CHAPTER #4

Points	Perfect Competition	Monopoly	Monopolistic Competition
1) Type of Competition	Perfectly competitive market i.e in this market whatever goods all the firm produces there will be such number of buyer to by all those goods produces by firm and therefore there will be neither shortage nor surplus.	In perfectly competitive market i.e in this market the number of buyer may not be same as they number of goods produces by all firm in the market i.e the no. of buyer may be more or less compare to goods produces which gives rise to shortage & surplus	SAME AS MONOPOLY
2) Situation	It is myth that is doesn't exist in ~~reality~~ reality	It is reality that it exist in real life.	SAME AS MONOPOLY
3) Examples	We need to remember example since given in ICAI Module otherwise we very well know that in practical life perfect competition doesn't exist (i) The agricultural products (ii) Financial instruments [stock bonds] (iii) Precious metals [Gold silver platinum] (iv) Milk	In public utilities: eg: transport, water, electricity Indian railway has monopoly in rail transportation. Government monopoly over production of nuclear power.	Clothing Manufacting and retail trade in large cities. There are many hundreds of grocery shop, shoes stores, stationary shops, restaurants, repair shops laundries manfactores women dresses and beauty parlours in a medium sized or large city.
4) Number of firm Sellers/ Manufactors in market	Large number of firm	Single i.e Firm itself is an industry market.	Large number of firm.
5) Number of buyer/ Customer in market	Large number of buyer	Large number of buyer	large number of buyer.

Differtiated goods : on a close inspection we find that thoug these products are technically and functionally similar each seller produces and sell a product which is diffrent from his competition

For ex: Whereas Lux is claimed to be beauty soap liril is associated more with freshness Dettol soap is placed as an antiseptic and Dove claims to ensure young smoth skin The pratice of product and

service differentiation gives each seller a chance to attract business to himself on some basis other than price.

	POINTS	PERFECT COMPETITION		
6)	Type of goods product, services	Homogeneous i.e same to same and indentical in all aspects.	unique goods i.e no close subsitute in available market	Differentiated goods # i.e close subsitutes are available.
7)	Price Determination	In market there are large number of firm each firm alone is small in comparison to large market and therefore single firm can't influence any decision of market by adjusting it own supply & output. Because of this each single firm will sell its goods at price deatmine by market and therfore firm is price taker.	Firm is price maker i.e price is decided by firm	SAME AS MONOPOLY
8)	Price / Revenue	Uniform / constant / same price	Falling and declining	Falling and declining.
9)	Revenue Schedule	Constant revenue	Declining Revenue	Declining Revenue
10)	Is price and AR are same	Yes	Yes	Yes
11)	Is AR and demand curve same	Yes	Yes	Yes

Constant revenue

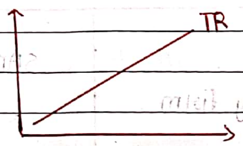
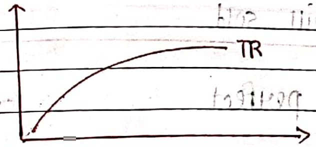
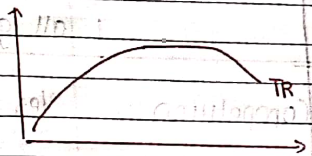
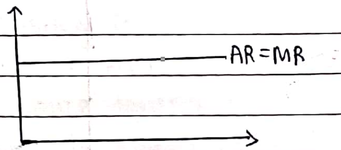
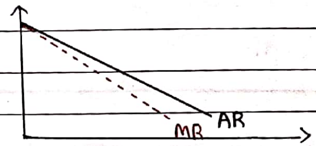
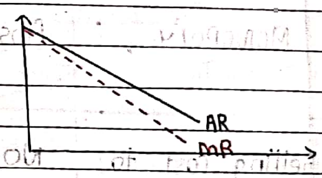
Q	P/AR	TR (P×Q)	MR
1	10	10	10
2	10	20	10
3	10	30	10
4	10	40	10
5	10	50	10
6	10	60	10
7	10	70	10

