

# PRICE DETERMINATION IN DIFFERENT MARKETS

## UNIT 1: MEANING & TYPES OF MARKETS

### Meaning of Market

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

2. Which one is not a part of the elements of a market?

- (a) Buyers and sellers
- (b) A product or service
- (c) Bargaining for a price
- (d) Volume of business

[Jan. 2021]

3. A market is a network of dealings between which of the following?

- (a) Dealers and wholesalers
- (b) Buyers and sellers
- (c) Owners and channel partners
- (d) Sales man and competitors

[June 2022]

4. Which of the following is not an element of a market?

- (a) Knowledge about market condition
- (b) No bargaining for a price
- (c) A product or service
- (d) Buyers and seller

[July 2021]

5. Which of the following is not the element of markets?

- (a) A product/service
- (b) Bargaining of price
- (c) Knowledge about market conditions
- (d) Advertisement (or) brand awareness

6. Which one of the following is not element of market?

- (a) buyer
- (b) service
- (c) firm
- (d) bargaining for price

[June 2023]

7. Market consists of:

- (a) Buyer and Seller
- (b) One price for one product at a given time

(c) Both (a) and (b)

(d) None

[ICA CPT May 2019]

**Classification of Market****8. The Price Elasticity of demand of a firm in Pure Competition is :**

(a) Infinite

(b) Finite

(c) Large

(d) Small

**9. On the basis of nature of transaction, a market may be classified into:**

(a) Wholesale and retail market

(b) Cash and forward rate

(c) National and international market

(d) Regulated and unregulated market

[Nov. 2020]

**10. When commodities are sold in small quantities are called as which of the following?**

(a) Wholesale market

(b) Regulated market

(c) Spot market

(d) Retail market

**11. For market the essential condition is:**

(a) A particular geographical place

(b) Control of the government

(c) Close contact between buyers and sellers

(d) None of these

**12. Who conceived the 'time element' in markets?**

(a) Alfred Marshall

(b) Adam Smith

(c) Robert Malthus

(d) Schumpeter

**13. On the basis of nature of transaction, a market can be classified into which of the following?**

(a) Cash and forward market

(b) National and international market

(c) Organized and unorganized market

(d) Retail and wholesale market

[June 2023]

**14. \_\_\_\_\_ 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

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(c) Adam Smith

(d) Paul Samuelson

**15. 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.

[CA CPT June 2017]

**16. Secular period is also known as:**

(a) Very short period

(b) Short period

(c) Very long period

(d) Long period

[Jan. 2021]

**17. Very short period market is suitable for which of the following products?**

- (a) Gold and silver
- (b) Vegetable and fruits
- (c) Bricks and sand
- (d) Supply of capital

[June 2022]

18. On the basis of nature of transactions, market can be classified a

- (a) Wholesale market and retail market
- (b) Future market and spot market
- (c) Regulated market and unregulated market
- (d) Money market and Future market

[July 2021]

19. Example of a commodity said to have an International Market is?

- (a) Perishable Goods.
- (b) High Value and Small Bulk Commodities.
- (c) Product whose trading is restricted by government.
- (d) Bulky Articles.

20. Stock exchange market is an example of:

- (a) Unregulated market
- (b) Regulated market
- (c) Spot market
- (d) None of the above

21. The market for ultimate consumer is known as:

- (a) Wholesale market
- (b) Regulated market
- (c) Unregulated market
- (d) Retail market

[CA CPT Dec. 2016]

22. The \_\_\_\_\_ is the market where the commodities are bought and sold

in bulk or large quantities. Transactions generally take place between trades.

- (a) Wholesale market
- (b) Regulated market
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[July 2021]

23. \_\_\_\_\_ 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

24. A market where goods are exchanged for money payable either immediately or within short span of time is :

- (a) Forwarded market
- (b) Regulate market
- (c) Wholesale market
- (d) Spot market

[Nov. 2020]

25. When the commodities are sold in small quantities, it is called as:

- (a) Retail Market
- (b) Wholesale Market
- (c) Small Market
- (d) Local Market

26. Stock exchange is example of:

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4.2

- (c) Both (a) and (b)  
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 Vegetables  
 Bricks  
 Supermarket

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4.4

- (a) regional market
- (b) local market
- (c) national market
- (d) none of the above

28. \_\_\_\_\_ 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

29. A market where there is no restrictions on the transactions is called as:

- (a) Regulated market
- (b) Unregulated market
- (c) Spot market
- (d) Future market

[Nov. 2019]

30. The classification of market on the basis of Area does not include \_\_\_\_\_.

- (a) Local Market
- (b) Regional Market
- (c) Spot Market
- (d) National Market

31. 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

[CA CPT May 2019]

32. 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

33. In \_\_\_\_\_, there are few sellers who are selling competing products to many buyers.

- (a) Monopoly
- (b) Perfect Competition
- (c) Oligopoly
- (d) None of these

34. The degree of control is very considerable in case of:

- (a) Monopoly
- (b) Perfect Competition
- (c) Oligopoly
- (d) None of these

### Concepts of TR, AR & MR

35. Average Revenue is also known as:

- (a) Price
- (b) Income
- (c) Revenue
- (d) None of the above

36. Average revenue curve is also known as:

- (a) Profit Curve
- (b) Demand Curve
- (c) Average Cost Curve
- (d) Indifference Curve

37. Total revenue curve is:

- (a) Positively Sloped
- (b) Negatively Sloped
- (c) Downward Sloped
- (d) Vertical to X axis

38. Average revenue curve also called as:

- (a) Firm's demand curve
- (b) Total revenue Curve
- (c) Marginal revenue curve
- (d) Quantity curve

- (a) ₹ 10
- (b) ₹ 11
- (c) ₹ 9
- (d) ₹ 20

[CA CPT May 2019]

44. If a seller obtains ₹ 6,000 after selling 50 units and ₹ 6,204 after selling 53 units, then marginal revenue will be:

- (a) 68
- (b) 118
- (c) 120
- (d) 204

[Dec. 2021]

39. Another name of average revenue curve is \_\_\_\_\_.

- (a) Production possibility curve
- (b) Demand curve
- (c) Supply curve
- (d) Indifference curve

[June 2023]

40. 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

[Nov. 2020]

45. Average revenue is equal to:

- (a) The change in Price due to a one unit change in output.
- (b) Nothing but price of one unit of output.
- (c) The change in quantity divided by change in price.
- (d) Graphically it denotes the firm's supply curve.

41. Average Revenue can be symbolically written as:

- (a)  $MR/Q$
- (b) Price  $\times$  quantity
- (c)  $TR/Q$
- (d) None of the above.

46. 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

42. Total profits are maximized when:

- (a) TR equals TC
- (b) The TR curve and the TC curve are parallel
- (c) TC exceeds TR
- (d) TR exceeds TC

[CA CPT Dec. 2013]

47. Assume that when price is ₹ 40, the quantity demanded is 15 units and when price is ₹ 38, 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:

43. 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) 36  
(b) 32  
(c) 24  
(d) 08

[Nov. 2019]

48. 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.

49. Suppose a seller realises ₹ 100 by selling 10th unit of commodity and ₹ 120 by selling 11th unit. What is the MR of 11th Unit?

- (a) 100  
(b) 120  
(c) 20  
(d) 10

[June 2023]

50. MR of  $n$ th 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

[CA CPT Feb. 2008]

51. When a firm produces 7 units of production and the TR is ₹ 42 after raising the production to 8 units TR reached ₹ 46 marginal revenue will be:

- (a) ₹ 5  
(b) ₹ 6

- (c) ₹ 4  
(d) ₹ 8

[Nov. 2020]

52. Total revenue curve initially increases at a diminishing rate due:

- (a) Diminishing average revenue curve  
(b) Diminishing marginal revenue curve  
(c) Diminishing average fixed revenue curve  
(d) Diminishing costs curve

53. 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

54. Another name of demand curve is:

- (a) MR curve (b) AR curve  
(c) TR curve (d) MC curve

[June 2022]

55. Marginal revenue curve slopes \_\_\_\_\_ and marginal cost curve slopes \_\_\_\_\_.

- (a) Downwards, upwards  
(b) Downwards, downwards  
(c) Upwards, upwards  
(d) Downwards, no change

[Dec. 2021]

56. Answer the following questions:

Units	0	1	2	3	4	5	6
Total Revenue	100	180	250	310	360	400	430

Find the marginal revenue at 5th

unit is:

- (a) 40  
(b) 45  
(c) 55  
(d) 60

[Nov. 2020]

57. Assume that at price ₹ 100 per unit, the quantity demanded is 900 units. When price falls to ₹ 90 the quantity demanded increases to 100 units. Compute the marginal revenue.

- (a) ₹ 0  
(b) ₹ 10  
(c) ₹ 90  
(d) ₹ 100

[June 2022]

58. A seller realizes ₹ 25,000 after selling 15 units and he realizes ₹ 35,000 after selling 25 units, what is the marginal revenue here?

- (a) ₹ 2,500  
(b) ₹ 100  
(c) ₹ 1,000  
(d) ₹ 3,500

[July 2021]

59. The quantity demanded of pens increases from 15 to 20, if there is 25% decrease in the price. If the price initially is ₹ 20/- per pen then, what is the marginal revenue resulting from an increase in the quantity demanded of pens from 15 to 20?

- (a) 15  
(b) 20  
(c) 0  
(d) 5

[Dec. 2021]

60. Assume that when price is ₹ 10, the quantity demanded is 5 units

and when price is ₹ 12 the quantity demanded is 4 units. Based on this information, what is the Marginal Revenue resulting from increase in output from 4 units to 5 units.

- (a) ₹ 5  
(b) ₹ 4  
(c) ₹ 2  
(d) ₹ 3

61. 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

62. Total revenue =

- (a) Price × quantity  
(b) Price × income  
(c) Income × quantity  
(d) None of the above

63. When ABC Ltd. sells 130 units @ 50 P.U. then total revenue will be:

- (a) 6,000  
(b) 6,500  
(c) 12,050  
(d) 18,550

[Nov. 2020]

64. Which of the following statement is not correct?

- (a) Marginal revenue is the revenue of an additional unit sold of a commodity  
(b) Total revenue is obtained by multiplying the total number of units sold with the price per unit of a commodity

- (c) Average revenue is the revenue earned per unit of an output  
 (d) Total revenue is the sum total of average revenue

[June 2022]

65. 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

66. ABC Ltd. realizes total revenue of ₹ 6,000 by the sale of 120 units and ₹ 6050 by the sale of 121 units. What is the average revenue when ABC Ltd. sells 121 units

- (a) 50  
 (b) 100  
 (c) 6,000  
 (d) 6,050

[Nov. 2020]

### Relationship of AR, MR, TR & Elasticity of DD

67. When TR is at its peak then MR is equal to:

- (a) Zero  
 (b) Positive  
 (c) Negative  
 (d) None of the above

[CA CPT May 2019, Jan. 2021]

68. 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

[CA CPT Dec. 2014]

69. Which one of the following expressions is correct for Marginal Revenue?

- (a)  $MR = AR \left( \frac{1-e}{e} \right)$   
 (b)  $MR = TR_n - TR_{n+1}$   
 (c)  $MR = \frac{\Delta TR}{\Delta Q}$   
 (d)  $MR = \frac{TR}{Q}$

[CA CPT June 2016]

70. Given the relation  $MR = P \left( 1 - \frac{1}{e} \right)$ ,

if  $e < 1$ , then:

- (a)  $MR < 0$   
 (b)  $MR > 0$   
 (c)  $MR = 0$   
 (d) None of these

[CA CPT June 2011]

71. Given the relation  $MR = P \left( 1 - \frac{1}{e} \right)$ ,

if  $e > 1$ , then:

- (a)  $MR > 0$   
 (b)  $MR < 0$   
 (c)  $MR = 0$   
 (d) None

[CA CPT Feb. 2007]

72. When Total Revenue (TR) is at the peak Marginal Revenue is equal to:

- (a) Zero  
 (b) Positive  
 (c) Negative  
 (d) More than one

[Nov. 2019]

73. As a price of ₹ 20 the quantity demanded is 10 units. With 5% decrease in price the demand increases by 10%. The marginal revenue for the 11th unit will be:

- (a) ₹ 20  
 (b) ₹ 12  
 (c) ₹ 9  
 (d) ₹ 11

[Nov. 2019]

74. 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

[ICA CPT Nov. 2018]

75. When  $e = 1$  then MR is:

- (a) Positive  
 (b) Zero  
 (c) One  
 (d) Negative

76. When  $e < 1$  then MR is:

- (a) Negative  
 (b) Zero  
 (c) Positive  
 (d) One

77. When  $e > 1$  then MR is:

- (a) Zero  
 (b) Negative  
 (c) Positive  
 (d) One

78. Demand for a product is unitary elastic then:

- (a)  $MR = 0$   
 (b)  $MR > 0$   
 (c)  $MR < 0$   
 (d) None of the above

[CA CPT May 2019]

79. If there is change in both demand & supply but the change in demand is less than the change in supply, then what is the influence on price.

