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CLASS: SS3 ARTS AND COMMERCIAL

SUBJECT: ECONOMICS

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INSTRUCTION: ANSWER ALL QUESTIONS

1a. Why would a producer

- i. Enter a competitive market: a producer would enter a competitive market if he can make profit. The producer may be certain that his mode of advertisement can generate profit. Therefore he will enter such a market.
- ii. Leave a competitive market: a producer is most likely to leave a competitive market if he is at the losing end in his course of production. If the producer cannot secure eminent advantage in the stated market, he is bound to leave such a market.

1b. In what two (2) ways do consumers benefit from perfect competition?

- i. Perfect competition enables a consumer to benefit from lower prices. Producers lower the prices of goods and services so as to obtain more demand and profit in the competitive market. However this is of benefit to the consumers because their expenditure reduces.
- ii. Consumers get to see goods of better quality in the market. Producers are forced to improve the quality of their goods if they expect profit, thus creating a wider range of quality products from which consumers choose from.