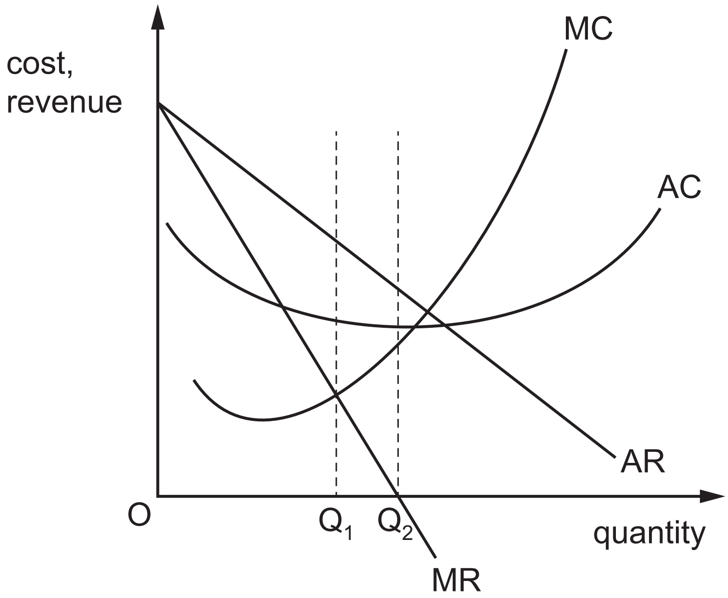
3 The diagram shows that a producer increases output from Q_1 to Q_2.



What will be the result?

	total profit	total revenue
A	increased	increased
B	increased	reduced
C	reduced	increased
D	reduced	reduced

5 What is most likely to lead to a Pareto-optimal outcome?

A offering bulk-buy discounts to customers who join a loyalty scheme

B switching labour from producing low-priced products to producing high-priced products

C switching production from labour-intensive products to capital-intensive products

D training low-skilled workers to operate machinery effectively

4 A firm has very high fixed costs but low marginal costs of production. It experiences continuous economies of scale so that the minimum efficient scale is not reached until the firm is very large in relation to total market demand.

In which type of market structure would the firm operate?

A monopolistic competition

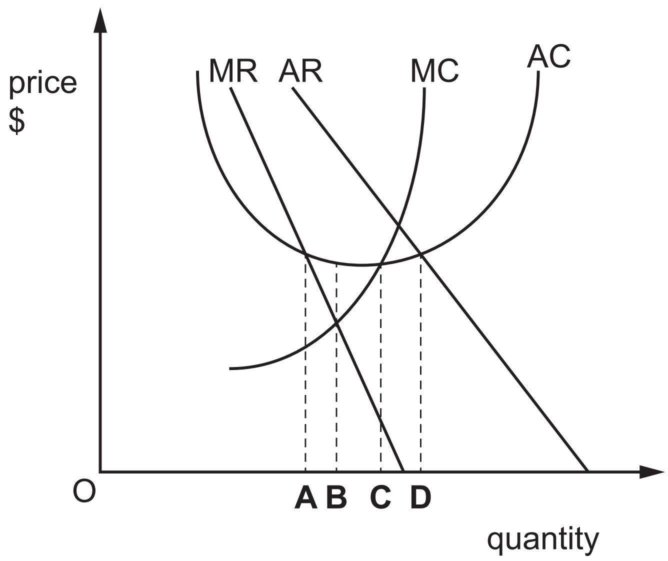
B monopsony

C natural monopoly

D oligopoly

7 The diagram shows the cost and revenue curves for a monopolist.

Which level of output represents sales maximisation?



8 What might help achieve allocative efficiency?

A differentiated products

B government subsidies

C monopsony

D supernormal profits

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2 A firm has set a low price in the short run to act as a barrier to entry for new firms entering the market.

This is an example of which pricing strategy?

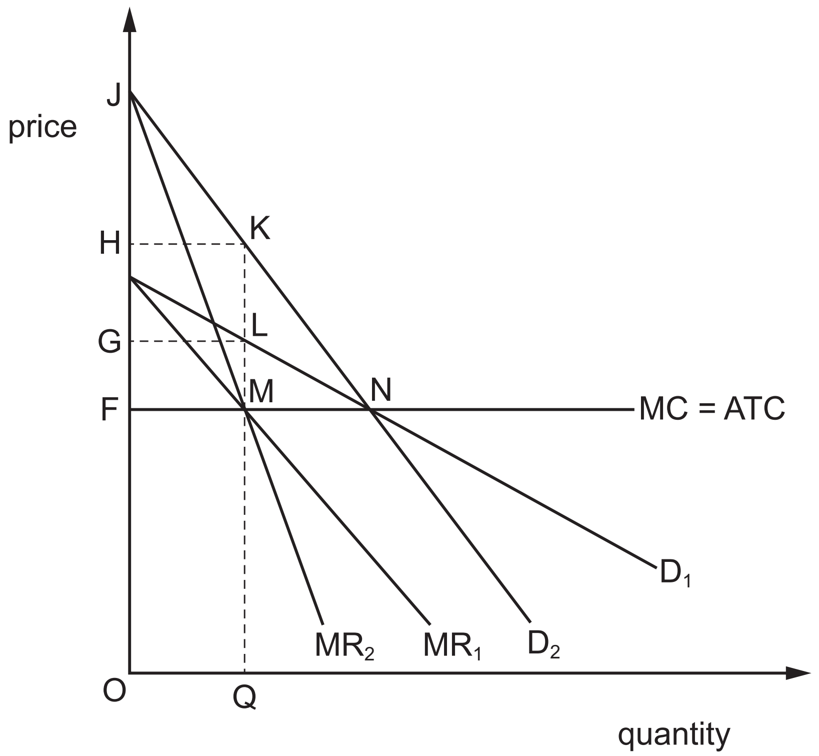
A limit pricing

B predatory pricing

C price discrimination

D price leadership

5 The diagram shows the effect of a demand curve shift from D_1 to D_2 for a profit maximising firm.



What has happened to the firm's total revenue and the deadweight welfare loss?

	total revenue	deadweight welfare loss
A	decreases to OGLQ	decreases by KLN
B	decreases to OGLQ	increases by KLN
C	increases to OHKQ	decreases by KLN
D	increases to OHKQ	increases by KLN

1 What will act as a barrier to collusion between firms?

A an ability to detect price cuts by rivals

B the abolition of anti-trust measures

C the existence of a small number of firms in the industry

D unstable demand conditions for products

8 What is a potential benefit of the privatisation of a country's railway services?

A higher levels of competition

B higher costs passed on in the form of higher prices

C opportunity for government regulation

D potential for a private monopoly