- (a) No change  
 (b) Increase  
 (c) Decrease  
 (d) Uncertain change

80. Given,  $AR = 5$  and Elasticity of demand = 2 Find MR.

- (a) + 2.5  
 (b) - 2.5  
 (c) + 1.5  
 (d) + 2.0

[CA CPT June 2013, Jan. 2021]

81. 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

[CA CPT May 2007]

82. 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.

#### 4.10 PRICE DETERMINATION IN DIFFERENT MARKETS

- (c) The firm should increase price.  
(d) The firm should increase output.
- 83. In a Straight line demand Curve, the price elasticity at the middle point is equal to \_\_\_\_\_.**

- (a) 0  
(b) 1  
(c)  $> 1$   
(d)  $< 1$

**84. Which one of the following is Correct?**

- (a)  $MR = AR \times \frac{e-1}{e}$   
(b)  $MR_2 = AR_2 \times \frac{e-1}{e}$   
(c)  $MR = AR \times \frac{e}{e-1}$   
(d)  $MR = AR \times \frac{(e-1)^2}{e}$

**85. Marginal revenue will be positive where price elasticity of demand is:**

- (a) Zero  
(b) More than one  
(c) Less than one  
(d) Equal to one

[July 2021]

**86. 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

**87. Total revenue curve initially increases at a diminishing rate due to:**

- (a) Diminishing average revenue curve.

- (b) Diminishing marginal revenue curve.  
(c) Diminishing average fixed revenue curve.  
(d) Diminishing cost curve.

[Jan. 2021]

#### Behavioural Policies

**88. According to Behavioural Principles:**

- (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

[CA CPT May 2019]

**89. Time element was conceived by:**

- (a) Adam Smith  
(b) Alfred Marshall  
(c) Pigou  
(d) Lionel Robinson

**90. 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

[CA CPT May 2018]

**91. 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

[CA CPT Feb. 2008]

92. A Firm should \_\_\_\_\_ if the total revenue from its product does its total valuable cost.

- not \_\_\_\_\_
- (a) Produce, equal  
(b) Produce at all, equal or exceed  
(c) Not Produce, equal  
(d) Not Produce, equal or exceed

93. 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 the above

## UNIT 2: DETERMINATION OF PRICES

Determination of Prices - A General View

95. 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

94. 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.

96. Equilibrium price for an industry in perfect competition is fixed through:

- (a) Input and output  
(b) Market demand and market supply  
(c) Market demand and firms supply  
(d) None of the above

[CA CPT May 2018]

97. Equilibrium price may be determined through:

- (a) Only demand  
(b) Only supply  
(c) Both demand & supply  
(d) None

[CA CPT May 2007]

98. When Marginal Revenue is Equal to Marginal cost then \_\_\_\_\_?

- (a) Minimum loss  
(b) Maximum profit

- (c) Minimum profit  
(d) Maximum loss
99. The equilibrium quantity increases but the change in equilibrium price is uncertain, when:
- (a) Both demand and supply decrease.  
(b) Demand increases and supply decreases.  
(c) Both supply and demand increase.  
(d) Demand increases and supply increases.

[July 2021]

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

Price (in ₹)	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

[CA CPT Nov. 2016]

101. The equilibrium is restored automatically through:

- (a) The fundamental working of the market.  
(b) Price movements eliminate shortage or Surplus.  
(c) Both (a) and (b)  
(d) None of these.

102. \_\_\_\_\_ 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

[CA CPT June 2008]

### Changes in Demand & Supply

103. 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

[CA CPT May 2019]

104. 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.

105. If supply decreases and demand remains constant, then equilibrium price will be:

- (a) Increases  
(b) Decreases  
(c) No change  
(d) Become Negative

[CA CPT Nov. 2018]

106. 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.

107. 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.

[CA CPT June 2010]  
108. An increase in supply with unchanged 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

[CA CPT Nov. 2007]  
109. Suppose the technology for producing 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.

110. 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.

111. 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.

112. 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 (b)
- (d) Neither (a) nor (b)

[CA CPT Aug. 2007]

113. Lower prices in railways for senior citizens is a typical example of:

- (a) Concessional pricing
- (b) Marginal cost pricing
- (c) Differential pricing
- (d) Subsidized pricing

[Dec. 2021]



114. 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

[CA CPT Dec. 2017]

115. 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 equilibrium price and the new equilibrium quantity will be higher.

116. Assume that consumers' incomes and the number of sellers in the market for a good 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.

117. When demand for commodity is decreasing as a result of fall

in income and it's supply remains constant, what will be the impact on its price?

- (a) Price increases
- (b) Price decreases
- (c) No change
- (d) Uncertain change in price

[June 2023]

118. 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.

119. Suppose that a sole proprietorship is earning total revenues of ₹ 1,00,000 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.

120. Shift of the Demand curve to the \_\_\_\_\_ means increase in demand.

- (a) right
- (b) left

- (c) downward  
(d) no change in Demand Curve.
- 121. 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.

**122. When the Supply and demand curves shift in the same 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

**123. 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

**124. 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.

**125. Identify correct possible outcome when the supply and demand curves shift in the same direction.**

- (a) When demand increases and supply decreases, the equilibrium price rises but nothing certain can be said about the change in equilibrium quantity.  
(b) When both demand and supply increase, the equilibrium quantity increases but the change in equilibrium price is uncertain.  
(c) When both demand and supply decrease, the equilibrium quantity increases but the change in equilibrium price is uncertain.  
(d) When demand decreases and supply increases, the equilibrium price falls but nothing certain can be said about the change in equilibrium quantity.

[Dec. 2021]

**126. 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

**127. Identify the effect on equilibrium price and quantity demanded due to Increase in supply, with demand remaining the same.**

- (a) The equilibrium price will go up, quantity demanded will go up.  
(b) The equilibrium price will go down, quantity demanded will go up.  
(c) The equilibrium price will go down, quantity demanded will go down.  
(d) The equilibrium price will go up, quantity demanded will go down.

[Dec. 2021]

### UNIT 3: PRICE-OUTPUT DETERMINATION UNDER DIFFERENT MARKET FORMS

#### Perfect Competition

128. 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

[CA CPT Nov. 2006]

129. Under perfect competition, price elasticity of demand of a firm is:

- (a) Large
- (b) Slight
- (c) Infinite
- (d) Extreme

[Nov. 2019]

130. Under which of the following forms of market structure does a firm have no control over the price of its product:

- (a) Monopoly
- (b) Oligopoly
- (c) Monopolistic competition
- (d) Perfect competition

[CA CPT Feb. 2007]

131. Which of the following is not a coalition 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

[Jan. 2021]

132. 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.

133. Which is not the characteristic of perfect competition?

- (a) Large number of sellers
- (b) Freedom of entry and exit
- (c) No supernormal profits in the long-run
- (d) Inefficient allocation of resources

[Dec. 2021]

134. \_\_\_\_\_ is an ideal Market.

- (a) Monopoly
- (b) Monopolistic
- (c) Perfect Competition
- (d) Oligopoly

[CA CPT Dec. 2008]

135. A firm, to attain the equilibrium position under perfect competition has to satisfy which of the following conditions?

- (a)  $MR > MC$
- (b)  $MR = MC$
- (c) MR curve should cut MC curve from below

(d) MC from

136. Which of the following is not a characteristic of perfect competition?

- (a) Homogeneous product
- (b) Freedom of entry
- (c) All firms are price takers
- (d) All firms are profit maximizers

137. Under perfect competition, the price of a firm's product is:

- (a) Equal to marginal revenue
- (b) Equal to marginal cost
- (c) Equal to average total cost
- (d) Equal to average variable cost

138. In perfect competition, the price of a firm's product is:

- (a) Equal to marginal revenue
- (b) Equal to marginal cost
- (c) Equal to average total cost
- (d) Equal to average variable cost

139. In perfect competition, the price of a firm's product is:

- (a) Equal to marginal revenue
- (b) Equal to marginal cost
- (c) Equal to average total cost
- (d) Equal to average variable cost

- (d) MC curve should cut MR curve from below

[July 2021]

**136. 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

[CA CPT Dec. 2008]

**137. Under which of the following market condition both average and marginal revenue are same?**

- (a) Perfect competition  
 (b) Monopoly  
 (c) Monopolistic competition  
 (d) Oligopoly

[June 2023]

**138. In the market structure, demand curve is also known as :**

- (a) Marginal cost curve  
 (b) Average revenue curve  
 (c) Total production curve  
 (d) Marginal utility curve

[Jan. 2021]

**139. 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.

**140. Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude:**

- (a) The firm operates in perfectly competitive market.  
 (b) The firm can sell all that it was 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 maximize profits because price and revenue are subject to change.

[Nov. 2019]

**141. Conditions for equilibrium of a firm are:**

- (a)  $MR = MC$   
 (b) MC should cut MR from below.  
 (c)  $MR = AR$  and MC should cut MR from below.  
 (d)  $MR = MC$  and MC should have a positive slope.

**142. What is true about the perfect competition market?**

- (a)  $AR = MR = PRICE$   
 (b)  $AR = AC = P$   
 (c)  $AR > AC$   
 (d) None

[Nov. 2019]

**143. The firm in a perfectly competitive market is a price-taker. This designation as a price-taker is based on the assumption that:**

4.18

- (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 homogeneous product.
- (d) There is easy entry into or exit from the market place.

**144. MR Curve = AR = Demand Curve is a feature of which kind of Market?**

- (a) Perfect Competition  
 (b) Monopoly  
 (c) Monopolistic  
 (d) Oligopoly

[CA CPT Dec. 2008]

**145. Which of the following is NOT characteristic of a "Price taker"?**

- (a)  $TR = P \times Q$   
 (b)  $AR = Price$   
 (c)  $MR = Price$   
 (d) Negatively sloping demand curve

**146. If a perfect competition firm is making losses then which condition is suitable. To carry on business as long as it covering variable cost.**

- (a) Shutdown  
 (b) Expand its plant  
 (c) Do nothing  
 (d) Reduce productions

[Nov. 2019]

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

- (a) Oligopoly  
 (b) Monopoly

- (c) Monopolistic Competition  
 (d) Perfect Competition

[CA CPT Dec. 2009]

**148. 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

[CA CPT Dec. 2012]

**149. Elasticity of demand under perfect competition is:**

- (a) One  
 (b) Two  
 (c) Zero  
 (d) Infinite

[Nov. 2019]

**150. 'Zero economic profit' emerges due to which of the following condition?**

- (a) Average revenue is more than average total cost.  
 (b) Average revenue is just equal to average total cost.  
 (c) Marginal revenue is just equal to average total cost.  
 (d) Marginal revenue is just equal to marginal cost.