Declining Revenue

Q	P/AR	TR	MR
1	10	10	–
2	10	20	10
3	10	30	10
4	10	40	6
5	10	45	9
6	10	48	13
7	10	56	18

Declining Revenue

Q	P/AR	TR	MR
1	10	10	–
2	9	18	8
3	8	24	6
4	7	28	4
5	6	30	2
6	5	30	0
7	4	28	-2

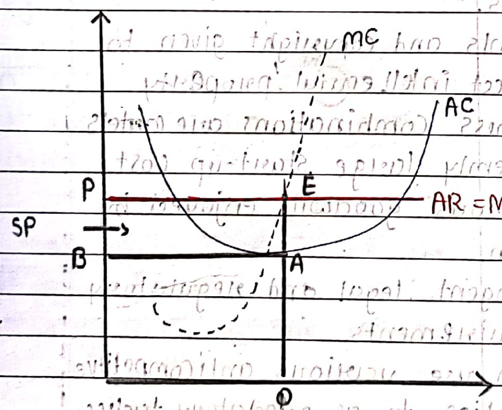
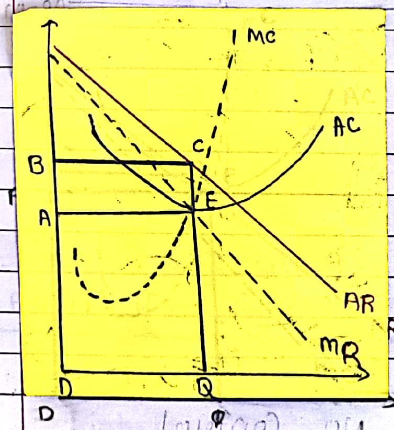
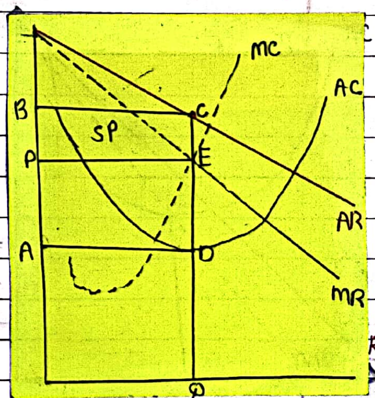
	Points	Perfect Competition	Monopoly	Monopolistic Competition
12)	Relationship between AR & MR	AR = MR because firm do not offer any discount	AR > MR because may gave discount to sale more	SAME AS MONOPOLY
13)	Total Revenue curve			
14)	AR curve and MR curve	 AR curve coincides (on each other) MR curve both curves are horizontal line	 MR curve is below AR curve since MR < AR and both are downward sloping negativity from left to right.	 MR curve is below AR curve since MR < AR and both are downward sloping negativity from left to right
15)	Transaction	Advertisment - No Transport - No / Rarely operational - Yes Total cost - less	Advertisment - No Transport - Yes operational - Yes Total cost - Medium less than MC but more than AC	Advertisment - Yes Transport - Yes operational - Yes Total cost - highest
16)	Barriers (T&C) To entry in market	Free entry that is no barrier	Straigant barries to entry which could be economic institutional legal or artificial	Simple ~~barries~~ barriers i.e if one satisfy the t&c it can entry market.
17)	Barries to exit from market	Free exit i.e firm incors any loss it can shut down and exit market	Free exit i.e. Firm incors any loss it can shut down and exit	SAME AS MONOPOLY

⊛ Non price competition means charging almost same price as charge by other competing firm but to do competition ...y indulge in agressive advertisment production development after sales services etc.

