12.1 Market

1. Market is any arrangement where transactions or exchanges take place.
2. A market *(can / cannot)* exist without a physical location.
3. A market *(can / cannot)* exist in a barter economy.
4. Fill in the blanks.

12.2 Types of Market Structures

5. The following are features of the four types of market structure. Complete the table.

	Perfect competition	Imperfect competition		
		Monopolistic competition	Oligopoly	Monopoly
Number of sellers	many	many	a few dominant ones	one
Nature of products	homogeneous	heterogeneous	homogeneous or heterogeneous	- homogeneous or heterogeneous - no close substitutes
Ease of entry	free	free	restricted	restricted
Availability of market information	perfect	imperfect		
Existence of non-price competition	no	yes		
Sellers' influence on market price	nil (price takers)	some (price searchers)		

6. Which of the following is/are the common feature(s) of a perfectly competitive market and a monopolistically competitive market?

☑ There are many sellers in the market.
☐ The goods traded in the market are homogeneous.
☑ The sellers can enter or exit the market without restriction.

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7. A market can be regarded as an oligopoly when *(sellers are interdependent in their marketing strategies / the market is dominated by a few sellers)*.

8. Which of the following markets is/are likely to be oligopoly in Hong Kong?

☐ Toy retailing	☐ Electric power industry
☐ Pharmacies	☑ Banking services

9. When there is only one seller in the market, the market can be regarded as a monopoly.

10. Determine if each of the following statements is true or false.

(a) There can be a few or many sellers in a monopolistically competitive market.	*(True / False)*
(b) When there are many sellers selling heterogeneous products, the market must be monopolistic competition.	*(True / False)*
(c) Products sold under oligopoly can be homogeneous or heterogeneous.	*(True / False)*
(d) There may be many sellers under oligopoly.	*(True / False)*
(e) A monopolist only sells one product.	*(True / False)*
(f) A monopolist does not face any competition.	*(True / False)*
(g) The monopoly power of a monopolist may come from the government.	*(True / False)*
(h) The return of a monopolist must be positive.	*(True / False)*
(i) A monopolist has to bear business risk.	*(True / False)*
(j) There are substitutes for the products sold by a monopolist.	*(True / False)*

11. List **TWO** sources of monopoly power.

government franchise / government ownership / high set-up costs and natural monopoly / ownership of superior resources / patent and copyright / cartel and integration (or any reasonable answers) (any TWO)

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