKET STRUCTURES AND CONTESTABILITY

SCORE	PERCENTAGE
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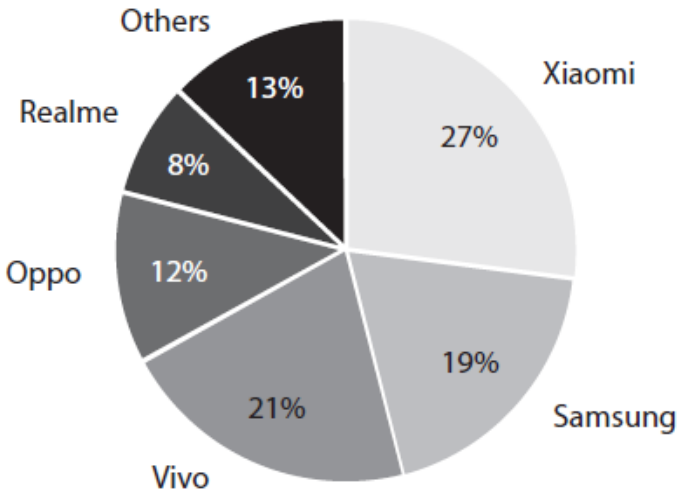
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Q1.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The chart shows the market share of smartphone companies in India in quarter 4, 2019.



What is the 4-firm concentration ratio?

☒ **A** 67%

☒ **B** 79%

☒ **C** 80%

☒ **D** 87%

(Total for question = 1 mark)

Q2.

With reference to Figure 2 and Extract A, analyse **two** barriers to entry that might prevent a new firm from entering the UK energy market.

(Total for question = 6 marks)

Q3.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract A, analyse two barriers that Stellantis are likely to experience when trying to increase market share in China.

(Total for question = 6 marks)

Q4.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to the information provided and your own knowledge, discuss the likely barriers that might prevent a new company from entering the pharmaceutical industry.

(Total for question = 14 marks)

Q5.

By 2017 Ethiopia was one of very few African countries that had not privatised its telecommunications market and introduced competition. The state-owned company, Ethio Telecom, was the only firm in the market.

Evaluate the likely benefits of a monopoly to its consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q6.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

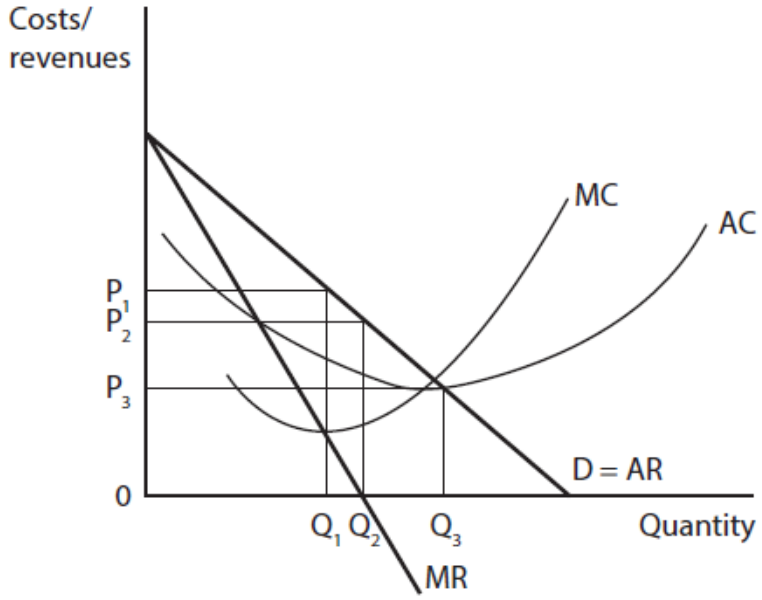
With reference to Extract C, Figure 2 and your own knowledge, discuss the benefits of non-price competition for consumers and businesses in the Indian smartphone industry.

(Total for question = 14 marks)

Q7.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

A monopolist decides to set its price at P_3, as shown in the diagram.



Which **one** of the following business objectives is shown by this pricing decision?

