

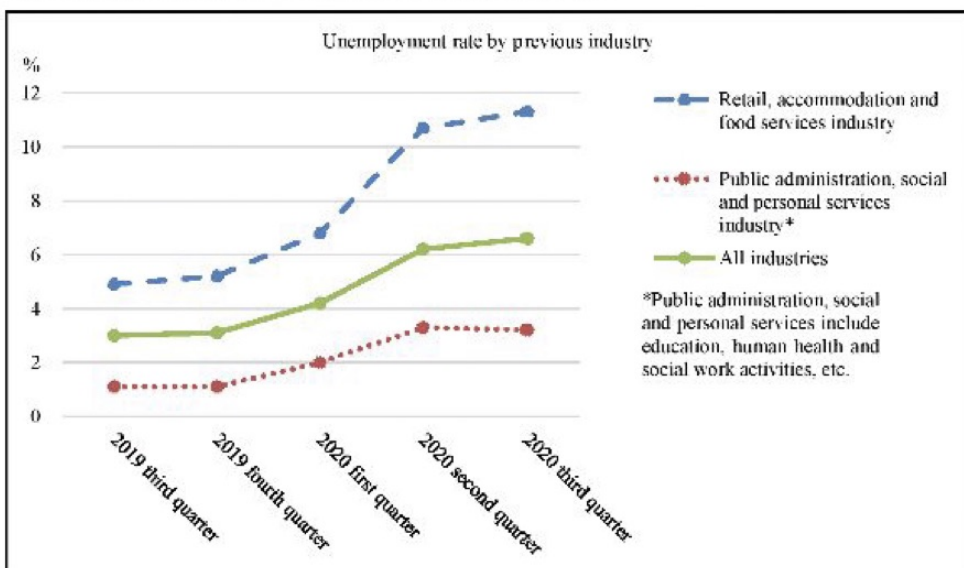
19. Clothing retail market can be classified as monopolistic competition. Which of the following statements about clothing retail market are correct?

- (1) The retailers engage in both price and non-price competitions.
- (2) There are a few dominant sellers in the market.
- (3) There is imperfect information about the quality of clothing in the market.
- (4) The entry and exit of retailers are restricted.

- A. (1) and (3) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (2) and (4) only

11. The Government launched the Consumption Voucher Scheme in 2021 to relieve the impact of COVID-19 on the Hong Kong economy.

Source A: Statistical data about unemployment rate in Hong Kong



Source B: An extract of information about the Consumption Voucher Scheme

All Hong Kong permanent residents and new arrivals aged 18 or above, who comply with the 'residing in Hong Kong' requirement, could register to receive electronic consumption vouchers with a total value of \$5 000 by instalments.

Source C: Information about the four designated stored value facilities to receive the \$5 000 consumption vouchers by instalments

	AlipayHK	Octopus	Tap & Go	WeChat Pay HK
Public transportation with the above payment facilities installed	MTR, bus, mini bus and ferry	MTR, bus, mini bus and ferry	Bus and mini bus	None
Promotions to consumption voucher users	5 e-coupons	First 2 million registered customers enjoy \$18 of stored value	\$50 awarded when using virtual Tap & Go Unionpay card for the first transaction with an amount equal to or larger than \$50	e-coupons

Source D: Some reminders for the Consumption Voucher Scheme

- Consumption vouchers cannot be used in transactions such as payments to the government (e.g. tax), public utilities (e.g. electricity charges), purchase of financial products (e.g. insurance), and direct purchase from merchants located outside Hong Kong.
- There are deadlines for using consumption vouchers.

Source E: Some views on the Consumption Voucher Scheme in Hong Kong

<p>A housewife</p>	<p>I have spent more than \$5 000 as there are e-coupons from the stored value facility provider. A lot of promotions in large retail chains and malls have also tempted me to consume!</p>
<p>A former chef in a restaurant</p>	<p>I have been laid off and have stayed home for months. No one knows when the travellers would be back. I hope that the Consumption Voucher Scheme will bring more local people to spend on food and beverage and the whole industry can survive the pandemic. Otherwise, many workers will be forced to leave the industry.</p>
<p>A doctor working in a public hospital</p>	<p>Resources should be allocated to the medical sector, instead of giving everyone an equal amount under the Consumption Voucher Scheme. The public hospitals lacked space, manpower and equipment even before the pandemic. Start building new hospitals earlier so that more lives could be saved.</p>

