IGCSE ECONOMICS · 1.2 BUSINESS ECONOMICS · CHAPTER 18 · PAPER 1

Competitive Markets

Topic question sheet L18 | **Total: 27 marks** | **Time: 30 minutes** | **Student Book pp. 132–138**

Instructions: answer **all** questions. Write your answers on lined paper. The marks for each question are shown in brackets: use them as a guide to how much to write.

Calculators may be used. Show your working. Draw diagrams in pencil and label them fully. The mark scheme starts on a new page: do not look at it until you have finished.

Section A: Multiple choice

One mark each. Choose **one** answer: A, B, C or D.

1 Which of the following is a feature of a competitive market? **(1)**

A A limited number of sellers
B Each firm has total control over price
C Lots of sellers in the market
D High barriers to entry

2 Which is likely to be a benefit to the economy of competitive markets? **(1)**

A Higher interest rates
B Better resource allocation because there is less waste
C Factors of production become more mobile
D Lower unemployment

3 A restaurant changes its menu and décor to stand out from rivals. This is an example of: **(1)**

A deregulation
B product differentiation
C a barrier to entry
D a diseconomy of scale

4 The main disadvantage of competition to a firm is: **(1)**

A higher costs
B less choice
C lower profits
D less information

Section B: Short answers

Define, state, calculate, draw and explain. Show your working for calculations.

5 Define **barriers to entry**. **(1)**

6 Calculate the percentage fall in the price of a 5GB bundle between 2019 and 2023. You are advised to show your working. **(2)**

7 State **two** features of a competitive market. **(2)**

8 Explain **one** disadvantage to consumers of a highly competitive market. **(3)**

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Section C: Data response

Read the extract, then answer the questions. Use evidence from the extract in every answer.

Extract: Lagos Mobile Data

Until 2019, Nigeria's fictional Delta State had just two mobile data providers. A 5GB bundle cost NGN 4000 and customers complained about slow speeds and poor customer service.

In 2020 the government reduced licence fees and two new providers entered. By 2023 the price of a 5GB bundle had fallen to NGN 2800 and average download speeds had doubled. However, one of the original providers made losses, closed 40 shops and cut 600 jobs. Many of those workers are still looking for new work.

Fictional case, written for this sheet.

9 With reference to the extract, analyse how consumers in Delta State benefited from increased competition. **(6)**

10 With reference to the extract, assess whether increased competition in the Delta State mobile data market has benefited the economy. **(9)**

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Mark scheme: Competitive Markets

How to mark: Multiple choice, Define, State: 1 mark. **What is meant by** (2): two separate parts to the definition. **Calculate**: working and answer (with units). **Draw** (3): one mark per correct labelled feature. **Explain** (3): 1 for a point, 2 for developing it in context. **Analyse** (6): knowledge 2, application 2, analysis 2. **Assess** (9) and **Evaluate** (12) are marked by levels: choose the level that best fits the whole answer. Indicative content is a guide: credit other valid points.

Section A

1 *Which of the following is a feature of a competitive market? (1 mark)*

Answer: C (Lots of sellers in the market). Competitive markets have many buyers and sellers.

2 *Which is likely to be a benefit to the economy of competitive markets? (1 mark)*

Answer: B (Better resource allocation because there is less waste). Firms must be efficient to survive.

3 *A restaurant changes its menu and décor to stand out from rivals. This is an example of: (1 mark)*

Answer: B (product differentiation). It distinguishes its product from rivals'.

4 *The main disadvantage of competition to a firm is: (1 mark)*

Answer: C (lower profits). Prices fall and profit is shared.

Section B

5 *Define barriers to entry. (1 mark)*

Obstacles that might discourage a firm from entering a market (1).

6 *Calculate the percentage fall in the price of a 5GB bundle between 2019 and 2023. You are advised to show your working. (2 marks)*

Working: (2800 − 4000) ÷ 4000 × 100 (1).

Answer: −30% / a 30% fall (1).

7 *State two features of a competitive market. (2 marks)*

Any two (1 each): many buyers and sellers; close substitutes; low barriers to entry; little control over price; free flow of information.

8 *Explain one disadvantage to consumers of a highly competitive market. (3 marks)*

Point: uncertainty / less innovation (1).

Development: unprofitable firms leave the market (1), so customers lose their supplier and are inconvenienced (1). OR low profits (1) leave less to invest in new products (1).

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Section C

9 *With reference to the extract, analyse how consumers in Delta State benefited from increased competition. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): competition lowers prices and improves quality; consumers can switch.

Application (2): price fell from NGN 4000 to 2800 (30%); speeds doubled.

Analysis (2): new entrants gave substitutes, so firms could not overcharge and had to improve service to keep customers.

Knowledge 2 · Application 2 · Analysis 2.

10 *With reference to the extract, assess whether increased competition in the Delta State mobile data market has benefited the economy. (9 marks · levels)*

Benefits: lower prices raise consumers' real income; faster data improves productivity; resources go to efficient firms.

Costs: 600 jobs lost and 40 shops closed; workers still unemployed because labour is immobile; wasted resources.

Judgement: net benefit likely in the long run as millions of users gain; costs are short-term but depend on how quickly workers find new jobs.

Levels: L1 1–3 (points listed, little use of the data) · L2 4–6 (developed points, some use of the data, limited evaluation) · L3 7–9 (developed points on both sides using the data, with a supported judgement).

Original practice questions written in the style of the Pearson Edexcel International GCSE Economics (4EC1) papers. This is not an official paper. Unless a source is given, the firms, countries and figures are fictional and made up for practice.

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