

Revision Lecture & RI – Firms and Decisions 2024

10 Year Series Questions on Firms and Decisions

2023

A firm's decisions and strategies are influenced by the level of competition in the industry. Its decisions and strategies might also be affected by consumers' cognitive biases and concerns about the environment.

- (a) Explain why a firm considers the level of competition in the industry when making decisions about the price and output level of its products. [10]
- (b) If markets fail due to a lack of competition, discuss whether consumers will be disadvantaged and what might be the most appropriate form of government intervention. [15]

2022

Economists usually begin their analysis of decision-making by firms by assuming that the objective of a firm is to maximise its profit. In reality, however, there are many different objectives that a firm might adopt.

- a) Explain the likely effects on a firm's price and output when its objective changes from profit maximisation to profit satisficing. [10]
- b) Discuss the most appropriate strategy that a firm could adopt if its objective was to reduce the competition that it faces. [15]

2021

Singapore's telecommunications (telco) market is dominated by four firms - SingTel (32%), StarHub (25%), M1 (22%) and new entrant MyRepublic (15%). Commentators argue that Singapore's telco market might be considered to be an oligopoly.

- a) Explain why Singapore's telco market might be considered to be an oligopoly and how economic theory suggests this market structure would affect the firms' pricing and output decisions. [10]
- b) Discuss how government intervention in Singapore's telco market could protect consumers, and consider the extent to which such intervention will be successful. [15]

2020

Expectations of quick service restaurants (QSRs) or fast food chains are changing. Innovation is required to keep abreast of changing consumer taste and to maintain a competitive advantage in Singapore, a market known for its discernment of food.

- a) Explain how the market structure in which fast food chains operate is likely to influence how prices are determined. [10]
- b) Discuss whether innovation is the best strategy for fast food chains seeking to increase their profits. [15]

2019

According to the Competition and Consumer Commission of Singapore (CCCS), the takeover of Uber by Grab in Singapore has led to 'a substantial lessening of competition'. This has made it harder for new competitors to enter the ride-hailing market.

- a) Explain one reason why consumers might be better off and one reason why consumers might be worse off from Grab's takeover of Uber. [10]
- b) Discuss the potential benefits and problems that are likely to be experienced by new competitors considering entering the ride-hailing market dominated by Grab. [15]

2018 NA

2017

In a small island economy of Singapore, producers face different constraints than those in larger economies.

- a) Explain how firms in Singapore will be affected by constraints, such as having a small domestic market and lack of resources. [10]
- b) Assess which are the appropriate policies that firms and governments could adopt to overcome such constraints. [15]

2016

In Australia, small and remote communities face high and stable prices for petrol. The petrol is supplied by one or two small petrol stations owned by small independent retailers. Prices are lower and more volatile in the large cities, where there are a large number of big petrol stations owned by a small number of big companies.

- a) Explain why less market competition might lead to higher and more stable prices. [10]
- b) Assess whether differences in the level of competition are likely to be the main reason for differences in the retail prices of petrol in rural and urban areas of Australia. [15]

2015

Market dominance is the main factor determining the profitability of firms.

- a) Explain how market dominance can influence a firm's price and output decisions. [10]
- b) Discuss whether government intervention is always needed when a firm dominates the market. [15]

2014

In order for specialization to be beneficial, it must be accompanied by exchange.

- a) Explain how benefits to the economy can arise from specialization and exchange. [10]
- b) Very often these benefits are not fully achieved in domestic and international markets. Discuss the reasons for this. [15]