- (a) Refer to Source A.
- (i) In which phase of business cycle the Hong Kong economy most likely was? Apart from the change in unemployment rate, list **ONE** other economic phenomenon of this phase. (2 marks)
- (ii) Why did the unemployment rate of retail, accommodation and food services industry increase faster than that of public administration, social and personal services industry during the pandemic? (2 marks)
- (b) Refer to Source B. Would the \$5 000 distributed under the Consumption Voucher Scheme be included in the calculation of government consumption expenditure? Explain your answer. (2 marks)
- (c) Based on the information given in Source C, explain with **TWO** reasons why the market of stored value facilities in Hong Kong is **NOT** perfectly competitive. (4 marks)

SECTION 5: MARKET STRUCTURE

5.1 PERFECT COMPETITION

Multiple Choice Questions

1994/CE/II/29

Competition in the market will tend to be imperfect when

- (1) customers favour brand names.
 - (2) there are differentiated products.
 - (3) there is free entry into the market.
 - (4) there are numerous sellers.
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (4) only
D. (3) and (4) only

2000/CE/II/26

Private doctors in Hong Kong charge different price for their medical services. This is because

- A. people do not have sufficient knowledge of their illnesses.
- B. there are many doctors in the market.
- C. the private doctor's service are different.
- D. there are entry barriers to become a doctor.

2002/CE/II/23

Which of the following is a general feature of a perfectly competitive market?

- A. Market information is imperfect.
- B. There is non-price competition.
- C. There is only one price prevailing in the market.
- D. None of the above is a correct answer.

2008/CE/II/24

Which of the following is a feature/are features of a perfectly competitive market?

- A. There is freedom of entry and exit of firms.
- B. The market price of the product is stable.
- C. Sellers use non-price competitions to attract consumers.
- D. All of the above are correct.

Short & Structured Questions

1992/CE/I/1(a)

Suggest **TWO** reasons why the taxi service provided for passengers in Hong Kong is not perfectly competitive. (6 marks)

1995/CE/I/4

Give **TWO** reasons to explain why the laser disc rental shops in Hong Kong are **NOT** operating under perfect competition. (4 marks)

2003/CE/I/4

Give **TWO** characteristics of the market structure under perfect competition. (2 marks)

2004/CE/I/10(d)

Based on the information given in the following advertisements, give **TWO** reasons to explain why the travel agencies industry in Hong Kong is not perfectly competitive. (4 marks)

ABC Travel Ltd. Japan 5-day Deluxe Tour Tokyo (including a ticket for Disneyland) 5 Star Hotels Special Offer : \$5,999	XYZ Travel Ltd. Japan 5-day Leisure Tour Tokyo 4 Star Hotels Special Offer : \$3,999
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2006/CE/I/9(b)

Cosmetics is one of the favourite consumer goods bought by these tourists. There are many retail shops selling cosmetics in Hong Kong. There is keen competition among these shops.

Give **TWO** reasons to explain why the market structure of these retail shops is **NOT** perfect competition. (4 marks)

2007/CE/I/8(c)

Many university students work as part-time private tutors in their spare time. Give **TWO** reasons to explain why the market structure of private tuition in Hong Kong is **NOT** perfect competition. (4 marks)

2013/DSE/II/1

In Hong Kong, there are many travel agencies providing tour groups and booking services for air tickets. Give **TWO** reasons to explain why the market structure of travel agencies in Hong Kong is **NOT** perfect competition. (4 marks)

2018/DSE/II/12(a)

Tourism is one of the 'pillar industries' in Hong Kong.

Source 1: search result from a hotel booking website

Hotel A Tsim Sha Tsui East, Kowloon	☆☆☆☆ 30 square metres 2 Twin Beds	Free cancellation	Book now! HK\$2 100 OR RMB¥1 750
Hotel B Tsim Sha Tsui East, Kowloon	☆☆☆☆ 32 square metres 2 Twin Beds Free WIFI	Non-refundable	Book now! HK\$2 040 OR RMB¥1 700

With reference to Source 1, give **TWO** reasons to explain why the market structure of Hong Kong's hotel industry is **NOT** perfectly competitive. (4 marks)

1998/CE/1/10(c)

Personal computers of the same type are sold in many shops in Hong Kong at slightly different prices.