☒ **A** Revenue maximisation

☒ **B** Sales volume maximisation

☒ **C** Profit maximisation

☒ **D** Satisficing

(Total for question = 1 mark)

Q8.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 1, calculate the four-firm concentration ratio for the US car market in 2019.

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Q9.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2020 the Turkish airline AtlasGlobal ceased its operations. Which **one** of the following will cause a firm to shut down in the short-run?

☒ **A** Average revenue was below marginal revenue

☒ **B** Average revenue equalled marginal cost

☒ **C** Average revenue was below average variable cost

☒ **D** Average revenue equalled average cost

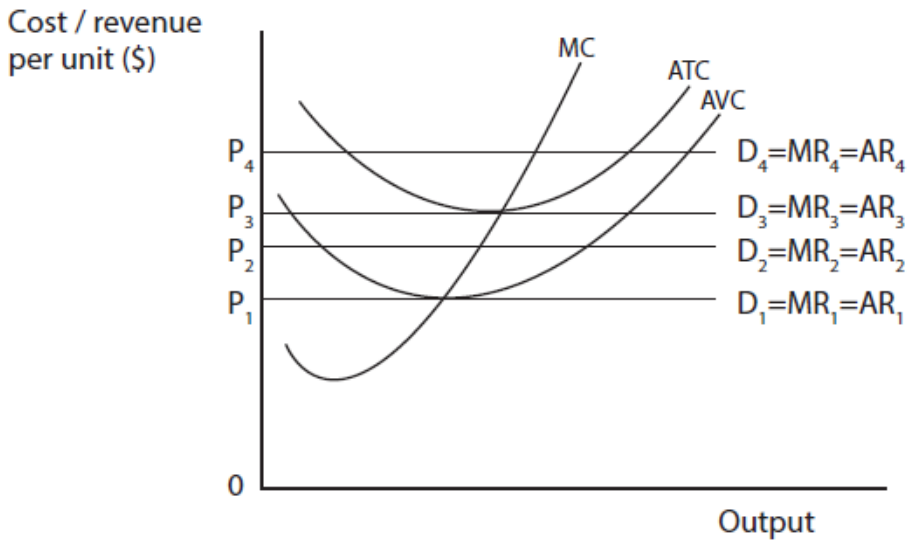
(Total for question = 1 mark)

Q10.

Answer the question with a cross in the box you think is correct ☒. If you change your

mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram shows a firm operating in a perfectly competitive market. The firm has the objective of profit maximisation.



Which **one** of the following is true?

☒ **A** At a price of P_1 the firm will shut down in the short-run

☒ **B** At a price of P_2 the firm will cover fixed costs and variable costs

☒ **C** At a price of P_3 the firm will shut down in the long-run

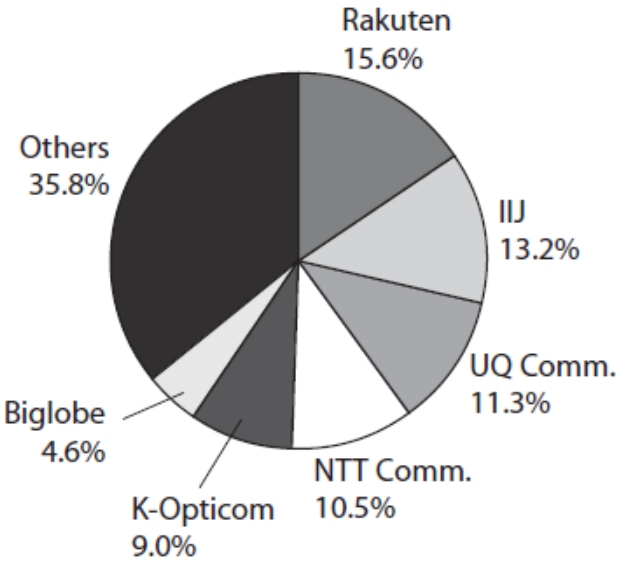
☒ **D** At a price of P_4 the firm will make supernormal profits

(Total for question = 1 mark)

Q11.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The chart shows the market share for mobile virtual network operators (MVNOs) in Japan for 2019.



What was the five firm concentration ratio for MVNOs in Japan for 2019?

