CA Foundation Economics Chapter 4 300+ MCQs

Price Determination in different Markets

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1. In Economics, the term 'market' refers to a:
(a) place where buyer and seller bargain a product or service for a price
(b) place where buyer does not bargain
(c) place where seller does not bargain
(d) none of the above
Answer:
(a) place where buyer and seller bargain a product or service for a price

2. Market consists of ___________.
(a) Buyer and Seller
(b) One price for one product at a given time
(c) Both (a) and (b)
(d) None
Answer:
(c) Both (a) and (b)

3. The Price Elasticity of demand of a firm in Pure Competition is :
(a) Infinite
(b) Finite
(c) Large
(d) Small
Answer:
(a) Infinite

4. ___________ conceived the “Time” element in markets and on the basis of this markets are classified into very short period, Short-Period, Long- Period & Very Long period.
(a) Alfred Marshall
(b) Schumpeter
(c) Adam Smith
(d) Paul Samuelson
Answer:
(a) Alfred Marshall

5. On the basis of nature of transactions, a market may be classified into:
(a) Spot market and future market
(b) Regulated market and unregulated market

(c) Wholesale market and retail market
(d) Local market and national market.
Answer:
(a) Spot market and future market

6. Secular period is also known as ____________.
(a) very short period
(b) short period
(c) very long period
(d) long period
Answer:
(c) very long period

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7. Stock exchange market is an example of ___________.
(a) unregulated market
(b) regulated market
(c) spot market
(d) none of the above
Answer:
(b) regulated market

8. The market for ultimate consumer is known as:
(a) Wholesale market
(b) Regulated market
(c) Unregulated market
(d) Retail market
Answer:
(d) Retail market

9. ___________ are those markets in which firm buy the resources they need (Land, Labour, Capital and entrepreneurship) to produce goods and services.
(a) Regular Markets
(b) Producer's Markets
(c) Product Markets
(d) Factor Markets
Answer:
(d) Factor Markets

10. When the commodities are sold in small quantities, it is called as ___________.
(a) Retail Market

(b) Wholesale Market
(c) Small Market
(d) Local Market
Answer:
(a) Retail Market

11. Generally, perishable goods like butter, eggs, milk, vegetables etc., will have ___________.
(a) Regional market
(b) Local market
(c) National market
(d) None of the above
Answer:
(b) Local market

12. ___________ implies that the time available is adequate for altering the supplies by altering even the fixed factors of production.

(a) Very Short Period
(b) Short Period
(c) Long Period
(d) Secular Period

Answer:
(c) Long Period

13. The classification of market on the basis of Area does not include ___________.

(a) Local Market
(b) Regional Market
(c) Spot Market

(d) National Market Types of Market Structure

Answer:

(c) Spot Market

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14. Monopsony means ___________.

(a) Where there are large firms

(b) There is a single buyer

(c) Small number of large buyers

(d) Single seller and single buyer

Answer:

(b) There is a single buyer

15. Which of the following Competition is characterized by many sellers who are selling identical products to many buyers?
(a) Perfect Competition
(b) Monopolistic Competition
(c) Monopoly
(d) Oligopoly
Answer:
(a) Perfect Competition

16. In ___________, there are few sellers who are selling competing products to many buyers.
(a) Monopoly
(b) Perfect Competition
(c) Oligopoly
(d) None of these
Answer:

(c) Oligopoly

17. The degree of control is very considerable in case of ___________.
(a) Monopoly
(b) Perfect Competition
(c) Oligopoly
(d) None of these
Answer:
(a) Monopoly

18. Average Revenue is also known as:
(a) Price
(b) Income
(c) Revenue
(d) None of the above
Answer:
(a) Price

19. Average revenue curve is also known as:
(a) Profit Curve
(b) Demand Curve
(c) Average Cost Curve
(d) Indifference Curve
Answer:
(b) Demand Curve

20. Average revenue is the revenue earned ___________.
(a) per unit of input
(b) per unit of output
(c) different units of input
(d) different units of output
Answer:

(b) per unit of output

21. Average Revenue can be symboli-cally written as:
(a) MR/Q
(b) Price X quantity
(c) TR/Q
(d) none of the above
Answer:
(c) TR/Q

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22. When price is ₹ 20, Quantity demanded is 10 units and price is decreased by 5% then quantity demand

increased by 10% then Marginal revenue is ____________.
(a) ₹ 10
(b) ₹ 11
(c) ₹ 9
(d) ₹ 20
Answer:
(c) ₹ 9

23. If a seller obtains ₹ 3,000 after selling 50 units and ₹ 3,100 after selling 52 units, then marginal revenue will be:
(a) ₹ 59.62
(b) ₹ 50.00
(c) ₹ 60.00
(d) ₹ 59.80
Answer:
(b) ₹ 50.00

24. Marginal revenue can be defined as the change in total revenue resulting from the:

(a) Purchase of an additional unit of a commodity.

(b) Sales of an additional unit of a commodity.

(c) Sale of subsequent units of a product.

(d) None of the above.

Answer:

(b) Sales of an additional unit of a commodity.

25. MR of nth unit is given by :

(a) TR_n/TR_{n-1}

(b) $TR_n + TR_{n-1}$

(c) $TR_n - TR_{n-1}$

(d) All of these
Answer:
(c) $TR_n - TR_{n-1}$

26. Assume that when price is ₹ 20, the quantity demanded is 9 units, and when price is ₹ 19, the quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units.
(a) ₹ 20
(b) ₹ 19
(c) ₹ 10
(d) ₹ 1
Answer:
(c) ₹ 10

27. Assume that when price is ₹ 20, the quantity demanded is 15 units, and when price is ₹ 18, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units?
(a) ₹ 18
(b) ₹ 16
(c) ₹ 12
(d) ₹ 28
Answer:
(c) ₹ 12

28. Total revenue = ________________.
(a) price × quantity
(b) price × income
(c) income × quantity

(d) none of the above
Answer:
(c) income × quantity

29. The amount realized by the firm by selling certain units of commodity is called as :
(a) Average Revenue
(b) Cost of Operations
(c) Total Revenue
(d) Marginal Revenue
Answer:
(c) Total Revenue

30. When TR is at its peak then MR is equal to ___________.
(a) Zero
(b) Positive

(c) Negative
(d) None of the above
Answer:
(a) Zero

31. When the price of a commodity is ₹ 20, the quantity demanded is 9 units and when its price is ₹ 19, the Quantity demanded is 10 units. Based on this information what will be the marginal revenue resulting from an increase in output from 9 units to 10 units.
(a) ₹ 20
(b) ₹ 19
(c) ₹ 10
(d) ₹ 01
Answer:
(c) ₹ 10

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32. Which one of the following expressions is correct for Marginal Revenue?
(a) MR = AR(1−ee)
(b) MR = TRn − TRn+1
(c) MR = ΔTRΔQ
(d) MR = TRQ
Answer:
(c) MR = ΔTRΔQ
33. Given the relation MR = P(1 − 1e), if e < 1, then:
(a) MR < 0
(b) MR > 0

(c) MR = 0
(d) None of these
Answer:
(a) MR < 0

34. Given the relation MR = P(1 − 1e), if e > 1, then:
(a) MR > 0
(b) MR < 0
(c) MR = 0
(d) None
Answer:
(a) MR > 0

35. Which of the following is correct?
(a) MR = AR (e−1)/e
(b) MR = AR (e + 1)/e
(c) MR = AR (1−e)/e

(d) None of the above
Answer:
(a) $MR = AR\ (e-1)/e$

36. When $e = 1$ then MR is ___________.
(a) Positive
(b) Zero
(c) One
(d) Negative
Answer:
(b) Zero

37. When $e < 1$ then MR is:
(a) Negative
(b) Zero
(c) Positive
(d) One
Answer:

(a) Negative

38. When $e > 1$ then MR is:
(a) Zero
(b) Negative
(c) Positive
(d) One
Answer:
(c) Positive

39. Demand for a product is unitary elastic then:
(a) $MR = 0$
(b) $MR > 0$
(c) $MR < 0$
(d) None of the above
Answer:
(a) $MR = 0$

40. Given, AR = 5 and Elasticity of demand = 2 Find MR.
(a) +2.5
(b) − 2.5
(c) + 1.5
(d) + 2.0
Answer:
(a) + 2.5

41. What should firm do when Marginal revenue is greater than marginal cost?
(a) Firm should expand output
(b) Effect should be made to make them equal
(c) Prices should be covered down
(d) All of these
Answer:

(a) Firm should expand output

42. Suppose a firm is producing a level of output such that MR > MC, what should be firm do to maximize its profits?
(a) The firm should do nothing.
(b) The firm should hire less labour.
(c) The firm should increase price.
(d) The firm should increase output.
Answer:
(d) The firm should increase output.