[July 2021]

**151. 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

[CA CPT June 2014]

**152. Agricultural goods markets depict characteristics close to:**

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

**153. Which of the following is not a characteristic of a competitive market?**

- (a) There are many buyers and sellers 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.

**154. 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

[CA CPT Dec. 2014]

**155. 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.

[CA CPT June 2015]

**156. 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

[CA CPT Dec. 2015]

**157. The price elasticity of demand for a product is infinite under:**

- (a) Perfect competition
- (b) Monopolistic competition
- (c) Monopoly
- (d) Oligopoly

[CA CPT June 2016]

**158. Which of the following markets would most closely satisfy the requirements for a perfectly competitive Market?**

- (a) Electricity
- (b) Cable television
- (c) Cola
- (d) Milk

**159. 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.

**160. Which of the following statement is not correct?**

4.20

- (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.

[CA CPT June 2017]

161. 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.

[CA CPT June 2017]

162. 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.

163. 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.

164. 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

165. Which out of these are not a feature of perfect competition?

- (a) Homogeneous  
 (b) Large number of buyer and sellers  
 (c) Free entry and exist  
 (d) Selling cost.

[CA CPT Nov. 2018]

166. Perfectly Competitive markets have \_\_\_\_\_ transactions Costs.

- (a) Absolutely no  
 (b) Very Low  
 (c) High  
 (d) Very high

167. Which among the following market situation is known as a 'myth in the market'?

- (a) Duopoly  
 (b) Oligopoly  
 (c) Discriminating  
 (d) Perfect Competition

[Nov. 2019]

168. 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.

[CA CPT Nov. 2018]

169. An industry in economic terminology consists of a \_\_\_\_\_ number of \_\_\_\_\_ firms.

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 (c)  
 (d)

- (a) Large, independent
- (b) Large, dependent
- (c) Small, independent
- (d) Small, dependent

**170. 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.

**171. Price under perfect competition is determined by the:**

- (a) Firm
- (b) Industry
- (c) Government
- (d) Society

[CA CPT June 2013]

**172. A competition in which many sellers selling identical products to a large number of buyers.**

- (a) Monopolistic competition
- (b) Oligopoly
- (c) Perfect competition
- (d) Imperfect competition

**173. Equilibrium price for an industry in perfect competition is fixed through:**

- (a) Input and Output
- (b) Market demand and market Supply
- (c) Market demand and firms supply
- (d) None of the above

[CA CPT June 2013]

**174. Who sets the price of the product under perfect competition?**

- (a) Government
- (b) Consumers
- (c) Sellers
- (d) Both buyers and sellers

[CA CPT Dec. 2016]

**175. 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.

**176. 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

**177. Which of the following is not a characteristic of a "price-taker"?**

- (a)  $TR = P \times Q$
- (b)  $AR = Price$
- (c) Negatively-sloped demand curve
- (d) Marginal Revenue = Price

**178. 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

[CA CPT June 2008]



PRICE DETERMINATION IN DIFFERENT MARKETS

4.22

179. Average revenue curve is also known as:

- (a) Profit curve
- (b) Demand curve
- (c) Supply curve
- (d) Average cost curve

[CA CPT June 2012]

180. 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 marginal revenue and price is indeterminate.

181. Which of the following statements is accurate regarding a perfectly competitive firm?

- (a) Demand curve is downward sloping
- (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.

182. 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

[CA CPT Nov. 2018]

183. 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

[CA CPT Feb. 2007]

184. 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

185. Which of the following is supply curve of competitive firm in short run?

- (a) Average variable cost curve
- (b) Average total cost curve
- (c) Marginal cost curve
- (d) Average fixed cost curve

[June 2023]

186. Under which Market Situation demand curve is linear and parallel to X axis:

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competition
- (d) Oligopoly

[CA CPT Dec. 2008]

187. Price taker firms \_\_\_\_\_.

- (a) Do not advertise their product because it misleads the customers.
- (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.

Do not advertise as it misleads the customers.

188. In which market product is homogeneous?

- (a) Pure oligopoly
- (b) Pure monopoly
- (c) Pure duopoly
- (d) Pure competition

189. Under which market structure demand curve is horizontal?

- (a) Monopoly
- (b) Oligopoly
- (c) Perfect Competition
- (d) Monopolistic Competition

190. Perfect Competition is characterized by:

- (a) Perfect information
- (b) Perfect substitutes
- (c) Zero advertising
- (d) Negative externalities

191. It is a characteristic of perfect competition that:

- (a) Marginal revenue is less than price
- (b) Marginal revenue is equal to price
- (c) Marginal revenue is greater than price
- (d) Marginal revenue is zero

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

[CA CPT June 2010]

188. In which type of the following market product is homogeneous in nature?

- (a) Pure oligopoly
- (b) Pure monopoly
- (c) Pure duopoly
- (d) Pure competition

[June 2023]

189. 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

[CA CPT Dec. 2010]

190. Perfectly competitive firm faces:

- (a) Perfectly elastic demand curve
- (b) Perfectly inelastic demand curve
- (c) Zero
- (d) Negative.

[CA CPT June 2011]

191. It will be profitable for a firm to expand output till which of the following conditions?

- (a) Marginal revenue is greater than Marginal Cost
- (b) Marginal revenue is less than Marginal Cost
- (c) Marginal Cost is greater than Marginal Revenue
- (d) Marginal Revenue is equal to Marginal Cost

[June 2022]

192. 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

[CA CPT Nov. 2018]

193. 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

[CA CPT Nov. 2018]

194. 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

[CA CPT Dec. 2011]

195. 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 one buyer or seller cannot affect the market.
- (c) Each firm produces a homogeneous product.

4.24

PRICE DETERMINATION IN DIFFERENT MARKETS  
 (d) There is easy entry into or exit from the market place.

[CA CPT Dec. 2014]

196. It is the amount of revenue from sales which exactly equals the amount of expense.

- (a) Shut down point
- (b) Break-even Point
- (c) Profit point
- (d) None

[Nov. 2019]

197. A competitive firm should shut down production if the price is :

- (a) Below  $AVC$
- (b) Equal to  $AVC$
- (c) Below  $ATC$
- (d) Equal to  $ATC$

198. Which of the following is incorrect?

- (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.

[CA CPT Dec. 2016]

199. In which of the following, prices are determined by market forces of demand and supply?

- (a) Duopoly Competition
- (b) Perfect Competition
- (c) Monopolistic Competition
- (d) Natural market

[June 2023]

200. 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.

[CA CPT June 2017]

201. 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 maximum 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.

202. 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)  $AC = AR$

203. For maximum profit, the condition is:

- (a)  $AR = AC$
- (b)  $MR = MC$
- (c)  $MR = AR$
- (d)  $MC = AR$

[CA CPT Nov. 2006]

204. Condition for producer equilibrium is:

206. In a perfectly competitive market, the firm's profit is maximized when:

- (a)  $MR = MC$
- (b)  $AR = MC$
- (c)  $MR = AR$
- (d)  $AR = MC$

207. The firm's profit is maximized when:

- (a)  $MR = MC$
- (b)  $AR = MC$
- (c)  $MR = AR$
- (d)  $AR = MC$

208. If a firm is in a perfectly competitive market, which of the following is true?

- (a)  $AR = MC$
- (b)  $MR = MC$
- (c)  $MR = AR$
- (d)  $AR = MC$

209. In a perfectly competitive market, the firm's profit is maximized when:

- (a)  $MR = MC$
- (b)  $AR = MC$
- (c)  $MR = AR$
- (d)  $AR = MC$

210. In a perfectly competitive market, the firm's profit is maximized when:

- (a)  $MR = MC$
- (b)  $AR = MC$
- (c)  $MR = AR$
- (d)  $AR = MC$

- (a)  $TR = TVC$   
 (b)  $MC = MR$   
 (c)  $TC = TAC$   
 (d) None of these

[CA CPT June 2008]

205. 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

[CA CPT June 2012]

206. In a perfectly competitive market the demand curve of a firm is:

- (a) Elastic  
 (b) Perfectly elastic  
 (c) Inelastic  
 (d) Perfectly inelastic

[CA CPT Dec. 2012]

207. 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

[CA CPT June 2015]

208. If in a short run perfect competition earn super normal profit then which condition satisfy?

- (a)  $ATC > MC$   
 (b)  $ATC < MC$   
 (c)  $MR < AR$   
 (d)  $MR > AR$

[Nov. 2019]

209. Which is the first order condition for the firm to maximize the profit.

- (a)  $AC = MR$   
 (b)  $AC = AR$   
 (c)  $MC = MR$   
 (d)  $MR = AR$

[CA CPT Dec. 2016]

210. Average revenue curve is also known as:

- (a) Profit Curve  
 (b) Demand Curve  
 (c) Average Cost Curve  
 (d) Indifference Curve

[CA CPT Dec. 2016]

211. Condition for equilibrium of firm:

- (a)  $MR = MC$   
 (b)  $AR = AC$   
 (c) MC curve cuts MR curve from below  
 (d) Both (a) and (c)

[CA CPT May 2018]

212. Demand curve is horizontal in the case of:

- (a) Monopoly  
 (b) Perfect Competition  
 (c) Imperfect Competition  
 (d) Monopolistic Competition

[CA CPT May 2019]

213. 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

4.26

- (c) Fixed, Fixed inputs, maximize  
(d) Valuable, Variable inputs, minimize.

214. 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)

215. 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.

216. Which of the following conditions exhibits long run equilibrium of the industry under perfect competition?

- (a)  $MR = LMC = AR = LAC = SAC = SMC$   
(b)  $MR = LMC = AR > LAC$   
(c)  $MR = LMC = AR < LAC$   
(d)  $MR = LMC = AR > SAC$

217. In a perfectly Competitive Industry, 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.

218. As regards short run supply curve of the firm in a Competitive market, for Prices \_\_\_\_\_

Average Variable Cost, the firm will Supply \_\_\_\_\_ to meet even its variable Cost.

- (a) Above, maximum, Unable  
(b) Below, Zero, Unable  
(c) Above, Maximum, able  
(d) Below, Zero, able

219. 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.

220. 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.

221. Price elasticity of demand by a firm facing perfect competition is:

- (a) Large  
(b) Very small  
(c) Small  
(d) Infinite

222. When  $AR = ₹ 10$  and  $AC = ₹ 8$  the firm makes \_\_\_\_\_ :  
[Dec. 2021]

- (a) Normal profit  
(b) Net profit

(c) Super normal  
(d) \_\_\_\_\_

223. In a perfectly competitive market, if MR is less than ATC, a firm should \_\_\_\_\_.

- (a) Increase its output  
(b) Decrease its output  
(c) Increase its price  
(d) Decrease its price

224. In a perfectly competitive market, if MR is less than ATC, a firm should \_\_\_\_\_.

- (a) Increase its output  
(b) Decrease its output  
(c) Increase its price  
(d) Decrease its price

225. If a firm is earning super normal profits, it should \_\_\_\_\_.

- (a) AR  
(b) AR  
(c) AR  
(d) No

226. When a firm is earning super normal profits, it should \_\_\_\_\_.

- (a) A  
(b) B  
(c) C  
(d) D

227. \_\_\_\_\_

we know that the price of a product will \_\_\_\_\_.

- (a)  $AC = AR$
- (b)  $MC = AC$
- (c)  $MC = MR$
- (d)  $AR = MR$

228. 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.