- (i) Explain with an example why there is such a price difference. (2 marks)
- (ii) Identify the market structure of these shops. (1 mark)

2001/CE/1/4

Cans of Coca-Cola are sold at different prices in different shops. Give **TWO** reasons why there is such a price difference. (4 marks)

2009/CE/1/11(c)(ii)

Identical bottles of red wine are sold in different shops at different prices. Give **TWO** reasons to explain why there is such a price difference. (4 marks)

2015/DSE/11/9(c)

The price of a cup of Espresso in McCafé is lower than that in Starbucks. Suggest **TWO** possible reasons to explain why there is such a price difference. (4 marks)

2021/DSE/11/4

Give **TWO** reasons to explain why the smartphone market is **NOT** perfectly competitive.

MARKING SCHEME

1994/CE/1/29
A

2000/CE/11/26
C

2002/CE/11/23
C

2008/CE/11/24
A (52%)

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

1992/CE/1/1(a)

- heterogeneous service, e.g. 4-seaters and 5-seaters
- entry is not free, no. of licences is regulated by the government
- drivers and customers may not have perfect knowledge of the market, e.g. while some customers are waiting for taxis, some taxi drivers are looking for customers somewhere else

(3@, max: 6)

[Mere listing of points without elaboration – max. 2 marks. Mark the **FIRST TWO** points only.]

1995/CE/1/4

- different services or heterogeneous product, e.g. different discs in different shops
- imperfect information, e.g. customers may not know well the service of other shops
- existence of non-price competition, e.g. free gifts

(2@, max: 4)

[Mark the **FIRST TWO** points only.]

2003/CE/1/4

- many sellers
- all firms are price-takers
- homogeneous product
- perfect information
- free entry and exit

(1@, max: 2)

[Mark the **FIRST TWO** points only.]

2004/CE/1/10(d)

- differentiated products: different services for the 5-day package (2)
- under competition there are different prices (fees) (2)

[Remark: Mark the **FIRST TWO** reasons only.]

2006/CE/1/9(b)

- differentiated products, e.g. different service provided by different shops, ...
- different prices / price searching, e.g. different discounts to different customers, ...
- imperfect information, e.g. customers do not know the prices of different shops, ...
- non-price competition, e.g., gifts given by some shops to their customers, ...

(2@, max: 4)

[Mark the **FIRST TWO** points only.]

2007/CE/1/8(c)

- different prices, e.g. not the same tuition fee
- heterogeneous products, e.g. different quality of teaching
- non-price competition, e.g. advertising in supermarkets
- imperfect information, e.g. one may not know who can teach well

(2@, max: 4)

[Mark the **FIRST TWO** points only.]

2013/DSE/II/1

- sellers provide heterogeneous services, e.g. different tour groups.
- market information is imperfect, e.g. information about routes and services.
- sellers engage in both price and non-price competition, e.g. advertisements.

(2@, max: 4)

[Mark the **FIRST TWO** points only.]

2018/DSE/II/12(a)

- sellers provide heterogeneous services, e.g., rooms with different size / features
- market information is imperfect, e.g., information about the quality of services.
- price searcher / under competition there are different prices, e.g., different hotels charge different room rates for similar rooms.

(2@, max: 4)

[Mark the **FIRST TWO** points only.]

1998/CE/II/10(c)

- (i) An appropriate example to illustrate differentiated products or services / imperfect information / different costs of production e.g. different after-sale maintenance services (2)
- (ii) Monopolistic competition (1)

2001/CE/II/4

- different products: different services, e.g. some shops sell cans of Coca-Cola 24 hours a day
- imperfect information: e.g. about the prices of the product sold in other shops; about the availability of other nearby shops selling the product, etc.
- different costs: different rents paid by different shops; discounted cost due to bulk purchase at the wholesale level, etc.

(2@, max: 4)

[Mark the **FIRST TWO** points only.]

2009/CE/II/11(c)(ii)

- different services, e.g., only some shops provide the delivery service
- imperfect information, e.g., customers do not know which shops sell at a lower price
- different production cost, e.g., different rental payments

(2@, max: 4)

[Mark the **FIRST TWO** points only.]

2015/DSE/II/9(c)

- lower-quality coffee
- lower production cost
- less pleasant environment
- less attractive brand name

(2@, max: 4)

[Mark the **FIRST TWO** points only.]