	Points	Perfect Competition		Competition
18)	Command over market	No command on firm has insignficant market i.e it can produces whatever quantity its want because all goods will sold	Complete command over market since firm itself is market	Considerable command depending opon uniqueness in product.
19)	Competition	Yes and perfect	Absent	Yes and highest and non price competition
20)	MONOPOLY	Absent	Yes and strongest	Yes and less depending upon product uniqueness
21)	Selling cost to persude buyer	No	Yes and less just for the purpose of giving information about goods	Fierce advertisement cost.
22)	Price Discrimination	No	Yes and highest	Yes and low
23)	Consumer Exploitation	No	Yes and highest	Yes and low
24)	Position of firm in short run	Firm may earn super normal profit [AR > AC] Firm may also incors lose [AC > AR] Firm may also earn normal profit	→ There will be never normal profit since monopoly → Generally there will be always super normal profit → Rearely a firm may incors loss when product is not less use or high cost of production or bad quality	→ There will be never normal profit since monopolistic compe → Generally there will be always super normell profit. → A firm may incors loss when product is not less use or high cost of production or bad quality

Points	Perfect Competition	Monopoly	Monopolistic Competition
25) Position of Firm in long run	Due to free entry may new firm will enter market due to it super profit will be shared and now firm will earn normal profit → If firm are incor. loss it will shut down and exit market → So in long run all firm will ern normal profit	→ There will never be normal profit → Firm enjoyed super normal profit will generally contiue to enjoy since no other firm can enter market. → Firm incor. loss will shut down and exit market.	→ There will always be normal profit → Firm will not enjoyed super normal profit because new firm will enter market and profit is share → Firm can incor loss will shut down and exit mkt.
26) Elasticity of demand	Infinite elastic	Inelastic. Demand curve is less elastic i.e ↑ in price affects less to demand i.e more steep	Elastic Demand curve is more elastic i.e ∆ in price affect more to demand i.e Flat Deman curve.
27) Allocation of Productive resource Factor of prod.^{n}	Efficent Allocation	Inefficent allocation	Inefficent allocation
28) Mobility of Factors	Perfectly mobile all the factors will be available anywhere anytime	less mobile i.e factors may or may not be available anywhere anytime.	SAME AS MONOPOLY
29) Wastage of Resources	No	Yes ∵ by using resoures less scarcity will be created therefore price increase.	Yes
30) Busniess decision by firm	Price being given firm decide only quantity and quality of output	Firm to take all decisions w.r.t sell price output etc	SAME AS MONOPOLY

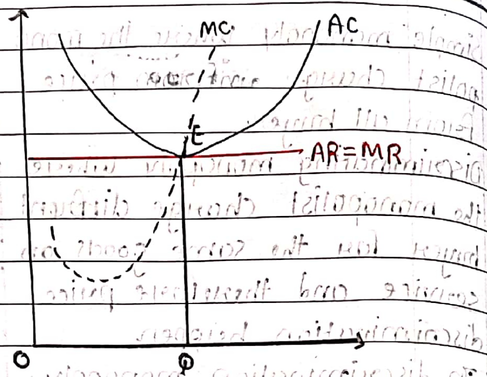
Points	Perfect Competition	Monopoly	Monopolistic Competition
31) Important points	When in MCQS it is Mentioned price taking Firm it means perfect competition In Comparsion to market individual Firm is small not because of factors like no employee, assets turnover etc but due to its (e)nability to influence market Supply Schedule in shortrun in determined by MCC [ch-2 & ch-3] When MC = AC we know that the firm under perfect must be producing at ~~minimum~~ maximum point of the average cost curve so there will be productive efficiency When in MCQS It is mention only competitive market we assume as perfect competition In the long run ~~equetelarium~~ equilibrium the firm operate at (i) the intersection of the margnical cost (ii) their efficient scale (iii) zero economic profit Conditions for equilibirm is (i) MR = MC (ii) MC should have a positive slope	Natural monopoly arises when there are very enormous economies [benefits] of scale without intervention [involvment] firm i.e external economies to scale. Reasons for monopoly i.e strategic control over a scarce resoures i.e the resoures needed to produces goods are taken over by one firm and began scarce not available to other eg: port in gujarat by adani Difficult or costly for other companies to copy Goverments granting exclusive rights Patents and copyright given to protect intellectual property Business combinations are cartels Extremly large start-up cost Enomous goodwill enjoyed by firm Stringent legal and regulatory requirements Firm use verious anticompetitive practies to as predatory tactics Predatory tactics : method to change sales price less than cost to eliminated remove competitors from market.	Monopolistic competition differs from PC primarly because in Monopolistic market firm can differentiate their products The long run equilibirum outcome in this and perfect competition are similar because in both market structure firm will earn normal profits PC M MC SR SP, NPL SPL SPL LR NP SP NP