229. 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)  $AR = MR$

230. 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

[CA CPT June 2014]

231. A competitive firm in the short run incur losses. The firm continues production, if:

- (c) Gross profit
- (d) Super normal profit

[CA CPT May 2007]

224. 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

[CA CPT Dec. 2013]

224. 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

[CA CPT May 2018]

225. If a perfectly competitive firms earns super normal profits then \_\_\_\_\_.

- (a)  $AR > MR$
- (b)  $AR < MR$
- (c)  $AR = MR$
- (d) None of the above

[CA CPT May 2019]

226. When \_\_\_\_\_ we know that the firms are earning just normal profits.

- (a)  $AC = AR$
- (b)  $MC = MR$
- (c)  $MC = AC$
- (d)  $AR = MR$

227. 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.

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45 Per

... and by titution

... 021] = ₹ 8

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- (a)  $P > AVC$
- (b)  $P = AVC$
- (c)  $P < AVC$
- (d)  $P > = AVC$

[CA CPT Nov. 2006]

232. 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

[CA CPT Nov. 2007]

233. In which market prices are determined by the market forces of demand and supply?

- (a) Perfect Competition
- (b) Pure Competition
- (c) Monopolistic Competition
- (d) Oligopoly

[Nov. 2020]

234. 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

[CA CPT June 2008]

235. 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.

[CA CPT Dec. 2011]

236. 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.

[CA CPT Dec. 2012]

237. A competitive firm in the short run incurs losses. The firm continues production, if:

- (a)  $P > AVC$
- (b)  $P = AVC$
- (c)  $P < AVC$
- (d)  $P \geq AVC$

[CA CPT May 2018]

238. 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

239. The position of a firm at equilibrium This is losses.

- (a)  $AR = AC$
- (b)  $AR > AC$
- (c)  $AR < AC$

240. Under perfect competition, the long run, \_\_\_\_\_.

- (a) Normal
- (b) Super normal
- (c) Product
- (d) Costs

241. In the long run, a competitive firm \_\_\_\_\_.

- (a) The int cost an
- (b) Their e
- (c) Zero e
- (d) All of t

242. Under perfect competition, firms in the long run \_\_\_\_\_.

- (a) Perfect
- (b) Mono
- (c) Oligo
- (d) None

243. What happens in the long run of a firm?

- (a) LMC
- (b) SMC
- (c)  $R = MC$
- (d) All of the above

239. 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)

240. Under perfect competition, in the long run, there will be no \_\_\_\_\_.

- (a) Normal profits
- (b) Super normal profits
- (c) Production
- (d) Costs

241. 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

242. Under \_\_\_\_\_ market condition, firms make normal profits in the long run.

- (a) Perfect competition
- (b) Monopoly
- (c) Oligopoly
- (d) None

[CA CPT Nov. 2006]

243. 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

[CA CPT Aug. 2007]

244. In the long run, which of the following statement is true for a firm in a perfectly competitive industry?

- (a) It operates at its minimum average cost.
- (b) The price is more than the average fixed cost.
- (c) The marginal cost is greater than marginal revenue.
- (d) The fixed cost is lower than the total variable cost.

[CA CPT Dec. 2014]

245. "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.

[CA CPT Dec. 2015]

246. 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.

[CA CPT May 2018]

247. In Long run perfect competitive market incurs:

- (a) Normal profit
- (b) Super normal profit



4.30

PRICE DETERMINATION IN DIFFERENT MARKETS

- (c) Losses
  - (d) Constant Returns
- [CA CPT Nov. 2018]
- 248. 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.

**249. 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)  $LAR = LMR = P = LMC = LAC$

**250. Price Discrimination cannot persist under the following market form:**

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic
- (d) Oligopoly

**Monopoly**

**251. Monopoly may arise in a product market because \_\_\_\_\_.**

- (a) a significantly important resource 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 of the above.

**252. Which of the following is not a feature of the monopoly market?**

- (a) Large seller of the product
- (b) No close - Substitutes
- (c) Market power
- (d) Single seller of the product [July 2021]

**253. Monopolist can determine:**

- (a) Price
- (b) Output
- (c) Either price or output
- (d) None

[CA CPT Feb. 2008]

**254. A market structure where there is only a single buyer and a single seller is called:**

- (a) Duopoly
- (b) Monopsony
- (c) Bilateral monopoly.
- (d) Oligopsony

[Dec. 2021]

**255. 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

[CA CPT Dec. 2013]

Under is

**256. Under is MR is the AR.**  
 the Less  
 (a) Greater  
 (b) Equal  
 (c) Variable  
 (d)

**257. The di single firm a in which of conditions?**  
 (a) Perfect  
 (b) Imperf  
 (c) Pure C  
 (d) Monop

**258. Mono demand cu**  
 (a) Down  
 (b) Horiz  
 (c) Rising  
 (d) All of

**259. Which distinguish oligopol**

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- (b) The
- (c) The firm
- (d) Dov cur

**260. In produce**  
 (a) Pric  
 (b) Dep

256. Under monopoly market conditions MR is \_\_\_\_\_ than the AR.

- (a) Less
- (b) Greater
- (c) Equal
- (d) Variable

[June 2022]

257. 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

[CA CPT June 2014]

258. Monopoly firm faces which demand curve?

- (a) Downward Sloping
- (b) Horizontal
- (c) Rising
- (d) All of these

[Nov. 2019]

259. Which of the following is the distinguishing characteristic of oligopolies?

- (a) A standardized product
- (b) The goal of profit maximization
- (c) The interdependence among firms
- (d) Downward-sloping demand curves faced by firms.

260. 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

[CA CPT June 2015]  
261. 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 advertising.

[CA CPT Dec. 2016]

262. Monopoly is undesirable due to:

- (a) It has prices higher than competitive firms.
- (b) It produces less output than competitive firms.
- (c) It discriminates on prices.
- (d) All of the above.

[CA CPT May 2018]

263. A Monopolist is a:

- (a) Price-maker
- (b) Price-taker
- (c) Price-adjuster
- (d) None of the above

264. Under monopoly, the degree of control over price is:

- (a) None
- (b) Some
- (c) Very considerable
- (d) None of the above

265. The demand curve of the firm and industry will be same in which form of market:

- (a) Monopolistic competition
- (b) Perfect completion

4.32

- (c) Monopoly  
(d) Oligopoly

[CA CPT May 2018]

266. Market form in which there is only one buyer and one seller is:

- (a) Oligopoly  
(b) Duopoly  
(c) Bilateral Monopoly  
(d) Monopsony

[CA CPT May 2018]

267. Which market is having a single seller and single Buyer?

- (a) Duopoly  
(b) Monopsony  
(c) Bilateral Monopoly  
(d) None of the above

[CA CPT Nov. 2018]

268. Price under monopoly is higher than price under:

- (a) Perfect competition  
(b) Monopolistic competition  
(c) Oligopoly  
(d) Duopoly

[June 2022]

269. 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) nor (b)

270. Which of the following is the characteristics of Monopoly?

- (a) Industry is dominating by larger number of firms  
(b) Freedom to entry and exit

- (c) No close substitutes

- (d) Only two firms in the market

[June 2023]

271. In a Monopolistic market, there are \_\_\_\_\_ barriers to entry.

- (a) No  
(b) Negligible  
(c) Light  
(d) Strong

272. Which is the characteristic feature of monopoly?

- (a) Homogenous goods  
(b) Strong barriers to entry  
(c) Perfect competition  
(d) Perfectly elastic demand curve

[CA CPT May 2019]

273. 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.

274. 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

275. 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.

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(b) Horizon  
(c) Vertical  
(d) What is t

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(b) Is parall  
(c) Is parall  
(d) Rise fro

278. The MR  
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(b) Two eq  
(c) May be  
(d) None c

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- (a) Monop  
(b) Perfec  
(c) Mono  
(d) Oligop

- (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.

**276. The demand curve of a monopoly firm will be:**

- (a) Upward sloping  
 (b) Downward sloping  
 (c) Horizontal  
 (d) Vertical

**277. 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

[CA CPT Nov. 2018]

**278. 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

[CA CPT Feb. 2008]

**279. 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

[CA CPT June 2009]

**280. Natural Monopoly arises when:**

- (a) There is enormous goodwill enjoyed by a firm.  
 (b) There are stringent legal and regulatory requirement.  
 (c) There are very large Economies of Scale.  
 (d) There are Business Combinations and Cartels.

**281. 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

[CA CPT Dec. 2010]

**282. 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

[CA CPT June 2016]

**283. Marginal Revenue is equal to:**

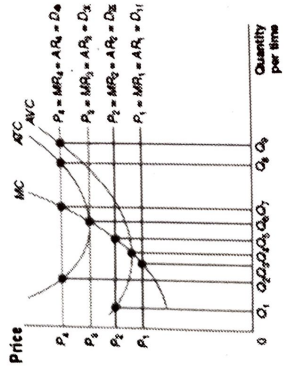
- (a) The change in price divided by the change in output.  
 (b) The change in quantity divided by the change in price.  
 (c) The change in  $P \times Q$  due to a one unit change in output.  
 (d) Price, but only if the firm is a price searcher.

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

4.34

- (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 in 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.

285. At price  $P_1$ , the firm in the figure would produce:



- (a) Zero output
- (b)  $Q_3$
- (c)  $Q_5$
- (d)  $Q_6$

286. 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

[CA CPT May 2007]

287. 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

[CA CPT May 2019]

288. 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.

[CA CPT Feb. 2007]

289. For a monopolist, the necessary condition for equilibrium is:

- (a)  $P = MC$
- (b)  $P = MR = AR$
- (c)  $MR = MC$
- (d) None

[CA CPT June 2008]

290. A monopolist can fix:

- (a) Both price and output
- (b) Either price or output
- (c) Neither price nor output
- (d) None of the above

[CA CPT Dec. 2012]

291. 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

[CA CPT June 2013]

292. Supernormal profits occur, when:

- (a) Total revenue is equal to total cost
- (b) Total revenue is equal to variable cost

Average cost  
average revenue  
Average cost  
age cost

293. A monopolist

- (a) His output is maximum
- (b) The Price is high
- (c) Total margin is high
- (d) Both (a) and (b)

294. A Monopolist

- (a) Upward sloping demand curve
- (b) Downward sloping demand curve
- (c) Horizontal demand curve
- (d) Horizontal supply curve

295. In case of a monopolist

- (a) Differs from perfect competition
- (b) Identical to perfect competition
- (c) Similar to perfect competition
- (d) Opposite to perfect competition

296. Supp

maximizing firm finds that average total cost is minimized at the following

- (a) The order of the curve is such that the slope is zero
- (b) The order of the curve is such that the slope is positive
- (c) The order of the curve is such that the slope is negative
- (d) The order of the curve is such that the slope is zero

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- (c) Average revenue is more than average cost
- (d) Average revenue is equal to average cost

[CA CPT Nov. 2007]

293. A monopolist has to determine:

- (a) His output
- (b) The Price of his Product
- (c) Total market demand
- (d) Both (a) & (b)

294. A Monopolist faces sloping demand Curve.

- (a) Upward
- (b) Downward
- (c) Horizontal to X-axis
- (d) Horizontal to Y-axis

295. In case of Monopoly, the firm and industry are \_\_\_\_\_.

- (a) Different
- (b) Identical
- (c) Similar
- (d) Opposite to each other

296. 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 statement 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 resources to another industry.
- (d) The firm should continue to

operate in the short run in order to minimize its losses.

297. 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

298. Price discrimination will be profitable only if the elasticity of demand in different sub-markets is:

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

299. Price discrimination refers to the practices of charging \_\_\_\_\_ prices for \_\_\_\_\_ units of the commodity.

- (a) different, different, same
- (b) same, different, same
- (c) same, same, same
- (d) different, same, same

[Dec. 2021]

300. Price discrimination is one of the features of:

- (a) Monopolistic competition
- (b) Monopoly
- (c) Perfect competition
- (d) Oligopoly

301. 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.