2021/DSE/II/4

Reasons:

- There are a few dominant sellers with many small sellers but not many small sellers.
- Heterogeneous products but not homogeneous products are sold in the market.
- Both buyers and sellers have imperfect information.
- Both price and non-price competitions exists.
- Both buyers and sellers are price searchers.
- Any other relevant point

[Mark the **FIRST TWO** points only.]

4.8 IMPERFECT COMPETITION

Multiple Choice Questions

1990/CE/II/16

China Light and Power Co. Ltd. is a _____ under _____.

- A. public enterprise monopoly
- B. public company monopoly
- C. public corporation oligopoly
- D. public utility oligopoly

1991/CE/II/27

The reasons for classifying the video-renting industry in Hong Kong as monopolistic competition are:

- (1) The entry and exit of firms are restricted.
- (2) The firms engage in non-price competition.
- (3) The services of the firms are not homogenous.
- (4) The firms charge the same price.

- A. (1) and (2) only
- B. (1) and (4) only
- C. (2) and (3) only
- D. (3) and (4) only

1992/CE/II/29

The market structure of gasoline supply in Hong Kong is best classified as

- A. perfect competition
- B. monopolistic competition
- C. oligopoly
- D. monopoly

1993/CE/II/30

In economics, which of the following statements about 'market' is correct?

- A. All buyers and sellers must meet at a physical location for transactions to take place.
- B. Under monopolistic competition, the entry of firms is restricted.
- C. Firms in an oligopolistic market compete in price only.
- D. A perfectly competitive firm cannot influence the market price by itself.

1995/CE/II/29

Which of the following is a general feature of oligopoly?

- A. There is perfect information.
- B. There is price competition only.
- C. There is free entry.
- D. There are only a few sellers who can dominate the market.

1996/CE/II/25

Newspapers in Hong Kong competed among themselves by cutting prices in 1995. This implies that

- A. the total revenue of a newspaper will increase if its demand is inelastic.
- B. the profit of a newspaper will increase if its demand is elastic.
- C. total revenue in the magazine industry will increase because newspaper and magazines are in competitive demand.
- D. the market structure of newspapers is not perfect competition.

1997/CE/II/59

With a number of new firms entering the market of mobile phone services, which of the following would LEAST likely occur?

- A. The price of mobile phone services would decrease
- B. The market share occupied by existing firms would decrease
- C. Firms would engage more in non-price competition
- D. The market would become a perfectly competitive one

1998/CE/II/22

The market structure of the newspaper publishers in Hong Kong is

- A. perfect competition because a particular newspaper is sold at the same price at different places.
- B. monopolistic competition because there are many newspaper stalls.
- C. oligopoly because only a few newspapers have leading market shares.
- D. monopoly because there is no close substitute when the consumer has formed the habit of reading a particular newspaper.

1999/CE/II/23

Before 1999, the international direct dialing service (IDD) in Hong Kong was solely provided by Hong Kong Telecom. Now several other companies also provide this service. As a result, the market structure for IDD has changed from _____ to _____

- A. monopoly perfect competition
- B. monopoly oligopoly
- C. oligopoly monopolistic competition
- D. monopolistic competition perfect competition

2003/CE/II/49

In Hong Kong, free television broadcasting is provided by Television Broadcasts Limited (TVB) and Asia Television Limited (ATV). Which of the following is **NOT** correct?

These two companies

- A. are oligopolists.
- B. operate under franchise.
- C. broadcast television programmes which are economic goods.
- D. engage in non-price competition only.

2004/CE/II/25

The market structure of petroleum companies (e.g. Esso, Caltex) in Hong Kong could be regarded as oligopolistic because

- A. in making decisions these companies have to consider the reactions of other dominant companies in the industry.
- B. the total sales revenue of the market is equally shared by these companies.
- C. these companies are selling homogeneous products.
- D. the information about their products can be obtained at zero cost.

2006/CE/II/24

A market can be regarded as an oligopoly when

- A. information in the market is not perfect.
- B. a few sellers have a significantly larger market share than the others.
- C. the products sold in the market are daily necessities.
- D. the government controls the entry of sellers into the market.

2009/CE/II/25

The market structure of pay TV services (such as New TV and Cable TV) in Hong Kong is classified as

- A. monopoly.
- B. oligopoly.
- C. monopolistic competition.
- D. perfect competition.

