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Level: Edexcel IGCSE Economics (4EC1)

Subject: Economics

Topic: IGCSE Economics

Type: Mark Scheme

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Economics Edexcel IGCSE
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ECONOMICS

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****Answer 1:****

A is correct as it reflects the primary objective of a firm in a competitive market, which is to increase market share by lowering prices.

B is incorrect because maximizing customer satisfaction at the expense of profit is not typically a primary objective in a competitive market.

C is incorrect because while minimizing competition through high barriers to entry is a strategy, it is not the main objective in a competitive market where firms seek to increase market share.

D is incorrect because maintaining a stable market share without altering prices does not directly address the goal of increasing market share.

****Answer 2:****

C is correct because monopolistic competition is characterized by many firms selling similar but not identical products.

A is incorrect as it describes a monopoly, not monopolistic competition.

B is incorrect because in monopolistic competition, products are not identical but differentiated.

D is incorrect as a single large firm with significant control over prices describes a monopoly, not monopolistic competition.

****Answer 3:****

B is correct as, in a perfectly competitive market, products are homogeneous, meaning they are identical across firms.

A is incorrect because products are not differentiated in perfect competition.

C is incorrect because prices are typically lower in a perfectly competitive market compared to monopoly markets.

D is incorrect as government price controls are not a characteristic of perfect competition.

****Answer 4:****

B is correct because high start-up costs can act as a barrier to entry, preventing new firms from entering the market.

A is incorrect as low consumer demand would not be a barrier but a market condition affecting potential entry.

C is incorrect because a high level of competition does not directly act as a barrier but reflects the market's competitive nature.

D is incorrect because low market share does not prevent new firms from entering the market.

****Answer 5:****

C is correct because increasing market share in a competitive market can lead to increased market power, potentially allowing for higher prices.

A is incorrect because increasing market share can lead to greater market power, not necessarily a decrease.

B is incorrect because increased market share does not always guarantee higher profitability; it depends on various factors including cost and pricing strategies.

D is incorrect because a decrease in production cost is not an immediate outcome of increasing market share.

****Answer 6:****

B is correct as advertising helps differentiate a firm's products from competitors', making them more appealing to consumers.

A is incorrect because advertising does not guarantee equal market shares among firms.

C is incorrect because advertising often encourages innovation rather than reducing the need for it.

D is incorrect because advertising does not impact consumer incomes directly.

****Answer 7:****

B is correct as price competition often leads to lower prices and reduced profit margins among firms.

A is incorrect because price competition typically results in lower profit margins, not higher.

C is incorrect because price competition increases the need for marketing strategies to differentiate products.

D is incorrect as price competition does not guarantee a monopoly outcome.

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****Answer 8:****

B is correct because non-price competition focuses on enhancing product differentiation and building brand loyalty, rather than competing solely on price.

A is incorrect because avoiding government regulations is not the primary reason for non-price competition.

C is incorrect because reducing the number of competitors is not typically the aim of non-price competition.

D is incorrect because non-price competition does not focus on increasing prices but rather on differentiating products.



****Answer 9:****

B is correct because an oligopoly is characterized by few firms having significant market control.

A is incorrect because having many firms with no market power describes a competitive market, not an oligopoly.

C is incorrect because oligopolistic markets often involve differentiated products.

D is incorrect because entry and exit barriers are typically high in oligopolistic markets.

****Answer 10:****

C is correct because in an oligopolistic market, firms often respond to a competitor's price cut by also reducing their prices to remain competitive.

A is incorrect as ignoring the price cut would not be a typical response in an oligopoly where firms are interdependent.

B is incorrect because increasing prices would not be a typical response to a competitor's price cut.

D is incorrect because exiting the market is an extreme response and not a usual reaction to a price cut.