43. In a Straight line demand Curve, the price elasticity at the middle point is equal to ___________.
(a) 0
(b) 1
(c) > 1

(d) < 1
Answer:
(b) 1

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44. Which one of the following is Correct?
(a) MR = AR x e−1e
(b) MR2 = AR2 x e−1e
(c) MR = AR x ee−1
(d) MR = AR x (e−1)2e
Answer:
(a) MR = AR x e−1e
45. The Marginal Revenue corresponding to the middle point of the demand curve (or AR Curve) will be

(a) Zero
(b) One
(c) Less than one
(d) More than one
Answer:
(a) Zero

46. According to Behavioural Prin-ciples.
(a) A firm should not produce at all if its total variable costs are not met.
(b) A firm will be making maximum profits by expending output to the level where marginal revenue is equal to marginal cost.
(c) Both (a) and (b)
(d) None of these
Answer:
(c) Both (a) and (b)

47. Time element was conceived by ___________.
(a) Adam Smith
(b) Alfred Marshall
(c) Pigou
(d) Lionel Robinson
Answer:
(b) Alfred Marshall

48. In very short period market:
(a) Supply changes but demand remains same
(b) Supply changes but price remains same
(c) Supply remains fixed
(d) Supply and demand both changes
Answer:

(c) Supply remains fixed

49. In the long run:
(a) Only demand can change
(b) Only supply can change
(c) Both demand and supply can change
(d) None of these
Answer:
(c) Both demand and supply can change

50. A Firm should ___________ if the total revenue from its product does not ___________ its total valuable cost.
(a) Produce, equal
(b) Produce at all, equal or exceed
(c) Not Produce, equal
(d) Not Produce, equal or exceed
Answer:

(d) Not Produce, equal or exceed

51. As per Behavioural Principles, It will be profitable for the firm to expand output whenever Marginal ___________ is ___________ than Marginal.

(a) Cost, greater, Revenue

(b) Revenue, greater, Cost

(c) Revenue, less, cost

(d) None of above

Answer:

(b) Revenue, greater, Cost

52. As per Behavioural Principle, which one of following Statement is Correct?

(a) If any unit of production adds more to revenue than to Cost, that cost, that unit will increase Profits.

(b) If any unit of production adds more to Cost, than to revenue, it will decrease profits.
(c) Profits will be maximum of the point where additional revenue from a unit equals to its additional cost.
(d) All of the above.
Answer:
(d) All of the above.

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53. In the table below what will be equilibrium market price?

Price (₹)	Demand (tonnes per annum)	Supply (tonnes per annum)
1	1,000	400
2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1,000
8	300	1,100

(a) ₹ 2

(b) ₹ 3

(c) ₹ 4

(d) ₹ 5

Answer:

(c) ₹ 4

54. Equilibrium price for an industry in prefect completion is fixed through:
(a) Input and output
(b) Market demand and market supply
(c) Market demand and firms supply
(d) None of the above
Answer:
(b) Market demand and market supply

55. Equilibrium price may be deter-mined through:
(a) Only demand
(b) Only supply
(c) Both demand & supply
(d) None
Answer:
(c) Both demand & supply

56. From the following table, what will be equilibrium market price?

Price (₹)	Demand (tonnes per annum)	Supply (tonnes per annum)
1	500	200
2	450	250
3	400	300
4	350	350
5	300	400
6	250	450
7	200	500
8	150	550

(a) ₹ 2
(b) ₹ 3
(c) ₹ 4
(d) ₹ 5
Answer:

(c) ₹ 4

57. The equilibrium is restored auto-matically through:
(a) The fundamental working of the market.
(b) Price movements eliminate short¬age or Surplus.
(c) Both (a) and (b)
(d) None of these.
Answer:
(c) Both (a) and (b)

58. ____________ is the price at which demand for a commodity is equal to its supply:
(a) Normal Price
(b) Equilibrium Price

(c) Short run Price
(d) Secular Price
Answer:
(b) Equilibrium Price

59. When increase in demand is equal to increase in supply and equilibrium price remains constant, then what about equilibrium quantity?
(a) Increases
(b) Decreases
(c) Remains Constant
(d) None of the above
Answer:
(a) Increases

60. With a given supply curve, a decrease in demand causes ___________.

(a) An overall decrease in price but an increase in equilibrium quantity.
(b) An overall increase in price but a decrease in equilibrium quantity.
(c) An overall decrease in price and a decrease in equilibrium quantity.
(d) No change in overall price but a reduction in equilibrium quantity.
Answer:
(c) An overall decrease in price and a decrease in equilibrium quantity.

61. If supply decreases and demand remains constant, then equilibrium price will be?
(a) Increases
(b) Decreases
(c) No change

(d) Become Negative
Answer:
(a) Increases

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62. Assume that in the market for good Z there is a simultaneous increase in demand and the quantity supplied. The result will be:
(a) An increase in equilibrium price and quantity.
(b) A decrease in equilibrium price and quantity.
(c) An increase in equilibrium quantity and uncertain effect on equilibrium price.

(d) A decrease in equilibrium price and increase in equilibrium quantity.

Answer:

(c) An increase in equilibrium quantity and uncertain effect on equilibrium price.

63. An increase in supply with demand remaining the same, brings about.

(a) An increase in equilibrium quantity and decrease in equilibrium price.

(b) An increase in equilibrium price and decrease in equilibrium quantity.

(c) Decrease in both equilibrium price and quantity.

(d) None of these.

Answer:

(a) An increase in equilibrium quantity and decrease in equilibrium price.

64. An increase in supply with un-changed demand leads to:

(a) Rise in price and fall in quantity
(b) Fall in both price and quantity
(c) Rise in both price and quantity
(d) Fall in price and rise in quantity

Answer:
(d) Fall in price and rise in quantity

65. Suppose the technology for pro-ducing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity?

(a) Price will increase; quantity cannot be determined.
(b) Price will decrease; quantity cannot be determined.
(c) Quantity will increase; price cannot be determined.
(d) Quantity will decrease; price cannot be determined.
Answer:
(d) Quantity will decrease; price cannot be determined.

66. Which of the following may lead to changes in demand and Supply?
(a) Income and population
(b) Tastes and Preferences
(c) Technology & Prices of Factors of Production

(d) All of the above.
Answer:
(c) Technology & Prices of Factors of Production

67. Changes in Demand & Supply may be due to ___________.
(a) Increase in Price
(b) Decrease in Price
(c) Change in determinants of Demand & other
(d) None of the above.
Answer:
(b) Decrease in Price

68. If price is forced to stay below equilibrium price then consequently it can be said that:

(a) Excess supply exists
(b) Excess demand exists
(c) Either (a) or (h)
(d) Neither (a) nor (b)
Answer:

69. If the price of a commodity is fixed, then with every increase in its sold quantity the total revenue will ___________ and the marginal revenue will ___________.
(a) Increase, also increase
(b) Increase, remain unchanged
(c) Increase, decline
(d) Remain fixed, increase
Answer:
(b) Increase, remain unchanged

70. If supply increases in a greater proportion than demand ___________.

(a) The new equilibrium price and quantity will be greater than the original equilibrium price and quantity.

(b) The new equilibrium price will be greater than the original equilibrium price but equilibrium quantity will be higher.

(c) The new equilibrium price and quantity will be lower than the original equilibrium price and quantity.

(d) The new equilibrium price will be lower than the original equi-librium and the new equilibrium quantity will be higher.

Answer:

(d) The new equilibrium price will be lower than the original equi-librium and the new equilibrium quantity will be higher.

71. Assume that consumers' incomes and the number of sellers in the market for good A both decrease. Based upon this information, we can conclude, with certainty, that the equilibrium:
(a) Price will increase.
(b) Price will decrease.
(c) Quantity will increase.
(d) Quantity will decrease.
Answer:
(d) Quantity will decrease.

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72. It is assumed in economic theory that:
(a) Decision making within the firm is usually undertaken by managers, but never by the owners.
(b) The ultimate goal of the firm is to maximize profits, regardless of firm size or type of business organization.
(c) As the firm's size increases, so do its goals.
(d) the basic decision making unit of any firm is its owners.
Answer:
(b) The ultimate goal of the firm is to maximize profits, regardless of firm size or type of business organization.

73. Suppose that a sole proprietorship is earning total revenues of 11,00,000 and is incurring explicit costs of ₹ 75,000 If the owner could work for another company for ₹ 30,000 a year, we would conclude that:

(a) The firm is incurring an economic loss.

(b) Implicit costs are ₹ 25,000.

(c) The total economic costs are ₹ 1,00,000.

(d) The individual is earning an economic profit of ₹ 25,000.

Answer:

(a) The firm is incurring an economic loss.

74. Shift of the Demand curve to the means increase in demand.

(a) Right

(b) Left
(c) Downward
(d) No change in Demand Curve.
Answer:
(a) Right

75. If demand does not change but there is an increase in supply due to improved technology, then :
(a) Demand Curve will shift to the right.
(b) Demand Curve will shift to the Left.
(c) Supply curve will shift to the right.
(d) Supply curve will shift to the Left.
Answer:
(c) Supply curve will shift to the right.