2010/CE/II/25

The market structure of Internet service providers (e. g. PCCW and i-Cable) could be regarded as _____ and one feature of this market structure is that _____

- A. monopolistic competition there is imperfect information about their services
- B. monopolistic competition they engage in both price and non-price competition
- C. oligopoly their services are homogeneous
- D. oligopoly they will consider the response of other providers when making decisions

2014/DSE/II/17

The table below shows the distribution of market share of supermarkets in Hong Kong in 2012.

Name	Market share (%)
Wellcome	39.8
Parkshop	33.1
Vanguard	7.8
Others	19.3
Total	100

From the above table, we can conclude that the market of supermarkets in Hong Kong is an example of _____ because _____

- A. oligopoly sellers are interdependent in their marketing strategies
- B. oligopoly a few major sellers are in control of the total sales of the market
- C. monopolistic competition sellers can affect the market price as their products are heterogeneous from the consumers' viewpoint
- D. monopolistic competition there are many sellers adopting non-price competition in the market

2015/DSE/II/20

Which of the following statements about the theme park industry in Hong Kong is correct?

- A. Hong Kong Disneyland is a monopolist because its average cost of production drops when there are more tourists.
- B. Hong Kong Disneyland guarantees a profit because it is protected by the government.
- C. Hong Kong Disneyland and Ocean Park Hong Kong have no competition with each other as tourists may go to both theme parks.
- D. Hong Kong Disneyland and Ocean Park Hong Kong are interdependent in their marketing strategies.

2017/DSE/1/19

Which of the following statements about monopolistic competition are correct?

- (1) There can be a few or many buyers and sellers in the market.
 - (2) The sellers are price searchers.
 - (3) The goods and services provided by the sellers are homogeneous.
 - (4) There are free entry and exit in the market.
- A. (1) and (3) only
B. (1) and (4) only
C. (2) and (3) only
D. (2) and (4) only

2018/DSE/1/21

Sony's PS4 was responsible for \$17.8 billion of sales value, or 51% share of the global console hardware market, compared with Microsoft's Xbox One at \$9.1 billion of sales value or a 26% market share. Nintendo's 3DS platform (and its variants, such as the 2DS) was a distant third on the list with \$2.6 billion of sales value or 8% share of the market.

The market structure of the above global console hardware market is oligopoly. This statement is

- A. correct because the companies sell heterogeneous goods in the market.
B. correct because there are a few dominating companies in the market.
C. incorrect because the PS4 was only responsible for 51% of the market.
D. incorrect because there are a lot of sellers in the global market.

1992/CE/II/56

Which of the following is **NOT** a reason why there is only one firm supplying coal gas in Hong Kong?

- A. The firm is granted a franchise by the Hong Kong government.
B. The firm enjoys economies of scale in production.
C. It is costly for a new firm to construct a new underground pipeline network.
D. It is difficult for a new firm to capture a sufficient share of the market.

1993/CE/II/22

Which of the following statements about a monopolist is true?

- A. It has a high set-up cost.
B. It sells only one type of product.
C. It is regulated by the government.
D. There are no close substitutes of its product.

1994/CE/II/30

Which of the following statements about China Light and Power Company Limited is correct?

- A. It is an oligopoly because there are two competing electricity companies in Hong Kong.
B. It is an oligopoly because there will be a new nuclear power station in Daya Bay.
C. It is a natural monopoly because it enjoys economies of scale.
D. It is a franchised monopoly because the government grants an exclusive right for its running.

1996/CE/II/58

Which of the following is **NOT** a difference between monopoly and perfect competition?

- A. Advertisements are found in monopoly but not in perfect competition.
B. Firms are free to enter a perfectly competitive market but not a monopoly.
C. A monopolist can influence the market price while a competitive firm cannot.
D. Monopolists make greater profits than perfectly competitive firms.

2000/CE/II/25

Which of the following about a monopoly is correct?

- A. Its product has no substitutes as it is the only seller of the product of the kind.
B. A monopolist still faces non-price competition.
C. A monopolist can increase the price without losing any customers.
D. Any business granted a franchise by the government is a monopoly.

2001/CE/II/24

Many people say that the MTR Corporation Limited is a monopolist. Which of the following about the company is correct?