4.36

(c) Third degree of price discrimination.

(d) None of the above.

**302. 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.

**303. Price discrimination is related to:**

(a) Time

(b) Size of the purchase

(c) Income

(d) Any of the above

**304. Under monopoly price discrimination depends upon :**

(a) Elasticity of demand for commodity

(b) Elasticity of supply for commodity

(c) Size of market

(d) All of the above

**305. 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.

[CA CPT Dec. 2010]

**306. For a discriminating monopolist the condition for equilibrium is:**

(a)  $MR > MC$

(b)  $MR1 = MR2$

(c)  $MRa = MRb = MC$

(d) All of the above

[CA CPT June 2012]

**307. Price discrimination can take place only in:**

(a) Monopolistic competition

(b) Oligopoly

(c) Perfect competition

(d) Monopoly

[CA CPT Dec. 2009]

**308. 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.

[CA CPT June 2010]

**309. 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

[CA CPT June 2014]

**310. Price discrimination will be profitable only if the elasticity of demand in different markets is:**

(a) Uniform

(b) Different

(c) Less

(d) Zero

**311. A discount is reached on decision upon:**

(a) How much produce

(b) How the distribution market

(c) Both (a) and (b)

(d) None

**312. Price discrimination is only in:**

(a) Monopoly

(b) Perfect competition

(c) Oligopoly

(d) Monopoly

**313. Which one is not an objective of price discrimination?**

(a) To earn more profit

(b) To increase sales

(c) To increase market power

(d) To increase market share

**314. Price discrimination is profitable when:**

(a) Demand is elastic

(b) Demand is inelastic

(c) Demand is unit elastic

(d) Demand is perfectly elastic

**315. Price discrimination is profitable when:**

[CA CPT Dec. 2015]

311. 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

[June 2022]

316. 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.

[CA CPT Dec. 2010]

317. Monopolist can fix him price of goods whose elasticity is :

- (a) Less than 1
- (b) More than 1
- (c) Elastic
- (d) Inelastic.

[CA CPT June 2011]

318. "Price Discrimination" can be best exercised by the Seller in:

- (a) Oligopoly
- (b) Monopoly
- (c) Monopolistic competition
- (d) Perfect competition

[CA CPT Dec. 2011]

319. 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

312. Price discrimination is possible only in:

- (a) Monopoly
- (b) Perfect Competition
- (c) Oligopoly
- (d) Monopolistic Competition

[CA CPT May 2019]

313. Which of the following is not an objective of price discrimination?

- (a) To enjoy economics of scale
- (b) To dispose off surplus stock
- (c) To escape foreign market
- (d) To secure equity through pricing

[June 2023]

314. Price discrimination will not be profitable, if the elasticity of demand is \_\_\_\_\_ in different markets.

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

[CA CPT Dec. 2014]

315. Product differentiation is the condition of which of the following market?



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PRICE DETERMINATION IN DIFFERENT MARKETS

- (c) Relatively inelastic
- (d) Perfectly elastic

[CA CPT June 2016]

**320. Price discrimination is profitable only when:**

- (a) Different markets are kept separate.
- (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.

[CA CPT Dec. 2016]

**321. 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

[CA CPT June 2017]

**322. In the long run monopolist:**

- (a) Incur losses
- (b) Must earn super normal profits
- (c) Wants to shut down
- (d) Earns only normal profits

[CA CPT May 2018]

**323. Competitive firms in the long-run earn:**

- (a) Super normal profit
- (b) Normal profit
- (c) Losses
- (d) None

[CA CPT Nov. 2018]

**324. 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

[CA CPT June 2009]

**325. In the long run a monopolist always earns:**

- (a) Normal profit
- (b) Abnormal profit
- (c) Zero profit
- (d) Loss

[CA CPT Dec. 2013]

**326. Abnormal profits exist in the long run only under \_\_\_\_\_.**

- (a) Perfect competition
- (b) Monopoly
- (c) Monopolistic competition
- (d) Oligopoly

[CA CPT June 2014]

**327. 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

**328. Combination of Monopoly Market and Monopsony Market is called as:**

- (a) Duopoly Market
- (b) Oligopoly Market
- (c) Bilateral Monopoly Market
- (d) Monopolistic Market

### Imperfect Competition

**329. Which of the following is not a characteristic of a perfectly competitive market?**

- (a) Large number of firms
- (b) Output is homogeneous
- (c) Firm is a price taker
- (d) Residual competition

**330. Firms are price takers**

- (a) Take
- (b) Give
- (c) Make
- (d) Acc

**331. Under perfect competition the firm would be a price taker**

- (a) In
- (b) Hi
- (c) Hi
- (d) Ze

**332. When a firm is a price taker, its demand curve is perfectly elastic**

- (a) E
- (b) F
- (c) F
- (d) I

**333. A perfectly competitive firm becomes a price taker because**

- (a) It is a price taker
- (b) It is a price maker
- (c) It is a price taker
- (d) It is a price maker

(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.

**330. Firms in a monopolistic market are price \_\_\_\_\_:**

(a) Takers

(b) Givers

(c) Makers

(d) Acceptors

[CA CPT Aug. 2007]

**331. 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

[CA CPT May 2007]

**332. Which of the following is not a characteristic of monopolistic competition?**

(a) Ease of entry into the industry

(b) Product differentiation

(c) A relatively large number of sellers

(d) A homogeneous product

**333. In the long run Monopolistic comp. and perfect comp. are same because of:**

(a) Normal Profit

(b) Abnormal Production

(c) Losses

(d) None of these

[Nov. 2019]

**334. Extreme Product differentiation is found in which market?**

(a) Monopolistic Competition

(b) Monopoly

(c) Perfect Competition

(d) Oligopoly

[Nov. 2019]

**335. Which of the following is an example of monopolistic competition?**

(a) De Beers and Diamond

(b) Hotels and pub

(c) Microsoft and Window

(d) Dell and Lenovo

[July 2021]

**336. 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, entry into the industry is blocked.

(d) In monopolistic competition, there are relatively few barriers to entry.

**337. Which market have characteristic of product differentiation?**

(a) Perfect Competition

(b) Monopoly

(c) Monopolistic Competition

(d) Oligopoly

[CA CPT Dec. 2008]

**338. Which of the following is not the feature of an imperfect competition?**

PRICE DETERMINATION IN DIFFERENT MARKETS

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- (a) Product differentiation
- (b) Few sellers
- (c) Homogeneous products
- (d) Price wars

[CA CPT June 2010]

339. Tooth paste industry is an example of \_\_\_\_\_.

- (a) Monopoly
- (b) Monopolistic competition
- (c) Oligopoly
- (d) Perfect competition

[CA CPT Dec. 2010]

340. The structure of the toothpaste industry in India is best described as:

- (a) Perfectly competitive.
- (b) Monopolistic.
- (c) Monopolistically competitive.
- (d) Oligopolistic.

341. Railways charges comparatively cheaper fares from senior citizens. This is an example of:

- (a) Market analysis
- (b) Profit discrimination
- (c) Price discrimination
- (d) Demand forecasting

[Nov. 2020]

342. Which of the following is a correct statement?

- (a) Firms have to incur a good deal of costs on advertising and other sales promotion measures in oligopoly market.
- (b) A monopolist always earns super-normal profit.
- (c) Identical products are not found in a competitive market.
- (d) Close substitute are available under monopoly.

[June 2022]

343. Which of the following state. **ments 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 completion.

344. 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

345. In a perfectly competitive market, which of the following statement is not true with regards to TR, AR, MR?

- (a) AR represents demand function of a commodity to the firm.
- (b) MR keeps on falling and touches zero before it becomes negative.
- (c) For any falling average revenue (or price) schedule, the marginal revenue is always equal to the price of a commodity.
- (d) For any constant average revenue (or price) schedule, the marginal revenue is equal to average revenue.

[Dec. 2021]

346. Non-price competition is very popular in:

- (a) Monopoly market
- (b) Monopolistic competition

One perfect  
selling  
347. Which  
variations?  
Perfect  
variations?  
(a) Monop  
(b) Monop  
(c) Pure  
(d)

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(b)

- (c) Oligopolistic market  
(d) Perfect competition

[CA CPT June 2013]

**347. Selling outlay is an essential part of which of the following market situations?**

- (a) Perfect Competition  
(b) Monopoly  
(c) Monopolistic Competition  
(d) Pure Competition

[CA CPT June 2014]

**348. 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

**349. Downward sloping and comparatively more elastic demand curve is found in:**

- (a) Perfect competition  
(b) Monopoly  
(c) Monopolistic competition  
(d) Duopoly

**350. 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.

**351. Electricity companies sell electricity as a cheaper rate for power**

consumption in rural areas than for industrial consumptions. This is an example of:

- (a) Product discrimination  
(b) Perfect competition  
(c) Price discrimination  
(d) Price taker

[July 2021]

**352. Which market has the concept of 'group' equilibrium in the long-run?**

- (a) Oligopoly  
(b) Monopoly  
(c) Monopolistic competition  
(d) Perfect competition

[CA CPT Dec. 2016]

**353. 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 on the long run.  
(b) Firms will be producing at minimum average cost.  
(c) Firms realize all economies of scale.  
(d) Firms will only earn normal profit.

[Jan. 2021]

**354. In monopolistic competition excess capacity in the firm:**

- (a) Always exists  
(b) Sometimes exists  
(c) Never exists  
(d) None of the above

[CA CPT Dec. 2011]

**355. Which market has the concept of 'group' equilibrium in the long-run?**

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

**356. Product differentiation is the main features of which market?**

- (a) Oligopoly  
 (b) Monopolistic  
 (c) Discriminating Monopoly  
 (d) Perfect Competition

[CA CPT Nov. 2018]

**357. What is the characteristic of monopolistic 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.

[CA CPT May 2019]

**358. Price varies by attributes such as location or by Customer segment is degree of Price Discrimination.**

- (a) First  
 (b) Second  
 (c) Third  
 (d) Fourth

**359. 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)

[CA CPT Dec. 2010]

**360. The long-run equilibrium outcome 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 minimum average cost.  
 (c) Firms will only earn a normal profit.  
 (d) Firms realise all economies of scale.

**361. Which of the following statement 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.

**362. Which of the following statement 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.

**363. Which of the following product market is close to perfect competition?**

- (a) Mobile phones  
 (b) Car  
 (c) Utensils  
 (d) Agricultural products

[June 2022]

**364. Under long run, the long run equilibrium of Oligopoly**

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

**365. Degree of product differentiation is very perfect**

- (a) Monopoly  
 (b) Oligopoly  
 (c) Monopoly  
 (d) Oligopoly

**366. Competitive equilibrium price will:**

- (a) Product price  
 (b) Producer price  
 (c) Profit price  
 (d) Price

**367. The exploit**

- (a) Firm  
 (b) Industry  
 (c) Market  
 (d) Product

**368. by**

- (a) Firm  
 (b) Industry  
 (c) Market  
 (d) Product

**364. Under which market Condition firms make only normal profits in the long run?**

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

[CA CPT Dec. 2011]

**365. Degree of control over price is very considerable in case of:**

- (a) Perfect competition
- (b) Monopoly
- (c) Oligopoly
- (d) Monopolistic competition

[Dec. 2021]

**366. 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.

[CA CPT June 2016]

**367. There is absolutely no consumer exploitation in case of:**

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competitions
- (d) All of the above

**368. When the industry is dominated by one large firm, it is a type of:**

- (a) Full oligopoly
- (b) Syndicated oligopoly
- (c) Organized oligopoly
- (d) Partial oligopoly

[Dec. 2021]

**369. There is efficient allocation of resources in case of:**

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competition
- (d) All of the above

**370. "Competition among few" is described in:**

- (a) Monopoly
- (b) Monopsony
- (c) Oligopoly
- (d) Duopoly

[Nov. 2020]

**371. 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

**372. Which of the following statement is correct?**

- (a) Price rigidity is an important feature of monopoly.
- (b) Selling costs are possible under perfect condition.
- (c) Under perfect competition factors of production do not more legal restrictions.
- (d) An industry consists of many firms.

