Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**2.5.3 The competitive environment**

1. Label the spectrum below to show the degree of competition in the market.

Many firms

1 firm

1. Which five of the following are characteristics of perfect competition?

* Heterogeneous goods
* High barriers to entry
* Low barriers to exit
* Few buyers
* Many sellers
* Homogenous goods
* High barriers to exit
* Many buyers
* Few sellers
* Low barriers to entry

1. Explain how each of the following scenarios may impact on the competitive environment.
   1. Local council increases the availability of taxi licences.

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* 1. Two large chains of gyms merge.

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* 1. An increase in factor costs forces less efficient businesses out of the market.

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