☒ **A** 48.6%

☒ **B** 50.6%

☒ **C** 59.6%

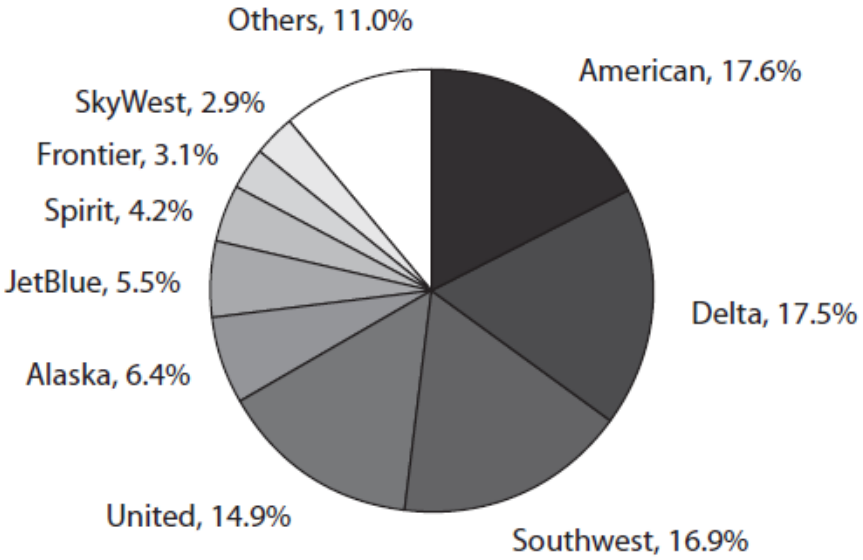
☒ **D** 86.4%

(Total for question = 1 mark)

Q12.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The chart shows the market share, by revenue, for airlines operating domestic flights in the USA, February 2019–January 2020.



Which **one** of the following is the five-firm concentration ratio for airlines operating domestic flights in the USA?

☒ **A** 66.9%

☒ **B** 73.3%

☒ **C** 77.9%

☒ **D** 78.8%

(Total for question = 1 mark)

Q13.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following characteristics always applies to a highly contestable market?

☒ **A** There is a large number of small firms

☒ **B** There are high sunk costs

☒ **C** There are low barriers to entry

☒ **D** There is imperfect information

(Total for question = 1 mark)

Q14.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract B, examine **two** barriers to entry into the US coffee shop market.

(Total for question = 8 marks)

Q15.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 the Government of Canada updated its competition policy in order to increase market contestability.

Ceteris paribus, which **one** of the following would increase market contestability?

☒ **A** An increase in legal costs to start a business

☒ **B** An increase in legislation to control mergers

☒ **C** An increase in patent protection

☒ **D** An increase in regulatory capture

(Total for question = 1 mark)

Q16.

In South Africa, in 2019, insurance, mobile phones and retail banking were markets that had high concentration ratios. For example, the 4-firm concentration ratio was 96% for mobile

phones and 74% for insurance.

Evaluate the disadvantages of an oligopolistic market for producers and consumers. Refer to an industry of your choice in your answer.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q17.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract B and your own knowledge, discuss reasons why many SMEs in South Africa shut down in 2020.

Illustrate your answer with an appropriate diagram.

(Total for question = 14 marks)

Q18.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Extract C, Figure 2 and your own knowledge, discuss the likely barriers to entry for a business wishing to enter the global fashion retail market.

(Total for question = 14 marks)

Q19.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract A and your own knowledge, discuss the likely effects of Government policies on the productive efficiency of SMEs.

(Total for question = 14 marks)

Q20.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to the information provided, discuss the strategies used by food delivery businesses to increase
their market shares.

Refer to game theory analysis in your answer.

(Total for question = 14 marks)

Q21.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Extract B line 14, explain the term 'dynamic efficiency'.

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(Total for question = 4 marks)

Q22.

Study Figure 1 and Extracts A and B in the Source Booklet before answering the question.

With reference to Extract A, examine the likely effect of a decrease in variable costs on Tesla's profits.

Illustrate your answer with an appropriate diagram(s).