76. When the Supply and demand curves shift in the some direction and both

demand & and Supply __________, the equilibrium quantity __________ but the change in equilibrium price is __________.

(a) Increase, Increases, Uncertain
(b) Increase, Increases, Increases
(c) Increase, Increases, decreases
(d) None of the above

Answer:
(a) Increase, Increases, Uncertain

77. When demand increases and supply __________, the equilibrium price __________ but nothing certain can be said about the change in equilibrium quantity.

(a) Decreases, decreases
(b) Decreases, rises

(c) Decreases, remain constant
(d) None of the above
Answer:
(b) Decreases, rises

78. If demand increases without any corresponding increase in supply, there will be :
(a) Increase in equilibrium price
(b) Quantity sold increases
(c) Quantity purchased increases
(d) All of the above
Answer:
(d) All of the above

79. There can be simultaneous change in both demand and Supply. In that case, the equilibrium price will be __________.

(a) Increased
(b) Decreased
(c) Changes as per the Proportionate change in demand & Supply.
(d) None of the above
Answer:
(c) Changes as per the Proportionate change in demand & Supply.

80. Which of the following is not an essential condition of pure competition?
(a) Large number of buyers and sellers
(b) Homogeneous product
(c) Freedom of entry
(d) Absence of transport cost
Answer:
(d) Absence of transport cost

81. Under which of the following forms of market structure does a firm has no control over the price of its product:
(a) Monopoly
(b) Oligopoly
(c) Monopolistic competition
(d) Perfect competition
Answer:
(d) Perfect competition

82. Which of the following is not a condition of perfect competition?
(a) A large number of firms.
(b) Perfect mobility of factors.
(c) Informative advertising to ensure that consumers have good information.
(d) Freedom of entry and exit into and out of the market.

Answer:
(c) Informative advertising to ensure that consumers have good information.

83. ___________ is a ideal Market.
(a) Monopoly
(b) Monopolistic
(c) Perfect Competition
(d) Oligopoly
Answer:
(c) Perfect Competition

84. Which of these are characteristics of Perfect Competition.
(a) Many Sellers & Buyers
(b) Homogeneous Product
(c) Free Entry and Exit
(d) All of the above

Answer:
(d) All of the above

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85. Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be "small" relative to the market. Which of the following best describes this smallness?
(a) The individual firm must have fewer than 10 employees.
(b) The individual firm faces a downward-sloping demand curve.
(c) The individual firm has assets of less than ₹ 20 lakhs.

(d) The individual firm is unable to affect market price through its output decisions.
Answer:
(d) The individual firm is unable to affect market price through its output decisions.

86. The firm in a perfectly competitive market is a price-taker. This designation as a price-taker is based on the assumption that __________.
(a) The firm has some, but not complete, control over its product price.
(b) There are so many buyers and sellers in the market that any individual firm cannot affect the market.
(c) Each firm produces a homoge-neous product.

(d) There is easy entry into or exit from the market place.
Answer:
(b) There are so many buyers and sellers in the market that any individual firm cannot affect the market.

87. MR Curve = AR = Demand Curve is a feature of which kind of Market?
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic
(d) Oligopoly
Answer:
(b) Monopoly

88. Demand curve is equal to M.R. curve in which market?

(a) Oligopoly
(b) Monopoly
(c) Monopolistic Competition
(d) Perfect Competition
Answer:
(d) Perfect Competition

89. A perfect market is characterized by ___________.
(a) Existence of large number of buyers and sellers
(b) Homogenous products
(c) Perfect knowledge of the market
(d) All of the above
Answer:
(d) All of the above

90. One of the essential conditions of Perfect Competition is :
(a) Product differentiation
(b) Many sellers and few buyers
(c) Only one price for identical goods at any one time
(d) Multiplicity of prices for identical product at any one time
Answer:
(c) Only one price for identical goods at any one time

91. Agricultural goods markets depict characteristics close to:
(a) Perfect competition.
(b) Oligopoly.
(c) Monopoly.
(d) Monopolistic competition.

Answer:
(a) Perfect competition.

92. Which of the following is not a characteristic of a competitive market?
(a) There are many buyers and sell-ers in the market.
(b) The goods offered for sales are largely the same.
(c) Firms generate small but positive supernormal profits in the long run.
(d) Firms can freely enter or exit the market.
Answer:
(c) Firms generate small but positive supernormal profits in the long run.

93. A market structure in which many firms sell products that are similar and identical is known as ___________.
(a) Monopolistic competition
(b) Monopoly
(c) Perfect competition
(d) Oligopoly
Answer:
(c) Perfect competition

94. One of the following is not correct about perfect competition:
(a) Purchase and Sale of homogeneous goods
(b) Existence of marketing costs
(c) Absence of transportation costs
(d) Perfect mobility of factors of production.

Answer:
(b) Existence of marketing costs

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95. Under which of the following form of market structure does a firm have no control over the price of its production?
(a) Monopoly
(b) Monopolistic Competition
(c) Oligopoly
(d) Perfect Competition
Answer:
(d) Perfect Competition

96. The price elasticity of demand for a product is infinite under:
(a) Perfect competition
(b) Monopolistic competition
(c) Monopoly
(d) Oligopoly
Answer:
(a) Perfect competition

97. Which of the following markets would most closely satisfy the require-ments for a perfectly competitive Market?
(a) Electricity
(b) Cable television
(c) Cola
(d) Milk
Answer:
(d) Milk

98. The condition for pure competition is:
(a) Large number of buyer and seller, free entry and exist.
(b) Homogeneous product.
(c) Both (a) and (b).
(d) Large number of buyer and seller, homogeneous product, perfect knowledge about the product.
Answer:
(c) Both (a) and (b).

99. Which of the following statement is not correct?
(a) Under monopoly there is no difference between a firm and industry.
(b) A monopolist may restrict the output and raise the price.

(c) Commodities offered for sale under a perfect completion will be heterogeneous.
(d) Product differentiation is peculiar to monopolistic completion.
Answer:
(c) Commodities offered for sale under a perfect completion will be heterogeneous.

100. Under which of the following forms of market structure does a firm have no control over the price of its product?
(a) Monopoly
(b) Monopolistic Completion
(c) Oligopoly
(d) Perfect Competition.
Answer:

(d) Perfect Competition.

101. What is incorrect about Perfect Competition?
(a) All Firms are Price takers.
(b) Firms have to accept the price determined by the market forces of total demand & total supply.
(c) The assumption of Price taking does not applies to Consumers.
(d) All are incorrect.
Answer:
(c) The assumption of Price taking does not applies to Consumers.

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102. The essential feature of Pure competition is ___________.
(a) Presence of Monopoly
(b) Absence of Monopoly
(c) Dual existence of Pure Competition & Monopoly
(d) All of the above.
Answer:
(b) Absence of Monopoly

103. The Condition of perfect Competition are fulfilled to same extent in case of ___________.
(a) Agricultural Products
(b) Financial Instruments
(c) Precious Metals
(d) All of the above

Answer:
(d) All of the above

104. Which out of these are not a fea-ture of perfect competition?
(a) Homogeneous
(b) Large number of buyer and sell-ers
(c) Free entry and exist
(d) Selling cost.
Answer:
(d) Selling cost.

105. Perfectly Competitive markets have ____________ transactions Costs.
(a) Absolutely no
(b) Very Low
(c) High
(d) Very high

Answer:
(b) Very Low

106. Which of the following statement is correct?
(a) Price rigidity is an important feature of monopoly.
(b) Selling cost are possible under perfect completion.
(c) An industry consists of many firm.
(d) Under perfect completion factor of production do not move freely as these are legal restriction.
Answer:
(d) Under perfect completion factor of production do not move freely as these are legal restriction.

107. An industry in economic termi-nology consists of a __________ number of firms.
(a) Large, independent
(b) Large, dependent
(c) Small, independent
(d) Small, dependent
Answer:
(a) Large, independent

108. In case of perfect Competition, the industry is in equilibrium, when __________.
(a) There is enough demand of products in the market.
(b) There is enough supply of products in the market.

(c) Total output of the industry is equal to the total demand.
(d) Total output is less than the quantity demanded.
Answer:
(c) Total output of the industry is equal to the total demand.

109. Price under perfect competition is determined by the ___________.
(a) Firm
(b) Industry
(c) Government
(d) Society
Answer:
(b) Industry

110. Equilibrium price for an industry in perfect competition is fixed through.
(a) Input and Output
(b) Market demand and market Sup¬ply
(c) Market demand and firms supply
(d) None of the above
Answer:
(b) Market demand and market Sup¬ply

111. Who sets the price of the product under perfect competition?
(a) Government
(b) Consumers
(c) Sellers
(d) Both buyers and sellers
Answer:
(d) Both buyers and sellers

112. A firm is said to be in equilibrium when ___________.
(a) It is maximizing its profits
(b) It has no incentive to expand production
(c) It has no incentive to contract production
(d) All of the above.
Answer:
(d) All of the above.

