

NAME:

I. Market structures. (5 marks)**Document:** A competitive market?**The market for oil**

Crude oil has been refined to make fuels, like petrol and diesel, lubricants, and industrial chemicals since the 1850s. Industrialisation owes its development to oil, and today, the world's two largest companies - **Exxon Mobil**, and **PetroChina** - are oil refiners and distributors. Oil is an essential scarce resource, and there are still no cost-effective alternatives to oil for producing vehicle fuels like petrol and diesel. World sales of oil in 2008 were \$1,600 billion. (*Sources: Oil Daily, 2008, US Congressional Research Service, 2009. FT.Com, 2009.*)

1. What does a perfectly competitive market mean? Describe each condition defining it. (4 marks)

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2. Explain why the oil market is not one. (1 mark)

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II. The equilibrium price of new-build houses (10 marks)

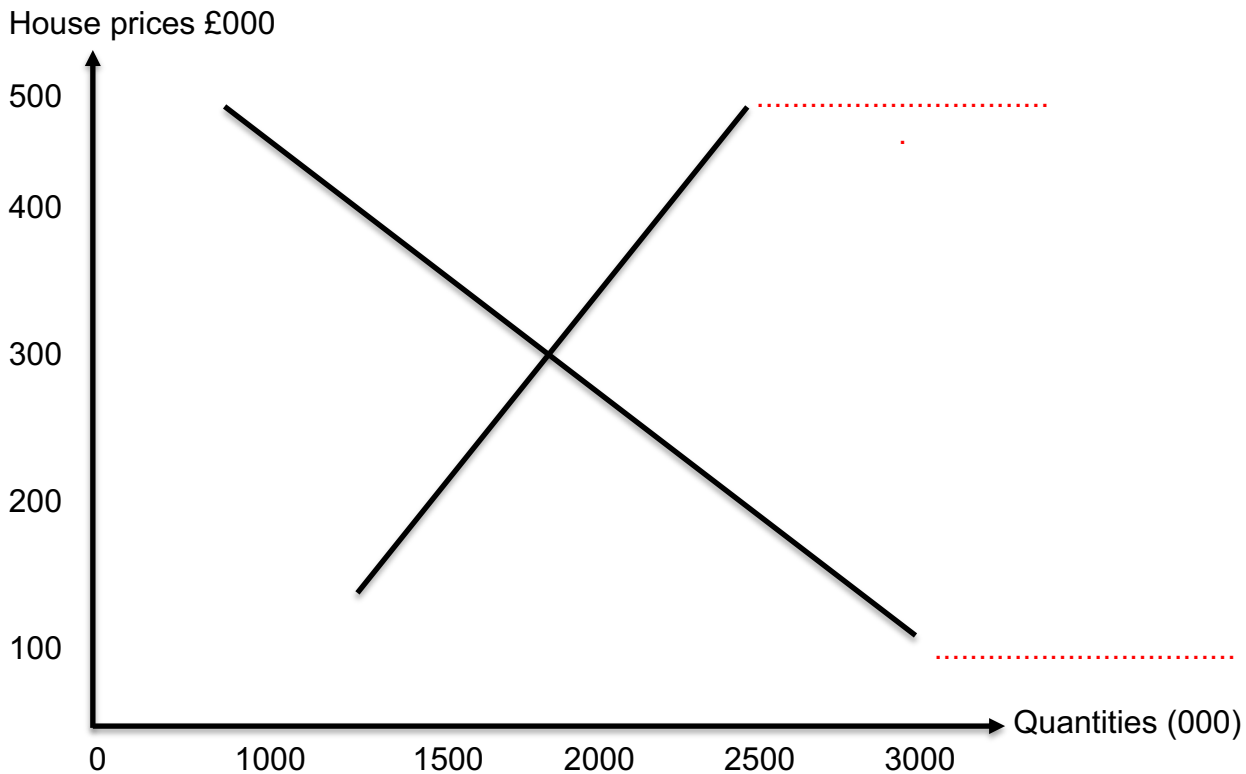
1. Identify the demand curve and the supply curve of new-build houses in the diagram below. Explain the shape of each one. (5 marks)

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2. What does the equilibrium in a competitive market represent? From the diagram determinate the current equilibrium of new-build houses? (2 marks)

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3. Draw in the diagram the likely effect of the government imposing a maximum price of £200,000 for new-build house? Explain this effect. (4 marks)

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4. Draw in the diagram the likely effect of an increase of consumer income. Comment this effect widely and accurately. (4 marks)

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NAME:

