LESSON PLAN - 31

TOPIC - PERFECT COMPETITION

Instructional Objectives
After the instructions are over, students will be able to.
1. Describe the meaning of perfect competition.
2. Explain the characteristics of perfect competition.

Entry Behaviour
It is assumed that the students know the meaning of market.

Instructional Aids
i) Transparency showing the graphic organizer of perfect competition.
ii) Overhead projector.
iii) Blackboard, chalk, duster and pointer etc.

Content Sequence
1. Meaning of perfect competition: market situation in which there are number of buyers and seller of homogenous products.
2. Characteristics of perfect competition: There are following characteristics of perfect competition.
   i) Large number of buyer and seller
   ii) Homogenous product
   iii) Perfect knowledge
   iv) Same price
   v) Perfect mobility
   vi) Entry or exit of firm
   vii) Same average and marginal service

Graphic Presentation

Programmed Instruction

Content Sequence (O₁)
Teacher tells the students:
“Today, we will learn about meaning of perfect competition”.

Teacher ask the students
“What is the cost of this pen?”
“What is the cost of this pen in Chandigarh?”
“What do we call, if this pen or other which has same cost all over India?”
“What do you mean by perfect competition?”

Student Respond
Teacher will explain
Perfect competition refers to a market situation in which there are number of buyer and seller of homogenous product. For instance, if you require a pen, there should be several shops selling pens. Under condition of perfect competition, every seller should be selling the same quality of pens at the uniform prevailing price in the market price. You may buy a pen from any shop at Rs.10. If another shopkeeper charges Rs.12 for same quality of pen, nobody will buy from him.
So, according to Boulding, “perfect competition is a situation where large number of buyers and sellers are engaged in the purchase and scale of identically similar commodities, who are in close contact with one another and who buy and sell freely among themselves.

According to Bilas, “the perfect competition is characterized by the presence of many product. The seller is a price taker”.

Teacher ask
“What is definition of perfect competition according to Bilas?”
“What do you mean by perfect competition?”

Students respond
Confirmation/corrective feedback is provided as and when required.

Teacher tell the students
“Today, we will learn about the characteristics of perfect competition”

Teacher ask the students
“What do you mean by homogenous product?”
“What do you mean by perfect mobility”
“What are different perfect competition”

Student respond
Teacher will explain

**Characteristic of perfect competition**
A perfectly competitive market has follow characterization.

1. **Large number of buyers and sellers:** It means no single buyer or seller can affect the price. If a firm entries into the market or exit the market, there will be no effect on the supply. Similarly, if a buyer enters into the market or exit from the market, demand will not be effected.

2. **Homogenous product:** In perfect competition all sellers sell homogenous product. In such a situation, the buyers have no reason to prefer the product of one seller to another.

3. **Perfect knowledge:** A competitive market is one in which the buyers and sellers are in close contact with each other. It means that, there is perfect knowledge of the market on the part of buyers and sellers.

4. **Same price:** Under perfectly competitive market, buyers and sellers must buy and sell freely among themselves. There is almost same price of same commodity in market. There is no discrimination in the price.

5. **Perfect mobility:** There must be perfect mobility of factors of production within the country which ensures uniform cost of production in the whole economy.

6. **Same average and marginal revenue:** Under perfect competition, the average revenue (price) and marginal revenue happen to be equal to each other as is clear from the following figure: In this figure AR=MR curve is horizontal i.e. running parallel to X-axis. With the increase in quantity demanded from OQ to OQi and OQ₂.
PERFECT COMPETITION

"The perfect competition is characterized by the presence of many firms; they all sell identically the same product. The seller is a price taker" - Bilas

CHARACTERISTICS OF PERFECT COMPETITION

- Large number of buyers and sellers
- Homogenous product
- Perfect knowledge
- Same price
- Perfect mobility of factors of production
- Free entry or exit of firm
- Same average and marginal revenue

AR → Average Revenue
MR → Marginal Revenue
AR=MR Means AR and MR constant at any unit of output
Average revenue or price remains unchanged (i.e. OR) and is equal to MR. It means price is same at any unit of output.

7. **Free Entry or Exit of Firm:** Under perfect competition, firm can enter or exit from the industry. There is no hindrance on firms as far as their entry or exit from the market. Large number of sellers can be possible only if there is free entry of firm.

Teacher asks

“What do you mean by perfect mobility”

“What are the characteristics of perfect competition?”

Students respond

Confirmation/corrective feedback is provided as and when required.