

BA Sangam College

Year 12

Economics

Worksheet 5

Market structure

- a) The table given below shows the demand schedule facing a monopolist who produces at a constant marginal cost of \$5.00.

Demand Schedule facing a Monopolist

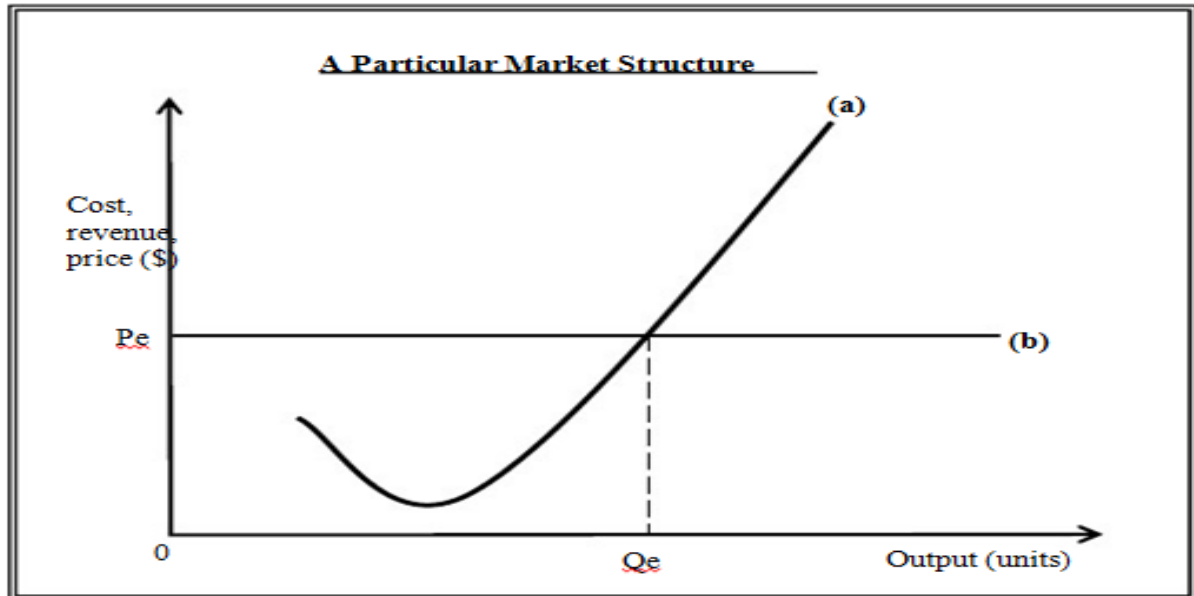
Price (\$)	Quantity
10	0
9	1
8	2
7	3
6	4
5	5
4	6
3	7
2	8
1	9

- (i) Calculate the monopolist's marginal revenues at the output of 4 units.
- (ii) Determine the equilibrium price and output.
- (iii) What would be the new equilibrium price and quantity if the marginal cost decreases to \$3.00?
- (i) Draw the graph of **TR vs TC** using the data given below, in your **Answer Book**.

Output	Price (\$)	TR	TC
0	12	0	20
1	12	12	21
2	12	24	24
3	12	36	30
4	12	48	40
5	12	60	55
6	12	72	80

- (ii) The **TR** curve in the graph begins at the origin but the **TC** curve does not. Explain why.
- (iii) Shade the profit level on the graph.
- (iv) What is the relationship between **TR** and **TC** at Output 2 and what is the significance of it?

Study the graph given below and answer questions (i) to (iii).



- (i) Identify the market structure given above.
- (ii) Label the curves (a) and (b).
- (iii) Draw the average cost curve to illustrate a **supernormal profit**.
(Label the average cost curve as AC.)

Essay writing

‘Monopoly market structure is an industry itself’. With reference to the monopoly market structure discuss the following:

- three features of the industry
- the possible profit the firm makes in the long run
- an advantage and two disadvantages.

The End