

Economics Revision Worksheet

A2 Economics

Market Concentration

Worksheets by: Apsara Sumanasiri

Student Name :

Date:

TheRevisionGuide® (www.TheRevisionGuide.com) is a free online resource for Economics and Business Studies.

Don't forget to visit our website as part of your revision.

WORKSHEET

Revision Topic : Market Concentration

Multiple Choice Questions

Question 1

The following data refer to the United Kingdom beer market:

United Kingdom market share by brewer (% sales value, 1999)	
Scottish and Newcastle	26.0
Bass Brewers	23.4
Interbrew	14.5
Carlsberg-Tetley	11.8
Others	24.3

(Source: Financial Times, 4 January 2001)

From the data it can be deduced that:

- A** There are enough firms in the industry to ensure that they are all price takers.
- B** There is a three-firm concentration ratio of 36.1%
- C** The brewing industry is best described as having the market structure of monopolistic competition
- D** A proposal that Bass and Scottish and Newcastle merge would be eligible for referral to the Competition Commission.
- E** There are insignificant economies of scale in this industry.

Question 2

Consumer groups claim that the way banks tend to cut savings rates at the same time gives an impression that they act as a cartel. Which of the following would make this claim more likely to be correct?

- A** Customers are very well informed about interest rates offered by different banks.
- B** The banking industry has very low start-up costs.
- C** The banking industry is highly concentrated.
- D** There is very little difference in the services provided by the different banks.
- E** Banks hardly ever price discriminate.

Question 3

In their 1998 enquiry the Competition Commission estimated that shares of the UK ice cream market were as follows:

Company	% of total sales wrapped single ice cream
Unilever	65
Nestle	11
Mars	10
Richmond	6
All other companies	8

(Source: www.competition-commission.org.uk)

From the data it can be concluded that:

- A** The market for wrapped single ice cream is highly concentrated.
- B** A bid by Mars for Nestle would be eligible for referral to the Competition Commission.
- C** There are no significant economies of scale in producing wrapped ice creams.
- D** There is a four-firm concentration ratio in the market for wrapped ice cream of 98 per cent.
- E** There is a five-firm concentration ratio in the market for wrapped ice creams of 100 per cent.

Question 4

In December 2001 Alfred Taubman, the owner of Sotheby's auction house, was convicted of leading a conspiracy to fix commission rates with rival Christie's. Which of the following might increase the likelihood of secret collusion in an industry?

- A** Large numbers of firms.
- B** Freedom of exit from the industry.
- C** High market concentration ratios.
- D** Low market concentration ratios.
- E** Freedom of entry to the industry.

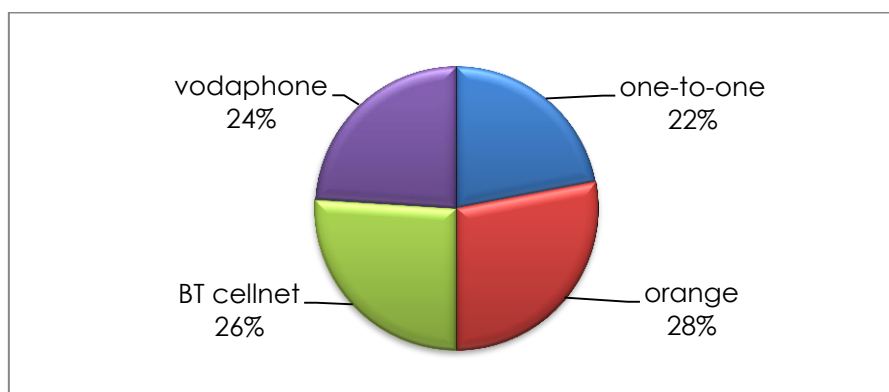
Question 5

A rising concentration ratio in an industry is likely to result in :

- A** less non-price competition.
- B** more price competition.
- C** a greater risk of unspoken and unwritten price agreements between firms.
- D** less danger of the emergence of cartels.
- E** the loss of economies of scale.

Question 6

The following chart shows percentage market shares in the mobile phone market in 2001.

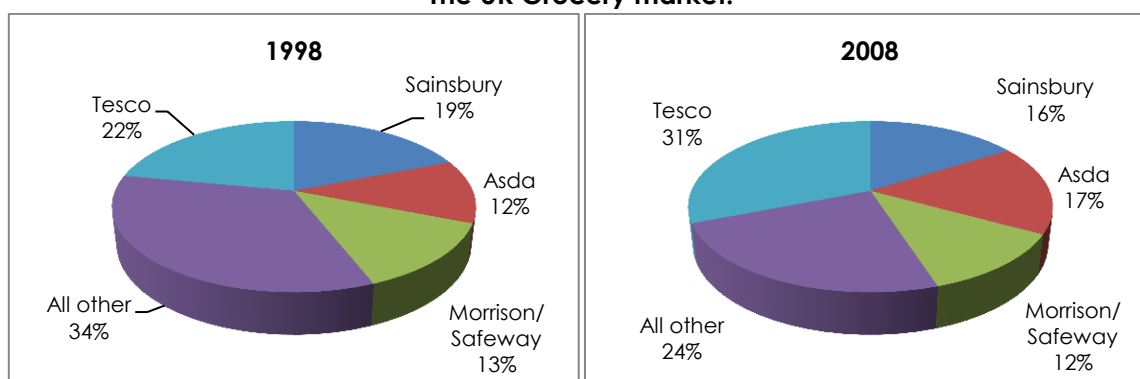


Which of the following statements is true for this market?

