

## Economics Revision Worksheet

### A2 Economics

# Oligopoly

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# WORKSHEET

Revision Topic : Market Structures : Oligopoly

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## Multiple Choice Questions

### Question 1

A likely consequence of a change in market structure from perfect competition to oligopoly would be :

- A** a rise in contestability
- B** less interdependence of decision-making by firms
- C** reduced opportunities for economies of scale
- D** reduced emphasis on vertical integration
- E** the introduction of non-price competition.

### Question 2

An oligopolist is concerned that if it reduces the price of its product it will start a damaging price war. The firm has constant costs per unit over its normal range of output. In these circumstances the firm is most likely to adopt a policy of :

- A** Cost-plus pricing
- B** Setting a price equal to marginal costs
- C** Predatory pricing
- D** Limit pricing
- E** Setting a price equal to the cost per unit.

### Question 3

Which of the following is the most likely consequence of an oligopolistic market structure ?

- A** Periods of tacit collusion
- B** An absence of non-price competition
- C** A tendency of firms to make only normal profits in the long run.
- D** A falling concentration ratio over time.
- E** Productive and allocative efficiency.

### Question 4

A shoe manufacturer in an oligopolistic market may prefer to engage in non-price competition rather than price competition when selling its shoes because :

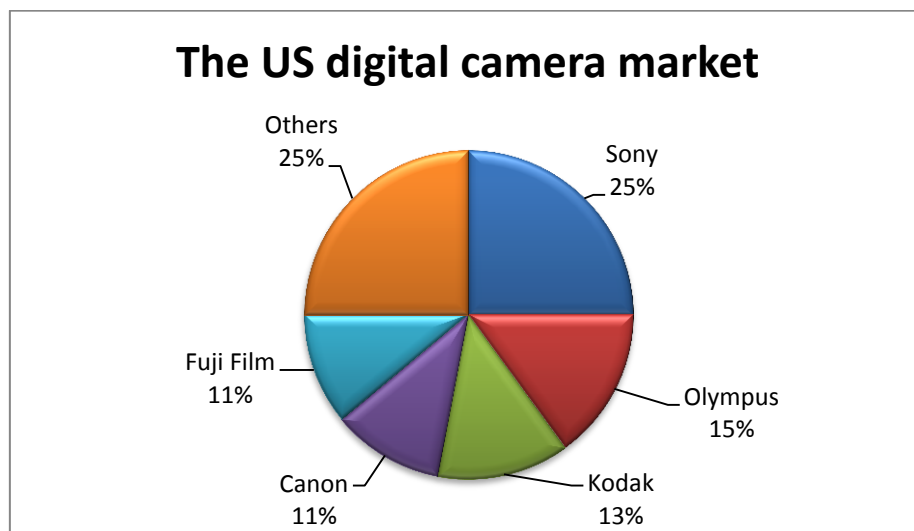
- A** the demand curve for shoes is likely to be inelastic in relation to a price fall
- B** there is limited scope in creating brand loyalty for shoes
- C** the demand for shoes is likely to be elastic in relation to a price fall
- D** the cost of advertising shoes is too high
- E** the demand for shoes is likely to be inelastic in relation to a price rise.

### Question 5

A soap powder firm in an oligopolistic market may prefer to engage in non-price competition rather than price competition when selling its product because :

- A** there is limited scope for creating brand loyalty for soap powder.
- B** the demand curve for its soap powder is likely to be inelastic in relation to a price fall.
- C** its marginal revenue is equal to average revenue.
- D** the demand curve for its soap powder is likely to be inelastic in relation to a price rise.
- E** a change in price of soap powder will have no effect on the behavior of other firms in the market.

### Question 6

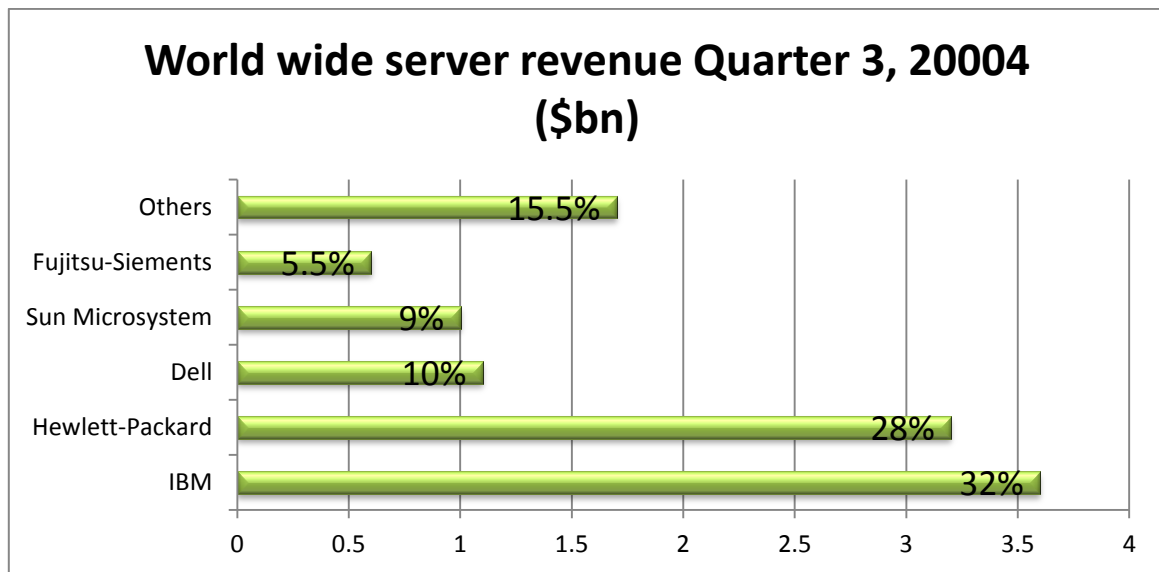


Source: Deutsche Bank 2003

The chart shows the percentage share of the US digital camera market in 2002. Which of the following can be inferred from the data?

- A** The market has an oligopolistic structure.
- B** Barriers to entry are likely to be very low.
- C** It is unlikely that significant economies of scale exist in the market.
- D** The three firm concentration ratio is below 50%
- E** The market is characterized by monopolistic competition.

## Question 7



*Source: Financial Times, 23 December 2004*

The chart shows the global revenue and market share for major companies in the computer server market. From the data it can be inferred that :

- A** the market for computer servers is monopolistically competitive.
- B** the five firm concentration servers is perfectly competitive
- C** the market for computer servers is perfectly competitive.
- D** The price and output decisions of IBM will affect the price and output decisions of other firms in the market.
- E** there is a low market concentration ratio.