- A. The demand for its product is perfectly inelastic.
B. It still has to face competition.
C. It does not need to advertise its product.
D. It is sure to make profits as it is the only supplier.

2005/CE/II/25

Which of the following descriptions about monopoly is correct?

- A. A monopolist must possess a franchise to run the business.
B. A monopolist faces no competition.
C. A monopolist may incur losses.
D. A monopolist sells only one product.

2007/CE/II/25

The Airport Express is the only railway service carrying passengers to the airport in Hong Kong. Which of the following statements about the Airport Express is correct?

- A. It would surely make a profit since it is the sole supplier of airport railway services.
B. It does not need to promote its business through advertising.
C. It can increase its price without losing any customers.
D. It has to face competition in the market from other transport services to the airport.

2008/CE/II/25

The market structure of the electricity supply on Hong Kong Island is regarded as a/an

- A. monopoly because the government controls the entry of suppliers in the market.
B. oligopoly because there are two electricity companies in Hong Kong.
C. monopoly because there is only one supplier.
D. oligopoly because the supplier is a price searcher.

2012/DSE/1/18

If a firm is a monopolist in a market,

- A. its monopoly power may come from the government.
B. its return will be positive.
C. it faces no competition.
D. it bears no risk.

2013/DSE/1/17

The market structure of the electric power industry in Hong Kong is

- A. an oligopoly because there are two dominating companies in the market.
- B. an oligopoly because the pricing strategies of the companies are interdependent.
- C. a monopoly because the companies can increase the price without losing customers.
- D. a monopoly because there is only one electric company providing electricity in any district.

2016/DSE/1/20

Which of the following statements about monopoly are correct?

- (1) A monopolist sets the market price.
 - (2) A natural monopoly arises when no firms are permitted to enter the market.
 - (3) There are substitutes for the products provided by a monopolist.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1),(2) and (3)

Short & Structured Questions

1990/CE/1/2(c)

The banking industry of Hong Kong can be classified as oligopolistic. Give **TWO** characteristics of the industry which match this classification. (6 marks)

1991/CE/1/2(c)

The Hong Kong Oxygen and Acetylene Co. Ltd. (香港氧氣有限公司) is the only firm in Hong Kong supplying gases for medical uses.

- (i) To which type of market structure does this firm belong? (1 mark)
- (ii) Give **TWO** reasons to explain why the market structure of oxygen supply has not changed over the years. (6 marks)

1993/CE/1/3(b)

Give **TWO** economic reasons to explain why it is not desirable to have more than one firm supplying the underground railway service in Hong Kong (6 marks)

1996/CE/1/5

What is the market structure of shops selling sports shoes in Hong Kong? List **THREE** ways of competition among firms under this market structure. (4 marks)

2019/DSE/1/18

Which of the following statements about a perfectly competitive market are correct?

- (1) Firms cannot survive if they ask a price higher than the market price.
 - (2) There is no entry barrier to the market.
 - (3) The profit-maximising condition of the firms is that price equals marginal cost.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

2021/DSE/1/09

Based on the information in the above diagram, we can conclude that the market structure of online food delivery sector in China in 2017 could be regarded as _____ because _____.

- A. monopolistic competition ... market information about the food delivery services was imperfect
- B. monopolistic competition ... there were price and non-price competitions among the service providers
- C. oligopoly ... service providers considered the reactions of other major providers in making decisions
- D. oligopoly ... a few service providers had significantly larger market shares than others

1997/CE/1/5

Amy wishes to apply for a home mortgage loan from a bank and has collected the following information from a number of banks:

Name of Bank	Lending interest rate (% p.a.)	Maximum repayment period
A	10.00	15 years
B	9.50	15 years
C	9.25	20 years
D	8.50	25 years
E	9.00	25 years

- (a) What is the market structure of home mortgage loans? (1 mark)
- (b) State **TWO** characteristics of this type of market structure which are illustrated in the above table. (2 marks)
- (c) State **TWO** other characteristics of this type of market structure. (2 marks)

1999/CE/1/9(d)

Give **TWO** features of the market structure of supermarkets in Hong Kong. (2 marks)

2000/CE/1/9(c)

What is the market structure of petroleum companies (e.g. Shell, Mobil) in Hong Kong? Explain your answer. (3 marks)

2002/CE/1/5

State **THREE** features of the market structure of stores selling computer hardware in the Golden Computer Centre (高登電腦中心). (3 marks)

2005/CE/1/3(b)

The following Hong Kong stock market information is extracted from a newspaper on a certain day.