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113. What is the shape of the demand curve faced by a firm under perfect competition?

(a) Horizontal
(b) Vertical
(c) Positively sloped
(d) Negatively sloped
Answer:
(b) Vertical

114. Which of the following is not a characteristic of a “price-taker”?
(a) TR = P X Q
(b) AR = Price
(c) Negatively – sloped demand curve
(d) Marginal Revenue = Price
Answer:
(c) Negatively – sloped demand curve

115. In perfect competition, since the firm is a price taker, the ___________ curve is a straight line :

(a) Marginal cost

(b) Total cost

(c) Total revenue

(d) Marginal revenue

Answer:

(d) Marginal revenue

116. Average revenue curve is also known as:

(a) Profit curve

(b) Demand curve

(c) Supply curve

(d) Average cost curve

Answer:

(b) Demand curve

117. For a price-taking firm :
(a) Marginal revenue is less than price.
(b) Marginal revenue is equal to price.
(c) Marginal revenue is greater than price.
(d) The relationship between mar-ginal revenue and price is inde-terminate.
Answer:
(b) Marginal revenue is equal to price.

118. Which of the following statements is accurate regarding a perfectly com-petitive firm?
(a) Demand curve is downward slop¬ing
(b) The demand curve always lies above the marginal revenue curve
(c) Average revenue need not be equal to price

(d) Price is given and is determined by the equilibrium in the entire market
Answer:
(d) Price is given and is determined by the equilibrium in the entire market

119. What is the shape of perfectly competitive Average Revenue Curve?
(a) Parallel to X axis
(b) Parallel to Y axis
(c) Fall from left to right
(d) Rise from left to right
Answer:
(a) Parallel to X axis

120. Under which of the following market structure AR of the firm will be equal to MR?

(a) Monopoly
(b) Monopolistic Competition
(c) Oligopoly
(d) Perfect Competition
Answer:
(d) Perfect Competition

121. Under perfect competition a firm is the ___________.
(a) price-maker and not price-taker
(b) price-taker and not price-maker
(c) neither price-maker nor price- taker
(d) none of the above
Answer:
(b) price-taker and not price-maker

122. Under which Market Situation demand curve is linear and parallel to X axis:
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly
Answer:
(a) Perfect Competition

123. Price taker firms ___________.
(a) Do not advertise their product because it misleads the custom-ers.
(b) Advertise their products to boost the level of demand.
(c) Do not advertise but give gifts along with the sold items to attract customers.

(d) Do not advertise because they can sells as much as they wish at the prevailing price.

Answer:

(d) Do not advertise because they can sells as much as they wish at the prevailing price.

124. Under which of the following market structure AR of the firm will be equal to MR?

(a) Monopoly

(b) Monopolistic Competition

(c) Oligopoly

(d) Perfect Competition

Answer:

(d) Perfect Competition

125. Perfectly competitive firm faces:
(a) Perfectly elastic demand curve
(b) Perfectly inelastic demand curve
(c) Zero
(d) Negative
Answer:
(a) Perfectly elastic demand curve

126. Which of the following is not the characteristic of MR?
(a) When TR is minimum, the MR is zero
(b) MR can be negative
(c) MR slopes downward from left to right
(d) MR Curve is below AR Curve
Answer:
(b) MR can be negative

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127. MR Curve in perfect competition is ___________.
(a) Parallel to X-axis
(b) Parallel to Y-axis
(c) Fall from left to right
(d) Rise from left to right
Answer:
(a) Parallel to X-axis

128. In perfect Competition when the firm is a price taker, which curve among the following will be a straight line?
(a) Marginal Cost
(b) Average Cost

(c) Total Cost
(d) Marginal Revenue
Answer:
(d) Marginal Revenue

129. The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that:
(a) The firm has some but not com-plete control over its product price.
(b) There are so many buyers and sellers in the market that any one buyer or seller cannot affect the market.
(c) Each firm produces a homoge-neous product.
(d) There is easy entry into or exist from the market place.

Answer:
(b) There are so many buyers and sellers in the market that any one buyer or seller cannot affect the market.

130. Which of the following is incor-rect?
(a) Even monopolistic can earn losses.
(b) Firms in perfect competitive market is price taker.
(c) It is always beneficial for a firm in a perfectly competitive market to discriminative prices.
(d) Kinked demand curve is related to an oligopolistic market.
Answer:
(c) It is always beneficial for a firm in a perfectly competitive market to discriminative prices.

131. Which perfect completion firm is described as:
(a) Price taker and not price maker.
(b) Price maker and not price taker.
(c) Neither price maker nor price taker.
(d) None of the above.
Answer:
(a) Price taker and not price maker.

132. Which of the following Statement is false as regards Perfect Competition?
(a) Firm is said to be in equilibrium when it maximizes its profit.
(b) The output which gives maxi-mum profit to the firm is called equilibrium output.

(c) In the equilibrium State, the firm has no incentive either to increase or decrease its output.
(d) Firms in a Competitive market are Price Makers.
Answer:
(d) Firms in a Competitive market are Price Makers.

133. Which is the first order condition for the profit of a firm to be maximum?
(a) AC = MR
(b) MC = MR
(c) MR = AR
(d) AC = AR
Answer:
(b) MC = MR

134. For maximum profit, the condition is:
(a) AR = AC
(b) MR = MC
(c) MR = AR
(d) MC = AR
Answer:
(b) MR = MC

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135. Condition for producer equilib-rium is:
(a) TR = TVC
(b) MC = MR
(c) TC = TAC
(d) None of these

Answer:
(b) MC = MR

136. In market, the price and output equilibrium is determined on the basis of:
(a) Total revenue and total cost
(b) Total cost and marginal cost
(c) Marginal revenue and marginal cost
(d) Only marginal cost
Answer:
(c) Marginal revenue and marginal cost

137. In a perfectly competitive market the demand curve of a firm is:
(a) Elastic
(b) Perfectly elastic
(c) Inelastic
(d) Perfectly inelastic

Answer:
(b) Perfectly elastic

138. The firm will attain equilibrium at a point where MC curve cuts from below ___________.
(a) AR curve
(b) MR curve
(c) AC curve
(d) AVC curve
Answer:
(b) MR curve

139. Which is the first order condition for the firm to maximize the profit ___________.
(a) AC = MR
(b) AC = AR

(c) MC = MR
(d) MR = AR
Answer:
(c) MC = MR

140. Average revenue curve is also known as:
(a) Profit Curve
(b) Demand Curve
(c) Average Cost Curve
(d) Indifference Curve
Answer:
(b) Demand Curve

141. Condition for equilibrium of firm:
(a) MR = MC
(b) AR = AC
(c) MC curve cuts MR curve from below

(d) Both (a) and (c)
Answer:
(d) Both (a) and (c)

142. Demand curve is horizontal in the case of ___________.
(a) Monopoly
(b) Perfect Competition
(c) Imperfect Competition
(d) Monopolistic Competition
Answer:
(b) Perfect Competition

143. In the short run, a firm operates with a ___________ amount of capital and must choose the level of its ___________ so as to ___________ profit.
(a) Fixed, Variable inputs, maximize

(b) Variable, fixed inputs, minimize
(c) Fixed, Fixed inputs, maximize
(d) Valuable, Variable inputs, mini-mize.
Answer:
(a) Fixed, Variable inputs, maximize

144. At the equilibrium position of a firm Under perfect Competition, ___________.
(a) The Marginal revenue is equal to the marginal Cost.
(b) The MC Curve cuts MR Curve from below.
(c) Both (a) & (b)
(d) Either (a) or (b)
Answer:
(c) Both (a) & (b)

145. A purely competitive firm's supply schedule in the short run is determined by ___________.

(a) Its average revenue.

(b) Its marginal revenue.

(c) Its marginal utility for money curve.

(d) Its marginal cost curve.

Answer:

(d) Its marginal cost curve.

146. In a perfectly Competitive Indus-try, the MC Curve of a firm depicts.

(a) The industry demand Curve

(b) The Firm's demand Curve

(c) The industry's supply Curve

(d) The Firm's supply Curve.

Answer:

(d) The Firm's supply Curve.

147. As regards short run supply curve of the firm in a Competitive market, for Prices ___________ Average Variable Cost, the firm will Supply ___________ units because the firm is to ___________ meet even its variable Cost.