- A** The market is nearly perfectly competitive because each firm has nearly equal market share.
- B** The market is characterized by monopolistic competition because each firm produces mobile phones with different characteristics.
- C** The market has a high concentration ratio.
- D** The market is perfectly contestable.
- E** Tacit collusion is unlikely in this industry.

Question 7

The UK Grocery market.

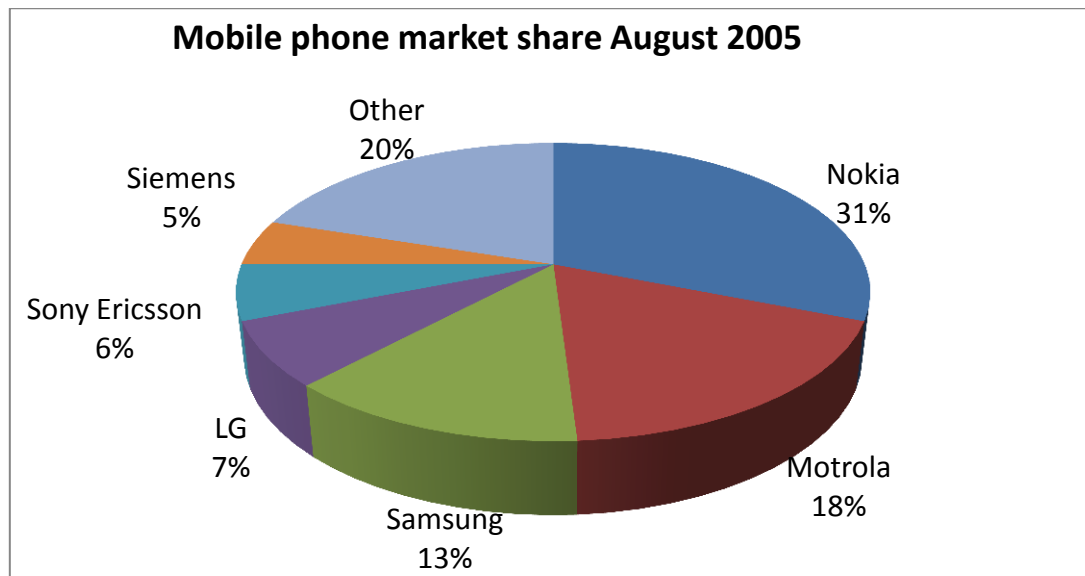


Source : TNS Worldpanel

The table shows the market shares in the supermarket industry in 1998 and 2008. From the data it can be deduced that over the period shown.

- A** the four-firm concentration ratio has decreased.
- B** the three-firm concentration ratio has decreased from 75 per cent to 72 per cent.
- C** the supermarket sector has become more perfectly competitive.
- D** Sainsbury's and Morrison's sales revenue have decreased.
- E** The supermarket sector has become more concentrated.

Question 8



Source : Mobile tracker Aug 26 2005

Which of the following is true of the mobile phone handset market?

- A** It is monopolistically competitive.
- B** It has a 3 firm concentration ratio of 62%.
- C** It has a 4 firm concentration ratio of 75%.
- D** It has a 7 firm concentration ratio of 100%.
- E** A merger between Samsung and Siemens would be eligible for referral to the Competition Commission.

Question 9

Market Share for National Daily Quality Newspapers.

National Daily Quality Newspaper	Ownership	Mkt share % 1999*	Mkt share % 2006*
The Daily Telegraph	Telegraph Group Ltd	36.24	34.38
The Times	News Corporation plc	24.89	25.58
Financial Times	Pearson Group plc	17.42	16.23
The Guardian	Guardian Newspapers Ltd	14.25	14.20
The Independent	Independent Newspapers Ltd	7.20	9.61
Total	-----	100%	100%
Total daily circulation	-----	2.673 Million	2.609 Million

* Average daily sales for the months of December 1999 and July 2006 Source:abc.org.uk

The table shows the market shares for national daily quality newspapers in 1999 and 2006. It can be deduced that over the period shown.

- A** sales revenue for The Times increased by 0.69%.
- B** the total daily circulation of quality newspapers increased.
- C** the newspapers industry became more perfectly competitive.
- D** The Guardian newspaper experienced a larger fall in sales than The Daily Telegraph.
- E** The three-firm concentration ratio decreased.