Code	Telecommunication Company	Closing price of shares (\$)
0331	China Resources Peoples	0.290
0315	Smartone	8.700
0008	PCCW	4.925

To what type of market structure does the telecommunication industry of Hong Kong belong? State **THREE** features of this type of market structure. (4 marks)

2008/CE/1/3

Nokia, Samsung and Motorola all manufacture mobile phones. What is the market structure of mobile phone manufacturers? State **THREE** features of this type of market structure. (4 marks)

2010/CE/1/4

What is the market structure of mobile phone retailing shops in Hong Kong? State **THREE** features of this type of market structure. (4 marks)

2012/DSE/11/2(a)

Most private housing is constructed by several major property developers in Hong Kong. State the market structure of the private housing market and list **TWO** features of such kind of market structure. (3 marks)

2014/DSE/11/2(c)

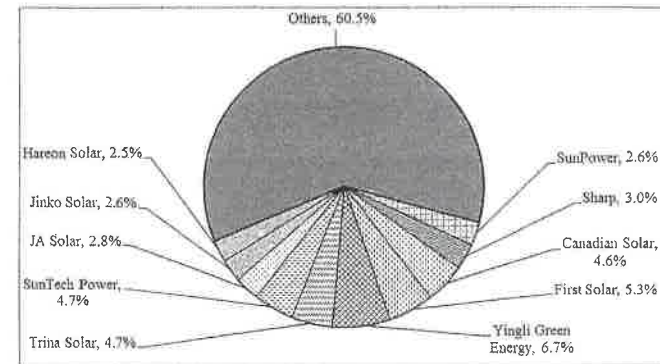
Ah Wing runs a store selling mobile phone accessories in Mong Kok.

Identify the market structure of mobile phone accessories retailers in Hong Kong. Give **TWO** reasons to support your answer. (3 marks)

2016/DSE/11/10(a)

Solar energy becomes an increasingly important energy source in the sunny western provinces, like Gansu and Xinjiang, in China.

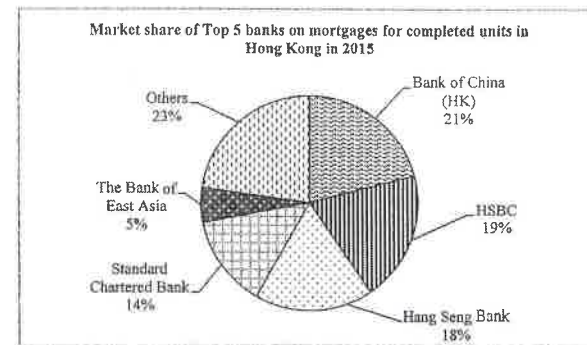
The diagram below shows the market shares of Top 10 solar photovoltaic (PV) module manufacturers in 2012.



What was the market structure of the above solar PV module market? List **TWO** features of this market structure. (3 marks)

2017/DSE/11/3

Refer to the following chart.



What was the market structure of the above market in 2015? List **TWO** features of this market structure. (3 marks)

MARKING SCHEME

1990/CE/II/16 B	1997/CE/II/59 D	2009/CE/II/25 B (81%)	1992/CE/II/56 A	2005/CE/II/25 C (39%)
1991/CE/II/27 C	1998/CE/II/22 C	2010/CE/II/25 D (65%)	1993/CE/II/22 D	2007/CE/II/25 D (83%)
1992/CE/II/29 C	1999/CE/II/23 B	2014/DSE/I/17 B (80%)	1994/CE/II/30 C	2008/CE/II/25 C (55%)
1993/CE/II/30 D	2003/CE/II/49 D (39%)	2015/DSE/I/20 D (88%)	1996/CE/II/58 D	2012/DSE/I/18 A (75%)
1995/CE/II/29 D	2004/CE/II/25 A (58%)	2017/DSE/I/19 D (70%)	2000/CE/II/25 B	2013/DSE/I/17 D (40%)
1996/CE/II/25 D	2006/CE/II/24 B (71%)	2018/DSE/I/21 B (86%)	2001/CE/II/24 B	2016/DSE/I/20 B (26%)
2019DSE/I/18 D	2021/DSE/I/09 D			