(a) Above, maximum. Unable

(b) Below, Zero, Unable

(c) Above, Maximum, able

(d) Below, Zero, able

Answer:

(b) Below, Zero, Unable

148. When the average revenues are more than its average total Cost, the Firm is said to have earned:

(a) Normal Profits

(b) Super Normal Profits
(c) Exceptional Profits
(d) Expected Profits.
Answer:
(b) Super Normal Profits

149. The total Cost of production is ₹ 40,000 (1,000 units). If the firm is selling the product at ₹ 45 per unit, it is earning .
(a) Normal Profits @ ₹ 5 Per Unit
(b) Normal Profits @ ₹ 45 Per Unit
(c) Super normal profits @ ₹ 5 Per Unit
(d) Super Normal profits @ ₹ 45 Per Unit
Answer:
(c) Super normal profits @ ₹ 5 Per Unit

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150. When AR = ₹ 10 and AC = ₹ 8 the firm makes ___________:
(a) Normal profit
(b) Net profit
(c) Gross profit
(d) Super normal profit
Answer:
(d) Super normal profit

151. In a perfectly competitive market, if MR is greater than MC, then a firm should ___________.
(a) Increase its production
(b) Decrease its production

(c) Decrease its sales
(d) Increase its sales
Answer:
(a) Increase its production

152. In a perfectly competitive market, if MR is greater than MC, then a firm should:
(a) Increase its production
(b) Decease its production
(c) Decrease its sales
(d) Increase its sales
Answer:
(a) Increase its production

153. If a perfectly competitive firms earns super normal profits then ___________.
(a) AR > MR

(b) AR < MR
(c) AR = MR
(d) None of the above
Answer:
(c) AR = MR

154. When ___________, we know that the firms are earning just normal profits.
(a) AC = AR
(b) MC = MR
(c) MC = AC
(d) AR = MR
Answer:
(a) AC = AR

155. When ___________, we know that the firms must be producing at the

minimum point of the average cost curve and so there will be productive efficiency.
(a) AC = AR
(b) MC = AC
(c) MC = MR
(d) AR = MR
Answer:
(b) MC = AC

156. A firm encounters its “shutdown point” when:
(a) Average total cost equals price at the profit-maximizing level of output.
(b) Average variable cost equals price at the profit-maximizing level of output.
(c) Average fixed cost equals price at the profit-maximizing level of output.

(d) Marginal cost equals price at the profit-maximizing level of output.

Answer:

(b) Average variable cost equals price at the profit-maximizing level of output.

157. When ___________, there will be a locative efficiency meaning thereby that the cost of the last unit is exactly equal to the price consumers are willing to pay for it and so that the right goods are being sold to the right people at the right price.

(a) MC = MR

(b) MC = AC

(c) MC = AR

(d) AR = MR

Answer:

(c) MC = AR

158. A firm will close down in the short period, if its AR is less than:
(a) AC
(b) AVC
(c) MC
(d) None of the above
Answer:
(b) AVC

159. A competitive firm in the short run incur losses. The firm continues production, if:
(a) P > AVC
(b) P = AVC
(c) P < AVC
(d) P > = AVC
Answer:

(d) P > = AVC

160. If under perfect competition, the price line lies below the average cost curve, the firm would:
(a) Make only Normal profits
(b) Incur losses
(c) Make abnormal profit
(d) Profit cannot be determined
Answer:
(c) Make abnormal profit

160. If under perfect competition, the price line lies below the average cost curve, the firm would:
(a) Make only Normal profits
(b) Incur losses
(c) Make abnormal profit

(d) Profit cannot be determined
Answer:
(c) Make abnormal profit

161. A firm will shut down in the short run if :
(a) It is suffering a loss
(b) Fixed costs exceeds revenue
(c) Variable costs exceed revenues
(d) Total costs exceed revenues
Answer:
(c) Variable costs exceed revenues

162. A firm encounters “shut down” point when ___________.
(a) Marginal cost equals the price of the profit maximizing level of output.

(b) Average fixed cost equals the price at the profit maximizing level of output.
(c) Average variable cost equals the price at the profit maximizing level of output.
(d) Average total cost equals the price at the profit maximizing level of output.
Answer:
(c) Average variable cost equals the price at the profit maximizing level of output.

163. In a competitive market, if price exceeds Average Variable Cost (AVC) but remains less than Average Cost (AC) at the equilibrium, the firm is:
(a) Making a profit
(b) Planning to quit
(c) Experiencing loss but should continue production

(d) Experiencing loss but should discontinue production

Answer:

(c) Experiencing loss but should continue production

164. A competitive firm in the short rum insure losses. The firm continues production, if:

(a) P > AVC

(b) P = AVC

(c) P < AVC

(d) P AVC

Answer:

(d) P AVC

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165. In perfect Competition, if a firm is unable to meet its average variable Cost, it will be better for it to shut-down. This shut-down __________.
(a) Is permanent
(b) Is temporary
(c) May be temporary as the firm resumes production when the market price rises.
(d) None of the above
Answer:
(c) May be temporary as the firm resumes production when the market price rises.

166. The Firm can be in an equilibrium position and still makes losses. This is the situation where ____________.

(a) AR = AC

(b) AR > AC

(c) AR < AC

(d) Either (b) or (c)

Answer:

(c) AR < AC

167. Under perfect competition, in the long run, there will be no ____________.

(a) Normal profits.

(b) Super normal profits.

(c) Production.

(d) Costs.

Answer:

(b) Super normal profits.

168. In the long-run equilibrium of a competitive market, firms operate at:
(a) the intersection of the marginal cost and marginal revenue
(b) their efficient scale
(c) zero economic profit
(d) all of these answers are correct
Answer:
(d) all of these answers are correct

169. Under market condition, firms make normal profits in the long run:
(a) Perfect competition
(b) Monopoly
(c) Oligopoly
(d) None

Answer:
(a) Perfect competition

170. What are the conditions for the long run equilibrium of the competitive firm?
(a) LMC = LAC = P
(b) SMC = SAC = LMC
(c) R = MR
(d) All of these
Answer:
(d) All of these

171. In the long run, which of the fol-lowing statement is true for a firm in a perfectly competitive industry?
(a) It operates at its minimum aver-age cost

(b) The price is more than the aver-age fixed cost
(c) The marginal cost is greatest than marginal revenue
(d) The fixed cost is lower than the total variable cost
Answer:
(a) It operates at its minimum aver-age cost

172. "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses.
(a) Rational, if the firm is covering its variable cost.

(b) Rational, if the firm is covering its fixed cost.
(c) Irrational, since plant closing is necessary to eliminate losses.
(d) Irrational, since fixed costs are eliminated if a firm shut down.
Answer:
(a) Rational, if the firm is covering its variable cost.

173. In long run equilibrium undue perfect completion is/are satisfied by which condition.
(a) MC = MR
(b) AC = AR
(c) CMC = LAC = P
(d) All of the above.
Answer:

(d) All of the above.

174. In Long run perfect competitive market incurs:
(a) Normal profit
(b) Super normal profit
(c) Losses
(d) Constant Returns
Answer:
(a) Normal profit

175. A long run Competitive equilibrium of a perfectly competitive industry occurs when:
(a) All Firms in the industry are in equilibrium.
(b) No Firm has an incentive either to enter or exit the industry.

(c) The price of the product is such that the quantity supplied by the industry is equal to the quantity demanded by Consumers.
(d) All above three conditions hold true.
Answer:
(d) All above three conditions hold true.

176. In the long run, under perfect competition, there will be optimum allocation of resources and ___________.
(a) LAR = LMR
(b) LAR = LMR = P
(c) LAR = LMR = P = LMC
(d) LAR = LMR = P = LMC = LAC
Answer:
(d) LAR = LMR = P = LMC = LAC

177. Monopoly may arise in a product market because ___________.
(a) A significantly important re-source for the production of the commodity is owned by a single firm.
(b) The government has given the firm patent right to produce the commodity.
(c) The costs of production and economies of scale makes production by a single producer more efficient.
(d) All the above.
Answer:
(d) All the above.

178. Monopolist can determine :
(a) Price
(b) Output
(c) Either price or output

(d) None
Answer:
(c) Either price or output

179. Under which of the following forms of market structure does a firm has a very considerable control over the price of its product?
(a) Monopoly
(b) Monopolistic Competition
(c) Oligopoly
(d) Perfect Competition
Answer:
(a) Monopoly

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180. The distinction between a single firm and an Industry vanishes in which of the following market conditions?
(a) Perfect Competition
(b) Imperfect Competition
(c) Pure Competition
(d) Monopoly
Answer:
(d) Monopoly

181. Which of the following is the distinguishing characteristic of oli-gopolies?
(a) A standardized product
(b) The goal of profit maximization
(c) The interdependence among firms

(d) Downward-sloping demand curves faced by firms.
Answer:
(c) The interdependence among firms

182. In a monopoly market, a producer has control only over:
(a) Price of the commodity
(b) Demand of the commodity
(c) Both (a) and (b)
(d) Utility of the product
Answer:
(a) Price of the commodity

183. Which is not characteristic of monopoly?
(a) The firm is price-taker
(b) There is a single firm

(c) The firm produces a unique product
(d) The existence of some advertis-ing.
Answer:
(a) The firm is price-taker

184. Monopoly is undesirable due to:
(a) It has prices higher than competi¬tive firms
(b) It produces less output than competitive firms
(c) It discriminates on prices
(d) All of the above.
Answer:
(d) All of the above.