### Oligopoly

**373. Oligopolistic industries are characterized by:**

- (a) A few dominant firms and substantial barriers to entry.
- (b) A few large firms and no entry barriers.

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- (c) A large number of small firms and no entry barriers.  
 (d) One dominant firm and low entry barriers.

[Jan. 2021]

374. The theory of oligopoly is also called a theory of \_\_\_\_\_.

- (a) Individual behaviour  
 (b) Mass behaviour  
 (c) Group behaviour  
 (d) Dynamic behaviour

375. Product differentiation is the essential feature of \_\_\_\_\_

- (a) Perfect competition  
 (b) Monopolistic competition  
 (c) Oligopoly competition  
 (d) Duopoly competition

[June 2023]

376. 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
Shinebright	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

377. When new firm enter into the market and compete with the ex-

isting firm is a situation called as \_\_\_\_\_

- (a) Pure oligopoly  
 (b) Open oligopoly  
 (c) Collusive oligopoly  
 (d) Competitive oligopoly

[June 2023]

378. Market which have two firms are known as :

- (a) Oligopoly  
 (b) Duopoly  
 (c) Monopsony  
 (d) Oligopsony

[CA CPT Nov. 2007]

379. Firms in oligopoly are likely to:

- (a) Try to differentiate its products  
 (b) Invest heavily in branding  
 (c) Act independently of other firms  
 (d) Try to be a price maker

[Dec. 2021]

380. Smart phones market is an example of:

- (a) Perfect competition  
 (b) Monopoly  
 (c) Monopolistic competition  
 (d) Oligopoly

[Nov. 2020]

381. Non-price competition are observed in which type of following market ?

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

[June 2022]

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

there is inter  
 making by th  
 Perfect C  
 (a) Oligopol  
 (b) Monopo  
 (c) Monopo  
 (d)

- (a) Oligopol  
 (b) Monopo  
 (c) Monopo  
 (d)

383. Who is the model of oligopoly rigidity under Adam S

- (a) Karl M  
 (b) Keynes  
 (c) Paul A  
 (d)

384. A kind known as:

- (a) Samu  
 (b) Char  
 (c) Stigle  
 (d) Swee

385. OPE

- (a) Mon  
 (b) Mon  
 (c) Olig  
 (d) Duo

386. An example

- (a) Full  
 (b) Op  
 (c) Pu  
 (d) Sy

387. Pr to:

There is interdependence in decision making by the firms is known as :

- (a) Perfect competition
- (b) Oligopoly
- (c) Monopoly
- (d) Monopolistic competition

[CA CPT June 2008]

383. Who propounded the price rigidity under kinked demand curve model of oligopoly?

- (a) Adam Smith
- (b) Karl Marx
- (c) Keynes
- (d) Paul A. Sweezy

[July 2021]

384. A Kinked Demand Curve is also known as:

- (a) Samuelson's
- (b) Chamberlin's model
- (c) Stigler model
- (d) Sweezy's model

385. OPEC is an example of :

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

[CA CPT Dec. 2008]

386. Aluminium industry is the example of which type of oligopoly?

- (a) Full oligopoly
- (b) Open oligopoly
- (c) Pure oligopoly
- (d) Syndicated oligopoly

[Nov. 2020]

387. Price rigidity concept is related to:

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

[June 2022]

388. 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

389. The structure of the cold drink industry in India is best described as:

- (a) Perfectly competitive.
- (b) Monopolistic.
- (c) Monopolistically competitive.
- (d) Oligopolistic.

390. Kinked demand hypothesis is designed to explain the under oligopolistic market:

- (a) Collusion between firms
- (b) Price and output determination
- (c) Rigidity of price
- (d) Price leadership

[Nov. 2020]

391. Pure oligopoly occurs when:

- (a) The product is homogeneous
- (b) The product is differentiated
- (c) The industry is dominated by one large firm
- (d) The absence of price leadership

[June 2022]

392. "Let and live philosophy" concern from which market?



4.46

- (a) Perfect competition
- (b) Monopoly
- (c) Oligopoly
- (d) Monopolistic Competition

[Nov. 2019]

**393. Oligopoly having identical products is:**

- (a) Pure oligopoly
- (b) Imperfect oligopoly
- (c) Price leadership
- (d) Collusion.

[CA CPT June 2009]

**394. Non-price competition is observed in which type of the following market?**

- (a) Monopoly
- (b) Monopolistic Competition
- (c) Duopoly
- (d) Oligopoly

[July 2021]

**395. Pricerigidity is a situation found in which of the following market forms?**

- (a) Perfect competition
- (b) Monopoly
- (c) Monopolistic competition
- (d) Oligopoly

[CA CPT June 2010]

**396. Oligopoly having identical products is known as:**

- (a) Pure oligopoly
- (b) Collusive oligopoly
- (c) Independent oligopoly
- (d) None of these

[CA CPT June 2011]

**397. When an oligopolistic firm chooses its level of production to**

**maximize its profits then it charges a price that is:**

- (a) More than the price charged by either monopoly or a competition.
- (b) Less than the price charged by either monopoly or a competition.
- (c) More than the price charged by a monopoly and less than a competitive market firm.
- (d) Less than the price charge by a monopoly, and more than a competitive market firm.

**398. Which one of the following is not a characteristic of Oligopoly?**

- (a) Strategic interdependence
- (b) Large number of firms selling close substitutes
- (c) Importance of selling cost
- (d) Group behaviour

[July 2021]

**399. 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

**400. 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

[CA CPT June 2017]

**401. Sweezy's concept of price following oligopoly**

- (a) Perfect C
- (b) Monopol
- (c) Monopol
- (d) Which

**402. Which example of o**

- (a) OPEC
- (b) SAARC
- (c) WTO
- (d) GATT

[CA CPT

**403. In oligopoly, one firm is dominant and is considered to be a price leader. Then it is called**

- (a) Full o
- (b) Collu
- (c) Partit
- (d) Synd

**404. When a market is dominated by one large firm, it is called**

- (a) Full
- (b) Part
- (c) Org
- (d) Clo

**405. When a market is dominated by one large firm, it is called**

- (a) Or
- (b) Pa
- (c) C
- (d) S

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**401. Sweezy's Model explains the concept of price rigidity relating to following market form:**

- (a) Oligopoly Market
- (b) Perfect Competition Market
- (c) Monopoly Market
- (d) Monopolistic Market

**402. Which of these is the best example of oligopoly?**

- (a) OPEC
- (b) SAARC
- (c) WTO
- (d) GATT

[CA CPT June 2011, Nov. 2020]

**403. 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

**404. When the industry is dominated by one large firm it is called:**

- (a) Full oligopoly
- (b) Partial oligopoly
- (c) Organized oligopoly
- (d) Closed oligopoly

[Nov. 2020]

**405. 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

**406. The demand curve of oligopoly is:**

- (a) Horizontal
- (b) Vertical
- (c) Kinked
- (d) Rising left to right

[CA CPT Dec. 2008]

**407. 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

**408. 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

**409. OPEC is an example of:**

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

**410. 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.

[CA CPT Dec. 2012]

4.48

411. \_\_\_\_\_ 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

[CA CPT Dec. 2015]

412. 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.

413. Group behaviour from which market belongs :

- (a) Perfect Competition
- (b) Monopolistic Competition
- (c) Monopoly
- (d) Oligopoly

[Nov. 2019]

414. Pure oligopoly is based on the \_\_\_\_\_ products.

- (a) Differentiated
- (b) Homogeneous
- (c) Unrelated
- (d) None of the above

[Jan. 2021]

415. 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

[CA CPT May 2018]

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

- (a) OPEC
- (b) SAARC
- (c) WTO
- (d) GATT

[CA CPT May 2018]

417. Which one of the following is not the feature of Oligopoly?

- (a) Interdependency
- (b) Selling cost
- (c) Free Entry
- (d) One of the above/group behaviour

[CA CPT Nov. 2018]

418. The theory of oligopoly is a theory of:

- (a) Group Behaviour
- (b) Mass Behaviour
- (c) Individual Behaviour
- (d) Single Behaviour

419. 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 advertising & selling cost.

The oligopoly decision which is

- (d) No new firm enters the industry

420. Price leadership is characteristic of:

- (a) Oligopoly
- (b) Monopoly
- (c) Perfect Competition
- (d) Discrimination

421. The gopologist i

- (a) Determine the price
- (b) Influence the price
- (c) Circumvent the price
- (d) Vary the price

422. An oligopoly behaves like

- (a) a monopoly
- (b) a perfect competition
- (c) a group of firms
- (d) a cartel

423. Entry barrier is a characteristic of

- (a) Oligopoly
- (b) Monopoly
- (c) Perfect Competition
- (d) Discrimination

424. A firm in an oligopoly agrees to sell at a price which is

(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.

**420. Price leadership is the characteristic of:**

(a) Oligopoly

(b) Monopoly

(c) Perfect competition

(d) Discriminating Monopoly

[CA CPT Nov. 2018]

**421. The demand curve of an oligopolist is :**

(a) Determinate

(b) Indeterminate

(c) Circular

(d) Vertical

[CA CPT June 2014]

**422. 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

**423. Entering into collusion or forming a cartel is generally considered \_\_\_\_\_.**

(a) Legal

(b) Illegal

(c) Desirable

(d) Mandatory

**424. A group of firm that explicitly agree (collude) to coordinate their activities is called a/an.**

(a) Oligopsony

(b) Duopoly

(c) Monopsony

(d) Cartel

[July 2021]

**425. According to Pigou, first degree price discrimination charges price to:**

(a) Individual capacity

(b) Quantities sold

(c) Location

(d) None of the above

[CA CPT Nov. 2018]

**426. In case of oligopoly, the price leader sets the price in such a manner that it allows same profits to the followers also. This type of Price leadership is by \_\_\_\_\_.**

(a) Low Cost Firm

(b) Low Share Firm

(c) High Cost Firm

(d) Dominating Profit Firm

**427. In the context of oligopoly, the kinked demand hypothesis is designed to explain:**

(a) Price and output determination

(b) Price rigidity

(c) Price leadership

(d) Collusion among rivals

**428. The elasticity of demand on the upper segment of a kinked demand curve will be \_\_\_\_\_.**

(a) Infinite

(b) Equal to one

(c) Greater than one

(d) Less than one

[June 2022]

4.50

**429. The kinked demand curve model of oligopoly assumes that:**

- (a) The response (of consumers) to a price increase is less than the response to a price decrease.
- (b) The response (of consumers) to a price increase is more than the response to a price decrease.
- (c) The elasticity of demand is constant regardless of whether price increases or decreases.
- (d) The elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases.

**430. Collusion is impossible if an industry has:**

- (a) Only few number of firms
- (b) Only two firms
- (c) Limited number of firms
- (d) Large number of firms

[Nov. 2020]

**431. Kinked demand curve hypothesis is given by:**

- (a) Alfred Marshal
- (b) A.C. Pigou
- (c) Sweezy
- (d) Hicks & Allen

[CA CPT Aug. 2007]

**432. Kinked demand curve is observed in :**

- (a) Duopoly market
- (b) Monopoly market
- (c) Competitive market
- (d) Oligopoly market

[CA CPT Feb. 2008]

**433. Which of the following concepts is explained by Kinked demand curve hypothesis?**

- (a) Price leadership
- (b) Price rigidity
- (c) Group behaviour
- (d) Independent pricing

[June 2023]

**434. The demand curve of oligopoly is:**

- (a) Horizontal
- (b) Vertical
- (c) Kinked
- (d) Rising left to right

[CA CPT Dec. 2009]

**435. In the kinked demand curve theory, it is assumed that:**

- (a) Firms collude to fix the price.
- (b) An increase in the price by the firm is not followed by others.
- (c) An increase in the price by the firm is followed by others.
- (d) A decrease in the price by the firm is not followed by others.

