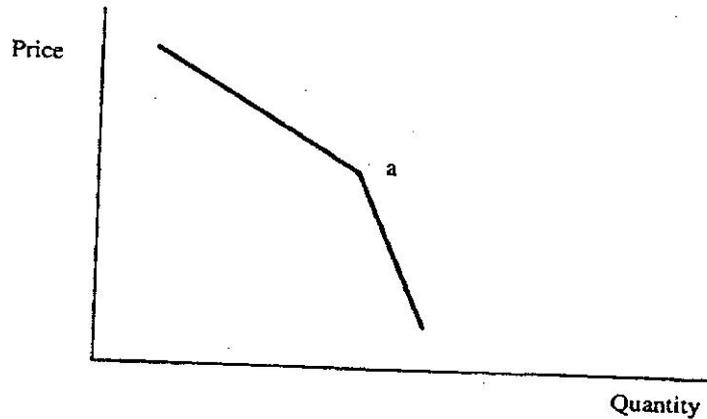


31.2 PAPER 1 (563/1)

Question 6

The diagram below shows a demand curve for a firm operating in a given type of market structure.



- (a) State the name that is given to such a demand curve. (1 mark)
- (b) Indicate on the diagram the equilibrium price and quantity for the firm. (2 marks)
- (c) State the significance of the point labelled (a) on the diagram. (1 mark)

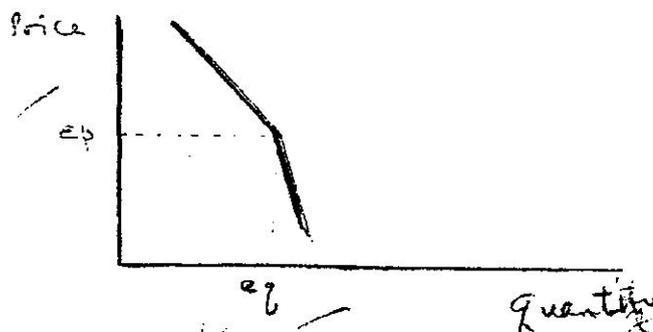
This question was testing the theory of oligopoly as it relates to kinked demand curve.

Weaknesses

The question was not well done as price rigidity is not well understood. More tuition is needed in this area to show why there is price rigidity.

Expected Responses

- a) Kinked demand curve
- b)



- c) Prices will be rigid at this point