185. A Monopolist is a ___________.
(a) price-maker
(b) price-taker

(c) price-adjuster
(d) none of the above
Answer:
(a) price-maker

186. Under monopoly, the degree of control over price is:
(a) None
(b) Some
(c) Very considerable
(d) None of the above
Answer:
(c) Very considerable

187. The demand curve of the firm and industry will be same in which form of market:
(a) Monopolistic competition

(b) Perfect completion
(c) Monopoly
(d) Oligopoly
Answer:
(c) Monopoly

188. Market form in which there is only one buyer and one seller is:
(a) Oligopoly
(b) Duopoly
(c) Bilateral Monopoly
(d) Monopsony
Answer:
(c) Bilateral Monopoly

189. Which market is having a single seller and single Buyer?
(a) Duopoly

(b) Monopsony
(c) Bilateral Monopoly
(d) None of the above
Answer:
(c) Bilateral Monopoly

190. Monopoly is a situation in which ___________.
(a) There is a Single Seller of a product
(b) The Product has no close Substitute
(c) Both (a) & (b)
(d) Neither (a) or (b)
Answer:
(c) Both (a) & (b)

191. In a Monopolistic market, there are ___________ barriers to entry.
(a) No

(b) Negligible
(c) Light
(d) Strong
Answer:
(d) Strong

192. Which is the characteristic feature of monopoly?
(a) Homogenous goods
(b) Strong barriers to entry
(c) Perfect competition
(d) Perfectly elastic demand curve
Answer:
(b) Strong barriers to entry

193. Discriminating monopoly implies that the monopolist charges different prices for his commodity:

(a) From different groups of consumers
(b) For different uses
(c) At different places
(d) Any of the above.
Answer:
(d) Any of the above.

194. In which form of the market structure is the degree of control over the price of its product by a firm very large?
(a) Monopoly
(b) Imperfect Competition
(c) Oligopoly
(d) Perfect competition
Answer:
(a) Monopoly

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195. Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude that ___________.
(a) The firm operates in a perfectly competitive market.
(b) The firm can sell all that it wants to at the established market price.
(c) The XYZ Co. is not a price-taker in the market because it must lower price to sell additional units of output.
(d) The XYZ Co. will not be able to maximize profits because price and revenue are subject to change.
Answer:

(c) The XYZ Co. is not a price-taker in the market because it must lower price to sell additional units of output.

196. The demand curve of a monopoly firm will be ___________.
(a) Upward sloping
(b) Downward sloping
(c) Horizontal
(d) Vertical
Answer:
(b) Downward sloping

197. What is the shape of monopolist Average Revenue Curve?
(a) Falls from left to right
(b) Is parallel to X – axis
(c) Is parallel to Y – axis

(d) Rise from left to right
Answer:
(a) Falls from left to right

198. The MR curve cuts the horizontal line between Y axis and demand curve into:
(a) Two unequal parts
(b) Two equal parts
(c) May be equal or unequal parts
(d) None of these
Answer:
(b) Two equal parts

199. The demand curve of the firm and industry will be same in which form of market:
(a) Monopolistic Competition

(b) Perfect Competition
(c) Monopoly
(d) Oligopoly
Answer:
(c) Monopoly

200. When elasticity of demand is Equal to one in monopoly, marginal Revenue will be ___________.
(a) Equal to one.
(b) Greater than one.
(c) Less than one.
(d) Zero.
Answer:
(d) Zero.

201. If a firm under monopoly wants to sell more, its average revenue curve will be a ___________ line.
(a) Horizontal
(b) Vertical
(c) Downward sloping
(d) Upward sloping
Answer:
(c) Downward sloping

202. Marginal Revenue is equal to:
(a) The change in price divided by the change in output.
(b) The change in quantity divided by the change in price.
(c) The change in P X Q due to a one unit change in output.

(d) Price, but only if the firm is a price searcher.

Answer:

(c) The change in P X Q due to a one unit change in output.

203. When price is less than average variable cost at the profit-maximizing level of output, a firm should:

(a) Produce where marginal revenue equals marginal cost if it is operating in the short run.

(b) Produce where marginal revenue equals marginal cost if it is operating is the long run.

(c) Shutdown, since it will lose nothing in that case.

(d) Shutdown, since it cannot even cover its variable costs if it stays in business.
Answer:
(d) Shutdown, since it cannot even cover its variable costs if it stays in business.

204. At price PI, the firm in the figure would produce ___________.
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(a) Zero output
(b) Q3
(c) Q5
(d) Q6
Answer:
(a) Zero output

205. Profits of the firm will be more at:
(a) MR = MC
(b) Additional revenue from extra unit equals its additional cost
(c) Both of above
(d) None
Answer:
(c) Both of above

206. Which of the following is true, when the firm is at equilibrium?
(a) MC < MR
(b) MC curve cuts the MR curve from below
(c) Both (a) and (b)
(d) None of the above
Answer:

(b) MC curve cuts the MR curve from below

207. A monopolist is able to maximize his profits when:
(a) His output is maximum
(b) He charges a high price
(c) His average cost is minimum
(d) His marginal cost is equal to marginal revenue
Answer:
(d) His marginal cost is equal to marginal revenue

208. For a monopolist, the necessary condition for equilibrium is:
(a) P = MC
(b) P = MR = AR

(c) MR = MC
(d) None
Answer:
(c) MR = MC

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209. A monopolist can fix:
(a) Both price and output
(b) Either price or output
(c) Neither price nor output
(d) None of the above
Answer:
(a) Both price and output

210. Under monopoly, which of the following is correct:
(a) AR and MR both are downward sloping
(b) MR lies halfway between AR and Y-axis
(c) MR can be zero or even negative
(d) All of the above
Answer:
(d) All of the above

211. Supernormal profits occur, when:
(a) Total revenue is equal to total cost
(b) Total revenue is equal to variable cost
(c) Average revenue is more than average cost
(d) Average revenue is equal to average cost

Answer:
(b) Total revenue is equal to variable cost

212. A monopolist has to determine ___________.
(a) His output
(b) The Price of his Product
(c) Total market demand
(d) Both (a) & (b)
Answer:
(d) Both (a) & (b)

213. A Monopolist faces ___________ sloping demand Curve.
(a) Upward
(b) Downward
(c) Horizontal to X-axis
(d) Horizontal to Y-axis

Answer:
(b) Downward

214. In case of Monopoly, the firm and industry are ___________.
(a) Different
(b) Identical
(c) Similar
(d) Opposite to each other
Answer:
(b) Identical

215. Suppose that, at the profit-maximizing level of output, a firm finds that market price is less than average total cost, but greater than average variable cost. Which of the following statements is correct?

(a) The firm should shutdown in order to minimize its losses.
(b) The firm should raise its price enough to cover its losses.
(c) The firm should move its re-sources to another industry.
(d) The firm should continue to operate in the short run in order to minimize its losses.
Answer:
(d) The firm should continue to operate in the short run in order to minimize its losses.

216. If the average cost is higher than the average revenue then the firm incurs ___________.
(a) Normal profit

(b) Abnormal profit
(c) Loss
(d) No profit, no loss
Answer:
(c) Loss

217. Price discrimination will be profit-able only if the elasticity of demand in different sub-markets is:
(a) Uniform
(b) Different
(c) Less
(d) Zero
Answer:
(b) Different

218. Price discrimination is one of the features of ___________.

(a) monopolistic competition
(b) Monopoly
(c) perfect competition
(d) Oligopoly
Answer:
(b) Monopoly

219. When the monopolist divides the consumers into separate sub markets and charges different prices in different sub-markets it is known as:
(a) First degree of price discrimination.
(b) Second degree of price discrimination.
(c) Third degree of price discrimination.
(d) None of the above.
Answer:
(c) Third degree of price discrimination.

220. Under __________ the monopolist will fix a price which will take away the entire consumers' surplus.
(a) Second degree of price discrimination.
(b) First degree of price discrimination.
(c) Third degree of price discrimination.
(d) None of the above.
Answer:
(b) First degree of price discrimination.

221. Price discrimination is related to __________
(a) Time
(b) Size of the purchase
(c) Income
(d) Any of the above

Answer:
(d) Any of the above

222. Under monopoly price discrimination depends upon :
(a) Elasticity of demand for com-modity
(b) Elasticity of supply for commodity
(c) Size of market
(d) All of the above
Answer:
(a) Elasticity of demand for com-modity

223. Which one of the following statement is Incorrect?
(a) Competitive firms are price takers and not price makers.
(b) Price discrimination is possible in monopoly only.

(c) Duopoly may lead to monopoly.
(d) Competitive firm always seeks to discriminate prices.

Answer:
(d) Competitive firm always seeks to discriminate prices.

224. For a discriminating monopolist the condition for equilibrium is:
(a) MR > MC
(b) MR1 = MR2
(c) MRa = MRb =MC
(d) All of the above

Answer:
(c) MRa = MRb =MC

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225. Price discrimination can take place only in ___________.
(a) Monopolistic competition
(b) Oligopoly
(c) Perfect competition
(d) Monopoly
Answer:
(a) Monopolistic competition

226. Price Discrimination is possible only when.
(a) Seller is alone.
(b) Goods are homogeneous.

(c) Market is controlled by the government.
(d) None of the above.
Answer:
(d) None of the above.