[Dec. 2021]

**436. The elasticity of demand on the upper segment of a kinked demand curve will be \_\_\_\_\_.**

- (a) Infinite
- (b) Equal to one
- (c) Greater than one
- (d) Less than one

**437. Kinked demand hypothesis is designed to explain \_\_\_\_\_ in context of oligopoly.**

- (a) Price and output determination
- (b) Price rigidity

(c) All of the above  
[CA CPT Dec. 2009]

**438. In context of oligopoly, the demand curve is:**

- (a) Discontinuous
- (b) Discontinuous and a price
- (c) Fulfillment of a price and a price not followed
- (d) Price rigidity

**439. Kinked demand hypothesis is observed in:**

- (a) Duopoly
- (b) Monopoly
- (c) Oligopoly
- (d) Oligopoly

**440. If an industry has shares, would be:**

Firms in industry	_____
Shares	_____
Firm	_____
Firm	_____
Firm	_____

- (a) Oligopoly
- (b) Perfect competition
- (c) Monopoly
- (d) Monopoly

**441. In context of oligopoly, the demand curve is:**

- (a) Continuous
- (b) Discontinuous

- (c) Collusion between firm  
 (d) All of the above
- [CA CPT Dec. 2009, Jan. 2021]**
- 438. In oligopoly, the kink on the demand curve is more due to:**

- (a) Discontinuity in MR  
 (b) Discontinuity in AR  
 (c) Fulfilment of the assumption that a price cut is followed by others and a price increase by a firm is not followed by others.  
 (d) Price war amongst the firms.

**[CA CPT June 2010]**

- 439. Kinked demand curve is observed in :**
- (a) Duopoly market  
 (b) Monopoly market  
 (c) Competitive market  
 (d) Oligopoly market

**[CA CPT June 2011]**

**440. If firms in the automobile industry have the following market shares, which market structure would best describe the industry?**

Firms in Auto Sector	(%) of market share
Firm-1	316
Firm-2	194
Firm-3	5.6
Firm-4	3.4

- (a) Oligopoly  
 (b) Perfect competition  
 (c) Monopolistic competition  
 (d) Monopoly

**[Dec. 2022]**

**441. In Oligopoly the kink in the demand curve is more due to :**

- (a) Discontinuity in MR  
 (b) Discontinuity in AR

- (c) Fulfilment of the assumption that a price fall is followed by other and a price increase by a firm is not followed by the other  
 (d) Price war among the firms

**[CA CPT Dec. 2011]**

**442. In the 'kinked-demand' curve model, the upper portion of the demand curve is:**

- (a) Elastic  
 (b) Inelastic  
 (c) Perfectly Elastic  
 (d) Unitary Elastic

**[CA CPT June 2013]**

**443. Choose the incorrect statement regarding the barometric price leadership:**

- (a) Old and experienced firm acts as a leader.  
 (b) Live and let live philosophy is followed.  
 (c) Price decided by assessing market conditions.  
 (d) Price decided by leader is generally accepted by the rest of all.

**[Nov. 2020]**

**444. Kinked demand curve is related to which market structure?**

- (a) Oligopoly  
 (b) Monopoly  
 (c) Monopsony  
 (d) Monopolistic competition

**[CA CPT Dec. 2013]**

**445. The Kinked demand curve model explains the market situation:**

- (a) Pure Oligopoly  
 (b) Differentiated Oligopoly

PRICE DETERMINATION IN DIFFERENT MARKETS

- 4.52  
 (c) Collusive Oligopoly  
 (d) Price Rigidity

[CA CPT June 2014]

446. In the kinked demand curve theory.

- (a) There is a kink in the marginal cost curve.  
 (b) Firms try to compete on non-price basis.  
 (c) Demand is price elastic.  
 (d) Demand is price inelastic.

[Dec. 2021]

447. A firm having kinked demand curve indicates that :

- (i) If the firm reduces the price, competitive firms also reduce the price.  
 (ii) If the firm increases the price, competitive firms also increases the price.  
 (iii) If the firm reduces the price, competitive firms do not reduce the price.  
 (iv) If the firm increases the price, competitive firms do not increase the price.

[CA CPT Dec. 2014]

448. Kinked demand curve under oligopoly is designed to show:

- (a) Price and output determination  
 (b) Price rigidity  
 (c) Price leadership  
 (d) Collusion among rivals

[CA CPT June 2015]

449. Kinked demand curve is the demand curve of:

- (a) Perfect Competition  
 (b) Monopoly  
 (c) Monopolistic Competition  
 (d) None of the above

[CA CPT Dec. 2015]

450. The reason for the kinked demand curve is that:

- (a) The oligopolist believe that competitors will follow output increases but not output reductions.  
 (b) The oligopolist believe that competitors will follow price increases but not output reductions.  
 (c) The oligopolist believe that competitors will follow price cuts but not price rises.  
 (d) The oligopolist believe that competitors will follow price increases but not output increases.

[CA CPT June 2016]

451. Kinked demand curve is:

- (a) Highly elastic at above the prevailing price.  
 (b) Inelastic at below the prevailing price.  
 (c) Both (a) and (b).  
 (d) None of the above.

[CA CPT May 2019]

Other Important Market Forms

452. Which term is used for a market characterised by a single buyer of a product or service?

- (a) Monopoly  
 (b) Monopsony  
 (c) Monobuyer  
 (d) Monolateral

453. Which of set of Oligopoly

- (a) Duopoly  
 (b) Monopoly  
 (c) Single Oligopoly  
 (d) None of the above

454. situation in which the market in Oligop

- (a) Duopoly  
 (b) Bilateral  
 (c) Close  
 (d) None of the above

455. What structure

Answers

1.	(a)
8.	(a)
15.	(a)
22.	(a)
29.	(b)
36.	(b)
43.	(c)
50.	(c)
57.	(c)
64.	(c)
71.	(c)
78.	(c)
85.	(c)
92.	(c)
99.	(c)
106.	(c)
113.	(c)
120.	(c)
127.	(c)
134.	(c)

is the

453. Which of the following is a subset of Oligopoly?

- (a) Duopoly
- (b) Monopoly
- (c) Single Oligopoly
- (d) None of these

2015]

454. \_\_\_\_\_ is a market situation in which there are two firms in the market.

- (a) Oligopoly
- (b) Duopoly
- (c) Bilateral Oligopoly
- (d) Closed Oligopoly

455. What is the type of market structure which is a combination of

monopoly market and a monopsony market?

- (a) Unilateral Monopoly
- (b) Bilateral Monopoly
- (c) Bi-Monopsony
- (d) None of these

456. \_\_\_\_\_ is a market characterized by a small number of larger buyers and is mostly relevant to factor markets.

- (a) Oligopoly
- (b) Duopoly
- (c) Oligopsony
- (d) Monopsony

### Answers

1.	(a)	2.	(d)	3.	(b)	4.	(b)	5.	(d)	6.	(c)	7.	(c)
8.	(a)	9.	(b)	10.	(d)	11.	(c)	12.	(a)	13.	(a)	14.	(a)
15.	(a)	16.	(c)	17.	(b)	18.	(b)	19.	(b)	20.	(b)	21.	(d)
22.	(a)	23.	(d)	24.	(d)	25.	(a)	26.	(a)	27.	(b)	28.	(c)
29.	(b)	30.	(c)	31.	(b)	32.	(a)	33.	(c)	34.	(a)	35.	(a)
36.	(b)	37.	(a)	38.	(a)	39.	(b)	40.	(b)	41.	(c)	42.	(d)
43.	(c)	44.	(a)	45.	(b)	46.	(b)	47.	(d)	48.	(b)	49.	(c)
50.	(c)	51.	(c)	52.	(b)	53.	(c)	54.	(b)	55.	(a)	56.	(a)
57.	(a)	58.	(c)	59.	(c)	60.	(c)	61.	(c)	62.	(a)	63.	(b)
64.	(d)	65.	(c)	66.	(a)	67.	(a)	68.	(c)	69.	(c)	70.	(a)
71.	(a)	72.	(a)	73.	(c)	74.	(a)	75.	(b)	76.	(a)	77.	(c)
78.	(a)	79.	(d)	80.	(a)	81.	(a)	82.	(d)	83.	(b)	84.	(a)
85.	(b)	86.	(a)	87.	(b)	88.	(c)	89.	(b)	90.	(c)	91.	(c)
92.	(d)	93.	(b)	94.	(d)	95.	(c)	96.	(b)	97.	(c)	98.	(b)
99.	(c)	100.	(c)	101.	(c)	102.	(b)	103.	(a)	104.	(c)	105.	(a)
106.	(c)	107.	(a)	108.	(d)	109.	(c)	110.	(d)	111.	(c)	112.	(b)
113.	(c)	114.	(b)	115.	(d)	116.	(d)	117.	(b)	118.	(b)	119.	(a)
120.	(a)	121.	(c)	122.	(a)	123.	(b)	124.	(d)	125.	(b)	126.	(c)
127.	(b)	128.	(d)	129.	(c)	130.	(d)	131.	(c)	132.	(c)	133.	(d)
134.	(c)	135.	(d)	136.	(d)	137.	(a)	138.	(b)	139.	(d)	140.	(c)



141.	(d)	142.	(a)	143.	(b)	144.	(a)	145.	(d)	146.	(b)	147.	(d)
148.	(d)	149.	(d)	150.	(b)	151.	(c)	152.	(a)	153.	(c)	154.	(c)
155.	(b)	156.	(d)	157.	(a)	158.	(d)	159.	(c)	160.	(c)	161.	(d)
162.	(c)	163.	(b)	164.	(d)	165.	(d)	166.	(b)	167.	(d)	168.	(d)
169.	(a)	170.	(c)	171.	(b)	172.	(c)	173.	(b)	174.	(d)	175.	(d)
176.	(a)	177.	(c)	178.	(d)	179.	(b)	180.	(b)	181.	(d)	182.	(a)
183.	(d)	184.	(b)	185.	(c)	186.	(a)	187.	(d)	188.	(d)	189.	(d)
190.	(a)	191.	(d)	192.	(b)	193.	(a)	194.	(d)	195.	(b)	196.	(b)
197.	(a)	198.	(c)	199.	(b)	200.	(a)	201.	(d)	202.	(b)	203.	(b)
204.	(b)	205.	(c)	206.	(b)	207.	(b)	208.	(b)	209.	(c)	210.	(b)
211.	(d)	212.	(b)	213.	(a)	214.	(c)	215.	(d)	216.	(a)	217.	(d)
218.	(b)	219.	(b)	220.	(c)	221.	(d)	222.	(d)	223.	(a)	224.	(a)
225.	(c)	226.	(a)	227.	(b)	228.	(b)	229.	(c)	230.	(b)	231.	(d)
232.	(b)	233.	(a)	234.	(c)	235.	(c)	236.	(c)	237.	(d)	238.	(c)
239.	(c)	240.	(b)	241.	(d)	242.	(a)	243.	(d)	244.	(a)	245.	(a)
246.	(d)	247.	(a)	248.	(d)	249.	(d)	250.	(a)	251.	(d)	252.	(a)
253.	(c)	254.	(c)	255.	(a)	256.	(a)	257.	(d)	258.	(a)	259.	(c)
260.	(a)	261.	(a)	262.	(d)	263.	(a)	264.	(c)	265.	(c)	266.	(c)
267.	(c)	268.	(a)	269.	(c)	270.	(c)	271.	(d)	272.	(b)	273.	(d)
274.	(a)	275.	(c)	276.	(b)	277.	(a)	278.	(b)	279.	(c)	280.	(c)
281.	(d)	282.	(c)	283.	(c)	284.	(d)	285.	(a)	286.	(c)	287.	(b)
288.	(d)	289.	(c)	290.	(a)	291.	(d)	292.	(c)	293.	(d)	294.	(b)
295.	(b)	296.	(d)	297.	(c)	298.	(b)	299.	(a)	300.	(b)	301.	(c)
302.	(b)	303.	(d)	304.	(a)	305.	(d)	306.	(c)	307.	(d)	308.	(a)
309.	(b)	310.	(b)	311.	(c)	312.	(a)	313.	(c)	314.	(a)	315.	(c)
316.	(c)	317.	(a)	318.	(b)	319.	(c)	320.	(c)	321.	(a)	322.	(b)
323.	(b)	324.	(b)	325.	(b)	326.	(b)	327.	(a)	328.	(c)	329.	(c)
330.	(c)	331.	(b)	332.	(d)	333.	(a)	334.	(c)	335.	(b)	336.	(a)
337.	(c)	338.	(c)	339.	(b)	340.	(c)	341.	(c)	342.	(a)	343.	(c)
344.	(a)	345.	(b)	346.	(b)	347.	(c)	348.	(b)	349.	(c)	350.	(d)
351.	(c)	352.	(c)	353.	(d)	354.	(a)	355.	(c)	356.	(b)	357.	(b)
358.	(c)	359.	(d)	360.	(c)	361.	(c)	362.	(c)	363.	(d)	364.	(c)
365.	(b)	366.	(c)	367.	(a)	368.	(d)	369.	(c)	370.	(c)	371.	(b)
372.	(d)	373.	(a)	374.	(c)	375.	(b)	376.	(c)	377.	(b)	378.	(b)
379.	(d)	380.	(d)	381.	(b)	382.	(b)	383.	(d)	384.	(d)	385.	(c)
386.	(a)	387.	(c)	388.	(a)	389.	(d)	390.	(c)	391.	(a)	392.	(c)