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(Total for question = 8 marks)

Q23.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet.

With reference to Figure 2 and Extract A, analyse the likely effect of predatory pricing on the profits of a
ride-hailing taxi firm.

(Total for question = 6 marks)

Q24.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet.

With reference to Extract C and your own knowledge, discuss the likely effects on consumers of

the price
discrimination strategy.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 14 marks)

Q25.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

A diamond mining company is considering whether to set up operations in Botswana.

Which **one** of the following would be a barrier to entry into this industry?

☒ **A** High level of government subsidies

☒ **B** High sunk costs

☒ **C** Low level of government regulation

☒ **D** Low concentration ratio

(Total for question = 1 mark)

Q26.

In 2023 the US Department of Justice began an investigation into claims that Google had used its market power to limit competition and to increase the amount charged to advertisers.

Evaluate policies that a government could adopt to control monopolies.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q27.

In 2022 the French Government planned to pay nearly €10bn to nationalise EDF Energy. This business had a 90% market share. The Government aims to ensure stability of energy supplies and to prevent significant price fluctuations.

Evaluate the impact of a profit maximising monopolist being nationalised.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q28.

The tyre market in India is dominated by three large businesses, MRF, Apollo Tyres and JK Tyres, with a combined market share of 70.4%. The price of tyres has remained relatively stable over time.

With reference to an industry of your choice, evaluate the likely disadvantages for a business operating in an oligopolistic market structure.

Illustrate your answer with a payoff matrix diagram.

(Total for question = 20 marks)

Q29.

In July 2023 the Competition and Markets Authority fined Leicester City Football Club £880 000 for colluding with JD Sports. The club was found guilty of price fixing and restricting the selling of Leicester City-branded clothing in the UK.

Evaluate the likely effects of collusion on businesses **and** consumers in an industry of your choice.

Illustrate your answer with reference to game theory.

(Total for question = 20 marks)

Q30.

The global supermarket chain, Walmart, operates 10 500 stores in 24 countries. It has monopsony power when buying agricultural products and employing labour in these countries. A 2021 study suggested that Walmart buys these agricultural products at a lower price than when they are sold to other businesses.

Evaluate the likely impacts of monopsony power on employees and suppliers.

Refer to a firm with monopsony power in your answer.

(Total for question = 20 marks)

Q31.

In 2020 three pharmaceutical firms Lexon, King Pharmaceuticals Ltd and Alissa Healthcare Research Ltd, were found to have illegally shared information in order to keep prices artificially high. Each firm was fined £1.2 million for this collusion by the UK competition authorities.

Evaluate the possible benefits of collusive behaviour between firms.

Use a simple game theory model in your answer.

(Total for question = 20 marks)

Q32.

In the UK, for any given rail journey, there are usually more than five different ticket prices depending on the time and day of travel.

Evaluate the view that price discrimination is always beneficial for producers.

Illustrate your answer with an appropriate diagram(s).

(Total for question = 20 marks)

Q33.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

In 2018 total new car sales in China were 23.7 million.

With reference to Extract A, examine the likely effects of the Chinese Government's subsidy on the profits of an electric car manufacturer.

Illustrate your answer with an appropriate diagram.

(Total for question = 8 marks)

Q34.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract A (line 12), explain what is meant by 'short-run shutdown point.'

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(Total for question = 4 marks)

Q35.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 2, explain the market structure of cloud infrastructure providers.

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(Total for question = 4 marks)

Q36.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 2, explain the market structure of the UK food delivery market in 2021.

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(Total for question = 4 marks)

Q37.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

In 2018 total new car sales in China were 23.7 million.

With reference to the third paragraph of Extract B, explain what is meant by a 'takeover'.

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(Total for question = 4 marks)

Q38.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

Explain what is meant by the term 'monopsony employer' (Extract C, line 11).

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(Total for question = 4 marks)

Q39.

With reference to Figure 2 and the second paragraph of Extract A, explain what is meant by the term 'concentration ratio'.

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(Total for question = 4 marks)

Q40.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 1 and Extract A, explain what is meant by the term 'monopolistic competition'.

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(Total for question = 4 marks)