227. For price discrimination to be successful, the elasticity of demand for the commodity in the two markets should be:
(a) Same
(b) Different
(c) Constant
(d) Zero
Answer:
(b) Different

228. Price discrimination will be profit-able only if the elasticity of demand in different markets is ___________.

(a) Uniform
(b) Different
(c) Less
(d) Zero

Answer:
(b) Different

229. A discriminating monopolist to reach equilibrium position, his decision on total output depends upon.

(a) How much total output should be produce?
(b) How the total output should be distributed between the two sub-market?

(c) Both (a) and (b)
(d) None
Answer:
(c) Both (a) and (b)

230. Price discrimination is possible only in ___________.
(a) Monopoly
(b) Perfect Competition
(c) Oligopoly
(d) Monopolistic Competition
Answer:
(a) Monopoly

231. Price discrimination will not be profitable, if the elasticity of demand is ___________ in different markets.
(a) Uniform

(b) Different
(c) Less
(d) Zero
Answer:
(a) Uniform

232. The price discrimination under monopoly will be possible under which of the following conditions?
(a) The seller has no control over the supply of his product.
(b) The market has the same condition all over.
(c) The price elasticity of demand is different in different markets.
(d) The price elasticity of demand is uniform.
Answer:

(c) The price elasticity of demand is different in different markets.

233. Monopolist can fix him price of goods whose elasticity is ___________.
(a) Less than 1
(b) More than 1
(c) Elastic
(d) Inelastic.
Answer:
(a) Less than 1

234. "Price Discrimination" can be best exercised by the Seller in ___________.
(a) Oligopoly
(b) Monopoly
(c) Monopolistic competition
(d) Perfect competition

Answer:
(b) Monopoly

235. A discriminating monopolist will charge a higher price in the market in which the demand for its product is ___________.
(a) Highly elastic
(b) Relatively elastic
(c) Relatively inelastic
(d) Perfectly elastic
Answer:
(c) Relatively inelastic

236. Price discrimination is profitable only when:
(a) Different markets are kept sepa-rate.

(b) Distance between the consumer and the market is more.
(c) Elasticity of demand in different markets is different.
(d) The consumers are segregated on the basis of their purpose of use of the commodity.
Answer:
(c) Elasticity of demand in different markets is different.

237. Which amongst the following is not an objective of price discrimination?
(a) To hold the extra stocks.
(b) To earn maximum profits.
(c) To enjoy economies of scale.
(d) To secure equity through pricing.
Answer:

(a) To hold the extra stocks.

238. In the long run monopolist ___________.
(a) Incur losses
(b) Must earn super normal profits
(c) Wants to shut down
(d) Earns only normal profits.
Answer:
(b) Must earn super normal profits

239. Competitive firms in the long- run earn:
(a) Super normal profit
(b) Normal profit
(c) Losses
(d) None
Answer:

(b) Normal profit

240. In the long-run monopolist can:
(a) Incur losses
(b) Must earn super normal profits
(c) Wants to shut-down
(d) Earns only normal profits
Answer:
(b) Must earn super normal profits

241. In the long run a monopolist always earns ___________.
(a) Normal profit
(b) Abnormal profit
(c) Zero profit
(d) Loss
Answer:
(b) Abnormal profit

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242. Abnormal profits exist in the long run only under ___________.
(a) Perfect competition
(b) Monopoly
(c) Monopolistic competition
(d) Oligopoly
Answer:
(b) Monopoly

243. The Electricity Companies Sell electricity at a cheaper rate for home Consumption in rural areas than for industrial use. It is example of:

(a) Price-discrimination
(b) Price – Adjustment
(c) Price – Variability
(d) Price-biased attitude.
Answer:
(a) Price-discrimination

244. Which of the following is not a characteristic of a perfectly competitive market?
(a) Large number of firms in the industry.
(b) Outputs of the firms are perfect substitutes for one another.
(c) Firms face downward-sloping demand curves.
(d) Resources are very mobile.
Answer:

(c) Firms face downward-sloping demand curves.

245. Firms in a monopolistic market are price ___________:
(a) Takers
(b) Givers
(c) Makers
(d) Acceptors
Answer:
(c) Makers

246. Under Monopolistic competition the cross elasticity of demand for the product of a single firm would be:
(a) Infinite
(b) Highly elastic
(c) Highly inelastic

(d) Zero
Answer:
(a) Infinite

247. Which of the following is not a characteristic of monopolistic com-petition?
(a) Ease of entry into the industry.
(b) Product differentiation.
(c) A relatively large number of sellers.
(d) A homogeneous product.
Answer:
(d) A homogeneous product.

248. Monopolistic competition differs from perfect competition primarily because ___________.

(a) In monopolistic competition, firms can differentiate their products.
(b) In perfect competition, firms can differentiate their products.
(c) In monopolistic competition, en-try into the industry is blocked.
(d) In monopolistic competition, there are relatively few barriers to entry.
Answer:
(a) In monopolistic competition, firms can differentiate their products.

249. Which market have characteristic of product differentiation?
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly

Answer:
(c) Monopolistic Competition

250. Which of the following is not the feature of an imperfect competition?
(a) Product differentiation.
(b) Few sellers.
(c) Homogeneous products.
(d) Price wars.
Answer:
(c) Homogeneous products.

251. Tooth paste industry is an example of ___________.
(a) Monopoly
(b) Monopolistic competition
(c) Oligopoly
(d) Perfect competition

Answer:
(b) Monopolistic competition

252. The structure of the toothpaste industry in India is best described as __________.
(a) Perfectly competitive.
(b) Monopolistic.
(c) Monopolistically competitive.
(d) Oligopolistic.
Answer:
(c) Monopolistically competitive.

253. A market structure in which many firms sell products that are similar but not identical is known as:
(a) Monopolistic competition
(b) Monopoly

(c) Perfect competition
(d) Oligopoly
Answer:
(a) Monopolistic competition

254. Non-price competition is very popular in:
(a) Monopoly market
(b) Monopolistic competition
(c) Oligopolistic market
(d) Perfect competition
Answer:
(b) Monopolistic competition

255. Selling outlay is an essential part of which of the following market situations?
(a) Perfect Competition
(b) Monopoly

(c) Monopolistic Competition
(d) Pure Competition
Answer:
(c) Monopolistic Competition

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256. Which of the following is not a characteristic of a monopolistically competitive market?
(a) Free entry and exit
(b) Abnormal profits in the long run
(c) Many sellers
(d) Differentiated products
Answer:
(b) Abnormal profits in the long run

257. Which of the following statements is correct?
(a) Price rigidity is an important feature of monopoly.
(b) Selling costs are possible under perfect competition.
(c) Under perfect competition factors of production do not move freely as there are legal restrictions.
(d) An industry consists of many firms.
Answer:
(d) An industry consists of many firms.

258. Which market has the concept of 'group' equilibrium in the long-run __________.
(a) Oligopoly

(b) Monopoly
(c) Monopolistic competition
(d) Perfect competition.
Answer:
(c) Monopolistic competition

259. In monopolistic competition excess capacity in the firm __________.
(a) Always exists
(b) Sometimes exists
(c) Never exists
(d) None of the above
Answer:
(a) Always exists

260. Which market has the concept of 'group' equilibrium in the long-run __________.

(a) Oligopoly
(b) Monopoly
(c) Monopolistic competition
(d) Perfect competition.
Answer:
(c) Monopolistic competition

261. Product differentiation is the main features of which market?
(a) Oligopoly
(b) Monopolistic
(c) Discriminating Monopoly
(d) Perfect completion
Answer:
(b) Monopolistic

262. What is the characteristic of mo-nopolistic Competition?

(a) Price elasticity is low for the product concerned
(b) Large number of sellers
(c) No degree of control over price
(d) One buyer
Answer:
(b) Large number of sellers

263. Monopolistic Competitive firms ___________.
(a) Are small in size
(b) Have small share in total market
(c) Are very large in size
(d) Both (A) and (B)
Answer:
(d) Both (A) and (B)

264. The long-run equilibrium outcomes in monopolistic competition and perfect competition are similar, because in both market structures __________

(a) The efficient output level will be produced in the long run.

(b) Firms will be producing at mini-mum average cost.

(c) Firms will only earn a normal profit.

(d) Firms realise all economies of scale.

Answer:

(c) Firms will only earn a normal profit.

265. Which of the following statements is incorrect?

(a) Even a monopolistic firm can have losses.

(b) Firms in a perfectly competitive market are price takers.
(c) It is always beneficial for a firm in a perfectly competitive market to discriminate prices.
(d) Kinked demand curve is related to an oligopolistic market.
Answer:
(c) It is always beneficial for a firm in a perfectly competitive market to discriminate prices.

266. Which of the following statements is incorrect?
(a) Under monopoly there is no difference between a firm and an industry.

