PRODUCT MARKET

MARKING SCHEME

1. 1998 P2

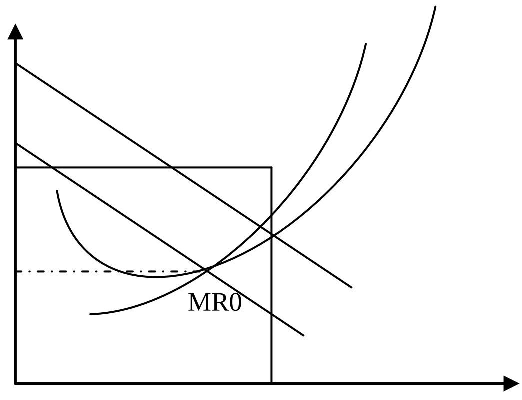
- The business malpractices that consumers need to be protected against by the government
- Overpricing / overcharging fees
- False measurements / weight/ volumes/ capacity
- Sub standard goods/ poor services
- Running business under unhygienic conditions
- Misleading advertisement
- Dealing in illegal/ hazard goods/ services
- Unsafe premises
- Hoarding of goods
- Unfair repossession of goods
- Monopolistic practices
- Bridge of contracts

3. 2006 Q8 P1

Assumptions associated with perfect competition

(a) Large number of seller and buyers exist in the market
(b) Production of identical (homogeneous) products by different firms.
(c) There is no government interference
(d) There is free entry and exit from the industry
(e) Uniformity of buyers and sellers

4. 2006 Q5b P2



- The monopolist will produce at a point where MRO = MC at point B
- CD/oQ is the quantity produced while (f, is the point which the monopolist is willing to sell.

5. 2009 Q3a P2

(a) Refer to 9str paper

i. MR Curve / *MC* Curve / disjoint in the MR where MC= MR Curve i.e. the equilibrium point.

ii. Above price P_o/ kink the demand curve is more / fairly elastic and less elastic / fairly inelastic below the price P_o / Kuk / if a firm raise price above P_o / kerk other competing firm swill not follow suit but it lowers price below P_o / kirk all other low peting firms will follow suit.

iii. (a) When the eligopolist forms collusion or a celtel with competing firms they can increase / lower / reduce the price.
(b) When the oligopolies acquire a dominant position on the market / accept egs of dominant position. (2 marks)
(c) The price cannot be increased / decreased / rained because it is rigid at the kelik / OPO
(d) The owner on roman II can be used as the answer far this section.

6. 2009 Q21 P1

- Where persistent decline in profitability exist
- Where there is intention to venture into new line
- Where there is need to expand capital base
- Where there is need to bring on board new skills/competences
- Where there is need to share research information
- Control wider market/increased sales
- Control output
- To lower cost of products(e.g raw materials,labour)
- To control prices
- Easier to borrow
- Easier to face emergencies/risks
- Where there is too much competition
- Need to diversify

7. 2012 Q6b P2

(b) Circumstances in which a firm may acquire monopoly power.
(i) If the firm has a secretive production technique-This denies other firms the use of the technique/production/sale of the product.
(ii) If the firm has control over strategic inputs/raw materials- This makes the firm have the sole access to inputs/raw materials used in production of the commodity
(iii) If the venture requires large capital/investment of substantial capital other firms may not be able to raise the capital leaving the field to one firm.
(iv) If the firm enjoys greater/substantial economies of scale-This enables the firm to produce at a lower cost than other firms thus edging out less efficient firms.
(v) If the firm is set up as a state monopoly/given exclusive rights/legal rights of production of a particular product by the government thus shutting out competition from competitors.
(vi) If firms merge/amalgamate/combine/join together/buys others through absorption/acquisition to become the only firm/supplier/producer/eliminate Competition/chops competition.
(vii) If the market is best served by one firm more economically other firms entering the market may make losses due to low sales hence the firm remain dominant
(viii) If the firm has patent rights/copyright/which bars other firms from producing/selling the products.

8. **2012 Q25 P2**

Features of a perfectly competitive market include:

(a) Large number of buyers and sellers (must mention both)

(b) The buyers and sellers have perfect knowledge of the market conditions

(c) No government interference in the market

(d) No transport costs are incurred

(e) Free entry and exit of firms(must mention the two)

(f) Homogeneity of the product

(g) Perfect mobility of factors of production

(h) No excess or shortage of demand and supply

(i) Uniformity of buyers and sellers