Points	Perfect Competition	Monopoly	Monopolistic Competition
		Simple monopoly Where the monopolist charge uniform price from all buyer Discriminating monopoly Where the monopolist charge diffrent buyer for the same goods on service and therefore price discrimination happen. In discrimination monopoly the monopolist charge diffrent price for his comodity (i) from diffrent Group for diffrent uses at diffrent place	
33) Shortrun supernormal Profit - Economic Profit AR > AC	 AR = EQ TR = OPEQ AC = AQ TC = OBAQ P = EA SP = BP	 AR = CQ TR = OBCQ AC = EQ TC = OAEQ P = CE SP = ABCE	 AR = CQ TR = OBCQ AC = DQ TC = OADQ P = CD SP = ABCD

Points	Perfect Competition	Monopoly	Monopolistic competition

32) Short run normal profit AR = AC

Perfect Competition:



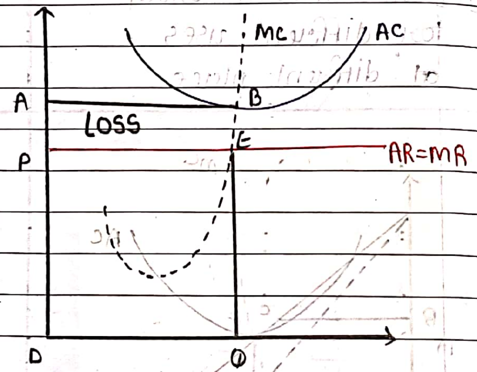
AR = EQ TR = OPEQ
AC = EQ TC = OPEQ

Monopoly: Normal profit doesn't exist

Monopolistic competition: Normal profit dosn't exit in shortrun

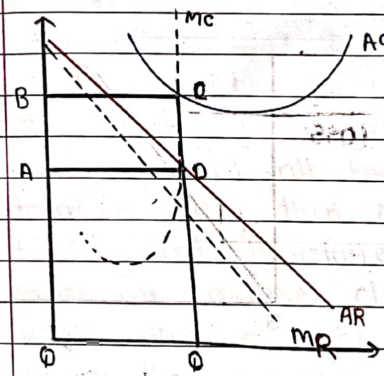
34) Short run loss- AC > AR

Perfect Competition:



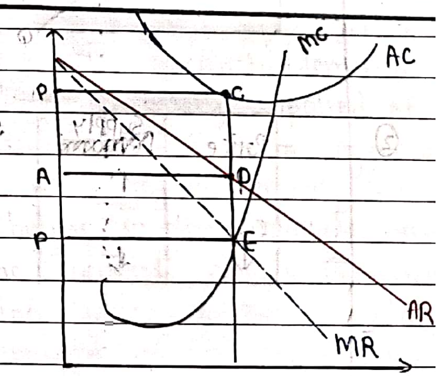
AR = EQ L = EB TC = OABQ
AC = BQ TR = OPEQ TL = PABE

Monopoly:



AR = DQ TC = OBCQ L = CD
TR = ADQA AC = CQ TL = ABCD

Monopolistic competition:



AR = DQ AC = CQ L = CD
TR = OADQ TC = OBCQ TC = ABC

35) Control of firm on price

Perfect Competition: No control

Monopoly: highest control

Monopolistic competition: less control and depend on uniqueness of product