(b) A monopolist may restrict the output and raise the price.
(c) Commodities offered for sale under a perfect competition will be heterogeneous.
(d) Product differentiation is peculiar to monopolistic competition.
Answer:
(c) Commodities offered for sale under a perfect competition will be heterogeneous.

267. Under which market Condition firms make only normal profits in the long run?
(a) Oligopoly
(b) Monopoly
(c) Monopolistic competition
(d) Duopoly

Answer:
(c) Monopolistic competition

268. Comparing a Monopoly and Competitive firm the Monopolist will:
(a) Produce less and sell at a lower price.
(b) Produce more and sell at a lower price.
(c) Produce less and sell at a higher price.
(d) Produce zero and sell at a lower price.
Answer:
(c) Produce less and sell at a higher price.

269. There is absolutely no consumer exploitation in case of ___________.
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competitions

(d) All of the above
Answer:
(a) Perfect Competition

270. There is efficient allocation of resources in case of ___________.
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) All of the above
Answer:
(a) Perfect Competition

271. In which of the following type of competition, supernormal profits can be earned both in short run and long run?
(a) Perfect Competition
(b) Monopoly

(c) Monopolistic Competition
(d) All of the above
Answer:
(b) Monopoly

272. Oligopolistic industries are char-acterized by :
(a) A few dominant firms and sub-stantial barriers to entry.
(b) A few large firms and no entry barriers.
(c) A large number of small firms and no entry barriers.
(d) One dominant firm and low entry barriers.
Answer:
(a) A few dominant firms and sub-stantial barriers to entry.

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273. If firms in the toothpaste industry have the following market shares, which market structure would best describe the industry?

Market Share	(% of market)
Toothpaste	18.7
Dentipaste	14.3
Shinibright	11.6
I can’t believe its not toothpaste	9.4
Brighter than white	8.8
Pasty stuff	7.4
Others	29.8

(a) Perfect competition.
(b) Monopolistic competition.
(c) Oligopoly.
(d) Monopoly.
Answer:
(c) Oligopoly.

274. Market which have two firms are known as :
(a) Oligopoly
(b) Duopoly
(c) Monopsony
(d) Oligopsony
Answer:
(b) Duopoly

275. The market structure in which the number of sellers is small and there is

inter dependence in decision making by the firms is known as :
(a) Perfect competition
(b) Oligopoly
(c) Monopoly
(d) Monopolistic competition
Answer:
(b) Oligopoly

276. OPEC is an example of :
(a) Monopolistic competition
(b) Monopoly
(c) Oligopoly
(d) Duopoly
Answer:
(c) Oligopoly

277. One characteristic not typical of oligopolistic industry is:
(a) Horizontal demand curve.
(b) Too much importance to non-price competition.
(c) Price leadership.
(d) A small number of firms in the industry.
Answer:
(a) Horizontal demand curve.

278. The structure of the cold drink industry in India is best described as:
(a) Perfectly competitive.
(b) Monopolistic.
(c) Monopolistically competitive.
(d) Oligopolistic.
Answer:

(d) Oligopolistic.

279. Oligopoly having identical prod-ucts is:
(a) Pure oligopoly
(b) Imperfect oligopoly
(c) Price leadership
(d) Collusion.
Answer:
(a) Pure oligopoly

280. Price rigidity is a situation found in which of the following market forms?
(a) Perfect competition.
(b) Monopoly.
(c) Monopolistic competition.
(d) Oligopoly.
Answer:

(d) Oligopoly.

281. Oligopoly having identical products is known as __________.
(a) Pure oligopoly
(b) Collusive oligopoly
(c) Independent oligopoly
(d) None of these
Answer:
(a) Pure oligopoly

282. The market for hand tools (such as hammers and screwdrivers) is dominated by Draper, Stanley, and Craftsman. This market is best described as:
(a) Monopolistically competitive
(b) a monopoly

(c) an oligopoly
(d) perfectly competitive
Answer:
(c) an oligopoly

283. When the industry is dominated by one large firm which is considered as the leader of the group, the market is described as:
(a) Open oligopoly
(b) Perfect oligopoly
(c) Partial oligopoly
(d) Organized oligopoly.
Answer:
(c) Partial oligopoly

284. Which of these is the best example of oligopoly?

(a) OPEC
(b) SAARC
(c) WTO
(d) GATT
Answer:
(a) OPEC

284A. In oligopoly, when the industry is dominated by one large firm which is considered as leader of the group, Then it is called:
(a) Full oligopoly.
(b) Collusive oligopoly.
(c) Partial oligopoly.
(d) Syndicated oligopoly.
Answer:
(c) Partial oligopoly.

284B. When the products are sold through a centralized body, oligopoly is known as:
(a) Organized oligopoly
(b) Partial oligopoly
(c) Competitive oligopoly
(d) Syndicated oligopoly
Answer:
(d) Syndicated oligopoly

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285. The demand curve of oligopoly is:
(a) Horizontal
(b) Vertical
(c) Kinked

(d) Rising left to right
Answer:
(c) Kinked

285A. When new firms of the oligopoly market come to a common understanding or act in collusion with each other either in fixing price or output or both, then it is called as ___________.
(a) Competitive oligopoly
(b) Syndicated oligopoly
(c) Collusive oligopoly
(d) Partial oligopoly
Answer:
(c) Collusive oligopoly

286. When the industry is dominated by one large firm which is considered or

looked upon as the leader of the group, the oligopoly is regarded as ___________.

(a) Competitive oligopoly
(b) Syndicated oligopoly
(c) Collusive oligopoly
(d) Partial oligopoly

Answer:
(d) Partial oligopoly

286A. OPEC is an example of :

(a) Monopolistic competition
(b) Monopoly
(c) Oligopoly
(d) Duopoly

Answer:
(c) Oligopoly

287. Which of the following is not a feature of oligopoly market?
(a) Interdependence of the firms in decision making
(b) Price rigidity
(c) Group behaviour
(d) Existence of large number of firms.
Answer:
(d) Existence of large number of firms.

288. ____________ is that situation in which a firm bases its market policy, in part on the expected behaviour of a few close rivals.
(a) Oligopoly
(b) Monopolistic Competition
(c) Monopoly
(d) Perfect Competition

Answer:
(a) Oligopoly

289. When an oligopolist individually chooses its level of production to maximize its profits, it charges a price that is:
(a) More than the price charged by either monopoly or a competitive market.
(b) Less than the price charged by either monopoly or a competitive market.
(c) More than the price charged by a monopoly and less than the price charged by a competitive market.
(d) Less than the price charged by a monopoly and more than the price charged by a competitive market.
Answer:

(d) Less than the price charged by a monopoly and more than the price charged by a competitive market.

290. Pure oligopoly is based on the ___________ products:
(a) Differentiated
(b) Homogeneous
(c) Unrelated
(d) None of the above
Answer:
(b) Homogeneous

291. What is/are feature(s) of oligopoly ___________
(a) Kinked Demand curve
(b) Cartel
(c) Downward sloping demand curve

(d) Both (a) and (b) are correct
Answer:
(d) Both (a) and (b) are correct

292. Which of these is the best example of oligopoly ___________
(a) OPEC
(b) SAARC
(c) WTO
(d) GATT
Answer:
(a) OPEC

293. Which one of the following is not the feature of Oligopoly?
(a) Interdependency
(b) Selling cost
(c) Free Entry

(d) One of the above/groupbehaviour
Answer:
(c) Free Entry

294. The theory of oligopoly is a theory of ___________.
(a) Group Behaviour
(b) Mass Behaviour
(c) Individual Behaviour
(d) Single Behaviour
Answer:
(a) Group Behaviour

295. Which one of following statement is incorrect as regards oligopoly?
(a) It is dominated by a Small number of large firms.

(b) There is importance of advertis-ing & selling cost.
(c) The oligopoly is interdependent in decision-making of the new firms which comprise the industry.
(d) No new firm is allowed to enter in oligopoly market in any case.
Answer:
(d) No new firm is allowed to enter in oligopoly market in any case.

296. Price leadership is the characteristic of ___________.
(a) Oligopoly
(b) Monopoly
(c) Perfect competition
(d) Discriminating Monopoly
Answer:

(a) Oligopoly

297. The demand curve of an oligopolist is :
(a) Determinate
(b) Indeterminate
(c) Circular
(d) Vertical
Answer:
(b) Indeterminate

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298. An oligopolistic firm has to behave strategically when it makes a ___________ about its ___________.

(a) Decision, Price
(b) Price, Output
(c) Policy, Material
(d) None of these
Answer:
(a) Decision, Price

299. Entering into collusion or form¬ing a cartel is generally considered ___________.
(a) Legal
(b) Illegal
(c) Desirable
(d) Mandatory
Answer:
(b) Illegal

300. According to Pigou, first degree price discrimination charges price to;
(a) Individual capacity
(b) Quantities sold
(c) Location
(d) None of the above
Answer:
(a) Individual capacity