1990/CE/II/2(c)
- a few dominating banks in the market
- high degree of interdependence
- restricted entry
- differentiated services
- non-price competition e.g. advertising
[Mark the first 2 points only. Mere mention of points without elaboration on Hong Kong's situation -- max 2 marks] (3@, max: 6)

1991/CE/II/2(c)
(i) Monopoly (1)
(ii) Explanation of two sources of monopoly power:
- natural monopoly (i.e. high set-up cost and economies of scale)
- potential entrants find it difficult to capture a large market share
- limited market size
[Mark the **FIRST TWO** points only.] (3@, max: 6)

1993/CE/II/3(b)
- natural monopoly, e.g. economies of scale
- insufficient demand to support more than one MTR
- duplication of tunnels etc. means wastage
[Mere listing of points without elaboration -- max: 2 marks. Mark the **FIRST TWO** points only.] (3@, max: 6)

1996/CE/II/5
Monopolistic competition (1)
Any three kinds of price or non-price competition:
- price competition (i.e. discounts)
- gifts given by some shops to their customers
- advertising and branding
- differentiated service (e.g. accepting different membership cards)
[Mark the **FIRST THREE** points only.] (1@, max: 3)

1997/CE/II/5 (a) Oligopoly / Monopolistic competition	(1)
(b) - price competition - differentiated products	(1) (1)
(c) <u>Monopolistic competition</u> : - many sellers - other forms of non-price competition - free entry - imperfect information OR <u>Oligopoly</u> : - a few dominating firms - interdependency among competing firms or rivalry - other forms of non-price competition - imperfect information - entry barriers [Mark the FIRST TWO points only.] [Either monopolistic competition or oligopoly which must match with (a)]	(1@, max: 2)
1998/CE/II/10(c)(ii) Monopolistic competition	(1)
1999/CE/II/9(d) - a number of sellers / a few dominating firms - interdependency - free entry and exit - differentiated products - imperfect information - non-price competition [Mark the FIRST TWO points only.]	(1@, max: 2)
2000/CE/II/9(c) Oligopoly. - a few dominating firms - interdependence - non-price competition - price leadership	(1) (1@, max: 2)
2002/CE/II/5 - many sellers - differentiated products - easy entry / exit - imperfect information - price competition - non-price competition [Mark the FIRST THREE points only.]	(1@, max: 3)

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2005/CE/I/3(b)
Oligopoly (1)
- a few dominating sellers
- interdependency
- non-price competition
- heterogeneous product
- entry barriers
- imperfect information
- price competition (1@, max: 3)
[Mark the **FIRST THREE** features only.]

2008/CE/I/3
Oligopoly (1)
- a few dominating firms
- price searcher
- interdependence of policies
- product can be heterogeneous
- non-price competition
- not easy to enter the industry
- imperfect information (1@, max: 3)*
[Mark the **FIRST THREE** points only.]
[*Remark: Do not mark this part of the answer if the candidate gave a wrong answer such as monopolistic competition to the first part of the answer]

2010/CE/I/4
Monopolistic competition (1)
- many sellers
- free / easy entry (and exit)
- heterogeneous / differentiated products
- imperfect market information
- non-price competition
- price searcher (1@, max: 3)*
[Mark the **FIRST THREE** features only.]
[*Remark: No mark will be awarded to this part if the type of market structure is wrongly identified]

2012/DSE/II/1 2(a)
Oligopoly (1)
- a few dominating firms
- price searcher
- interdependence of pricing policies
- product can be heterogeneous
- non-price competition
- not easy to enter the industry
- imperfect information (1@, max: 3)
[Mark the **FIRST TWO** points only.]

2014/DSE/II/2(c)
Monopolistic competition (1)
Reasons:
- many sellers / no dominant sellers
- sellers selling heterogeneous products
- free entry into the market (1@, max: 2)
[Mark the **FIRST TWO** points only.]

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2016/DSE/II/10(a)
Monopolistic competition (1)
Features:
- many sellers
- price searchers
- (slightly) differentiated products
- non-price competition
- imperfect market information (1@, max: 2)
[Mark the **FIRST TWO** points only.]

2017/DSE/II/3
Oligopoly (1)
Features:
- several dominant firms
- entry barrier
- interdependent pricing strategies
- imperfect market information (1@, max: 2)
[Mark the **FIRST TWO** features only.]