



## Microeconomics

1. (a) Explain how the incidence of an indirect tax depends on the price elasticity of demand and the price elasticity of supply. [10]  
(b) Discuss the consequences of imposing an indirect tax on unhealthy food. [15]
  2. (a) Explain why firms may not always pursue the goal of profit maximization. [10]  
(b) In monopoly, economic (abnormal) profit can be earned in both the short run and the long run. Examine the role of barriers to entry in earning economic profit. [15]
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## Microeconomics

1. (a) Market failure can occur when there is asymmetric information, abuse of monopoly power and positive externalities. Explain why any **two** of these represent market failure. [10]  
(b) Evaluate the view that regulations are the most effective government response to the market failure of negative externalities. [15]
  2. (a) Explain the conditions necessary for firms in oligopolistic markets to engage in price discrimination. [10]  
(b) Discuss whether producers in oligopolistic markets should compete or collude. [15]
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## Microeconomics

1. (a) Explain why a government might decide to impose an indirect tax on the consumption of cigarettes. [10]  
(b) Discuss the possible consequences of the imposition of an indirect tax on cigarettes for the different stakeholders in the market. [15]
  2. (a) Explain why a firm in monopolistic competition will make normal profit in the long run. [10]  
(b) Evaluate the view that monopolistic competition is a more efficient market structure than monopoly. [15]
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## Microeconomics

1. (a) Explain how changes in price work to reallocate resources in a market. [10]  
(b) Discuss the view that the overuse of common access resources is best addressed by government. [15]
2. (a) Explain why prices tend to be stable in oligopolistic markets. [10]  
(b) Oligopolists often possess too much monopoly power. Evaluate whether governments should intervene in oligopolistic markets. [15]