1/3 time

II. Market structures. (5 marks)**Document:** A competitive market?**The market for oil**

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2. What does a perfectly competitive market mean? Describe 2 of the four conditions defining it. (4 marks)

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3. Explain why the oil market is not one. (1 mark)

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II. The equilibrium price of new-build houses (10 marks)

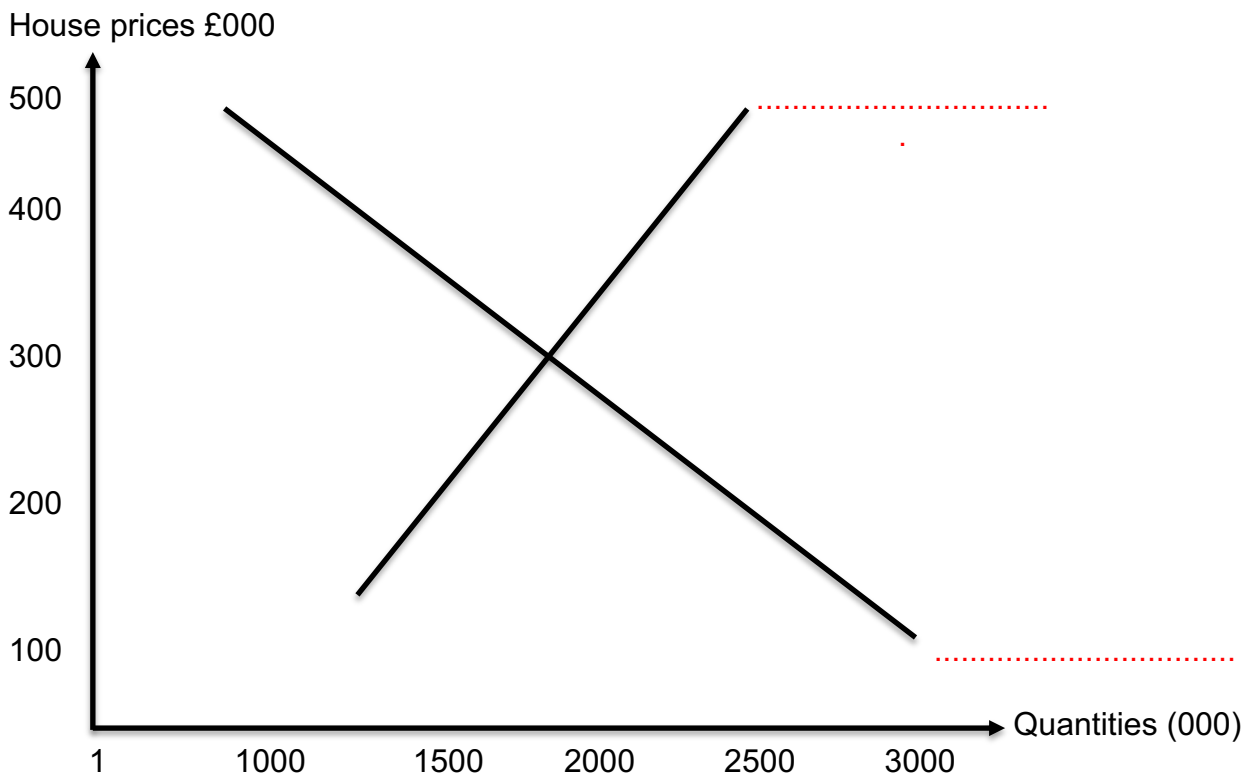
4. Identify the demand curve and the supply curve of new-build houses in the diagram below. Explain the shape of the demand curve. (5 marks)

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2. From the diagram determinate the current equilibrium of new-build houses? (2 marks)

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3. Draw in the diagram the likely effect of the government imposing a maximum price of £200,000 for new-build house? Explain this effect. (4 marks)

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I. Market structures. (5 marks)

1. A perfect competitive market occurs with 4 assumptions:
 - a large number of buyers and sellers: due to their small size no one can influence the price market, they are price taker;
 - a similar product: only the price can distinguish the products
 - perfect information: everybody must equally have all information on what happens in the market
 - no-entry barriers: buyers and sellers can leave / enter freely / easily in the market.
2. Only the two largest companies are present in the market of oil whereas a competitive market involves a large number of producers as well as a large number of consumers.

II. The equilibrium price of new-build houses (10 marks)

1. Identify the demand curve and the supply curve of new-build houses in the diagram below. Explain the shape of each one. (5 marks)

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2. What does the equilibrium in a competitive market represent? From the diagram determinate the current equilibrium of new-build houses? (2 marks)

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