393.	(d)	394
400.	(c)	408
407.	(b)	415
414.	(b)	422
421.	(c)	422
425.	(b)	433
435.	(a)	444
442.	(d)	444
449.	(d)	449
456.	(c)	456

**Hints of some**

1. A market actual or potential product

Ans.: (a)

7. The element

(i) Buyer

(ii) A producer

(iii) Bargain

(iv) Know

(v) One

Ans.: (c)

30. On the

(a) Loo

(b) Ra

(c) Na

(d) Int

The cla

Transac

Ans.: (

31. Mc

buyers

single

Ans.: :

37. Si

curve

393.	(a)	394.	(b)	395.	(d)	396.	(a)	397.	(d)	398.	(b)	399.	(c)
400.	(c)	401.	(a)	402.	(a)	403.	(c)	404.	(b)	405.	(d)	406.	(c)
407.	(c)	408.	(d)	409.	(c)	410.	(d)	411.	(a)	412.	(d)	413.	(d)
414.	(b)	415.	(d)	416.	(a)	417.	(c)	418.	(a)	419.	(d)	420.	(a)
421.	(b)	422.	(a)	423.	(b)	424.	(d)	425.	(a)	426.	(a)	427.	(b)
428.	(c)	429.	(b)	430.	(d)	431.	(c)	432.	(d)	433.	(b)	434.	(c)
435.	(b)	436.	(c)	437.	(b)	438.	(c)	439.	(d)	440.	(a)	441.	(c)
442.	(a)	443.	(b)	444.	(a)	445.	(d)	446.	(b)	447.	(b)	448.	(b)
449.	(d)	450.	(c)	451.	(c)	452.	(b)	453.	(a)	454.	(b)	455.	(b)
456.	(c)												

**Hints of selected question**

1. A market is a collection of buyers and sellers with the potential to trade. The actual or potential interactions of the buyers and sellers determine the price of product or service.

Ans. : (a)

7. The elements of a market are:

- (i) Buyers and sellers
- (ii) A product or service
- (iii) Bargaining for a price
- (iv) Knowledge about market conditions and
- (v) One price for a product or service at a given time.

Ans. : (c)

30. On the basis of geographical area covered, the markets are classified into :

- (a) Local Market
- (b) Rational Market
- (c) National Market
- (d) International Market

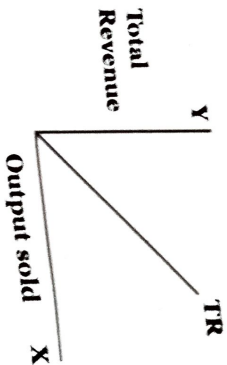
The classification into spot and forward market is on the basis of Nature of Transactions

Ans. : (c)

31. Monopoly is a situation where there is a single seller producing for many buyers, whereas Monopsony is a market condition in which there is only a single buyer.

Ans. : (b)

37. Since the firm can sell any quantity at market determined prices, the TR curve is linear and starts from the origin.



Ans. : (a)

43.

	Price Per Unit	Quantity Demanded
Existing	₹ 20	10 Units
New	₹ 20 - 5% of 20 = ₹ 20 - Re. 1 = ₹ 19	10 + 10% of 10 = 10 + 1 = 11 Units

Total Revenue (TR) = Price (P) × Quantity (Q)

$$TR \text{ (Existing)} = 20 \times 10 = ₹ 200$$

$$TR \text{ (New)} = 19 \times 11 = ₹ 209$$

$$\Delta TR = ₹ 9$$

$$\Delta \text{ Quantity} = 1 \text{ Unit}$$

$$MR = \frac{\Delta TR}{\Delta Q} = \frac{9}{1} = 9$$

Ans. : (c)

46.

	Total Revenue (TR)	Quantity Sold (Q)
Original	₹ 3,000	50 Units
New	₹ 3,100	52 Units
Change	$\Delta TR = 100$	$\Delta Q = 2$
MR	$\frac{\Delta TR}{\Delta Q} = \frac{100}{2} = ₹ 50$	

Ans. : (b)

49. Marginal Revenue = The addition made to the total revenue by selling one more unit. Symbolically,

$$MR_n = TR_n - TR_{n-1}$$

$$MR_{11} = TR_{11} - TR_{10} = 120 - 100 = 20$$

Ans. : (c)

50. Marginal Revenue is one more unit.

Ans. : (c)

53.

Original		
New		
Change		
MR	$\frac{\Delta TR}{\Delta Q}$	

Ans. : (c)

58.  $MR_{25} =$  (

Ans. : (c)

61.

Original		
New		
Change		
MR	$\frac{\Delta TR}{\Delta Q}$	

Ans. : (d)

62. Total revenue is certain.

Ans. : (

67. Total revenue is making zero.

50. Marginal revenue is the additional made to the total revenue by producing one more unit of a commodity.

Ans. : (c)

53.

	Price (P)	Quantity Demand (Q)	Total Revenue (TR)
Original	20	9	180
New	19	10	190
Change	-1	+1	+10
	$\frac{\Delta TR}{\Delta Q} = \frac{10}{1} = ₹ 10$		
	$MR = \frac{\Delta TR}{\Delta Q} = \frac{10}{1} = ₹ 10$		

Ans. : (c)

58.  $MR_{25} = (TR_{25} - TR_{15}) / (25 - 15) = (35,000 - 25,000) / (25 - 15) = 10,000 / 10 = 1,000$

Ans. : (c)

61.

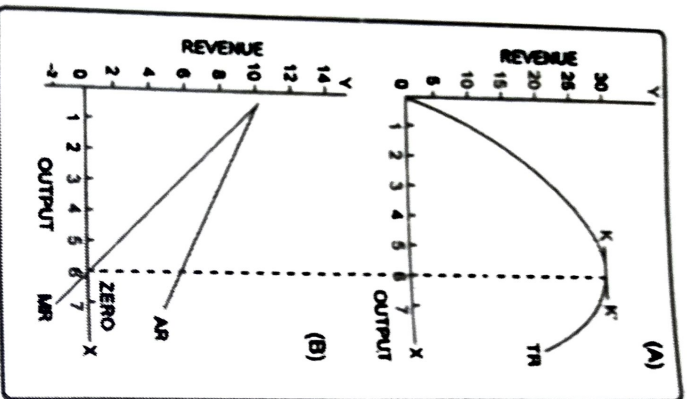
	Price (P)	Quantity Demand (Q)	Total Revenue (TR)
Original	20	15	300
New	18	16	288
Change	-2	+1	-12
	$MR = \frac{\Delta TR}{\Delta Q} = \frac{12}{1} = ₹ 12$		

Ans. : (c)

62. Total Revenue refers to the amount of money which a firm realises by selling certain units of a Commodity.

Ans. : (a)

67. Total Revenue Curve initially increases at a diminishing rate due to diminishing marginal revenue and reaches maximum and then it falls. When Marginal Revenue becomes zero, the total revenue is maximum and the slope of TR is zero.



Ans. : (a)

68.

	Price (P)	Quantity Demanded (Q)	Total Revenue (TR)
Original	20	9	180
New	19	10	190
Changes (D)	-1	+1	+10

$$MR = \frac{\Delta TR}{\Delta Q} = \frac{10}{1} = ₹ 10$$

Ans. : (c)

69. Marginal Revenue (MR) is the change in total revenue resulting from the sale of an additional unit of the commodity.

$$MR = \frac{\Delta TR}{\Delta Q}$$

Where MR is marginal revenue

TR is total revenue

Q is quantity of commodity sold

$\Delta$  is small change

Ans. : (c)

$$70. MR = P$$

$$= P$$

If  $e < 1$ , fraction less than 0.

Ans. : (a)

$$71. MR = P$$

If  $e > 1$ , the fraction

Ans. : (a)

$$74. MR = P$$

$$= P$$

$$= P$$

$$= P$$

Ans. : (a)

$$75. MR = P$$

If  $e = 1$ , MR = P

Ans. : (b)

76. Refer

Ans. : (a)

77. Refer

Ans. : (c)

78. Refer

Ans. : (a)

$$80. MR = P$$

Ans. : (a)

$$\begin{aligned} 70. \text{MR} &= P \left( 1 - \frac{1}{e} \right) \\ &= P \left( \frac{e-1}{e} \right) \end{aligned}$$

If  $e < 1$ , fraction  $\left( \frac{e-1}{e} \right)$  will be negative. Therefore, MR will also be negative or less than 0.

Ans. : (a)

$$71. \text{MR} = P \left( 1 - \frac{1}{e} \right)$$

If  $e > 1$ , the fraction  $\left( \frac{1}{e} \right)$  will be less than 1. In that case,  $\left( 1 - \frac{1}{e} \right)$  will

Ans. : (a)

$$74. \text{MR} = P \left( 1 - \frac{1}{e} \right)$$

$$\begin{aligned} &= P \left( \frac{e-1}{e} \right) \\ &= P (e-1)/e \\ &= \text{AR} (e-1)/e \end{aligned}$$

Ans. : (a)

$$75. \text{MR} = P \left( 1 - \frac{1}{e} \right)$$

$$\text{If } e = 1, \text{MR} = P (1 - 1) = 0$$

Ans. : (b)

76. Refer Q. 62

Ans. : (a)

77. Refer Q. 63

Ans. : (c)

78. Refer Q. 67

Ans. : (a)

$$80. \text{MR} = \text{AR} \times \frac{e-1}{e} = 5 \times \frac{2-1}{2} = + 2.5$$

Ans. : (a)

the

4.60

83. Price Elasticity =  $\frac{\text{Lower Segment}}{\text{Upper Segment}}$

Since, the elasticity is to be computed at the middle point, Lower segment = Upper Segment.

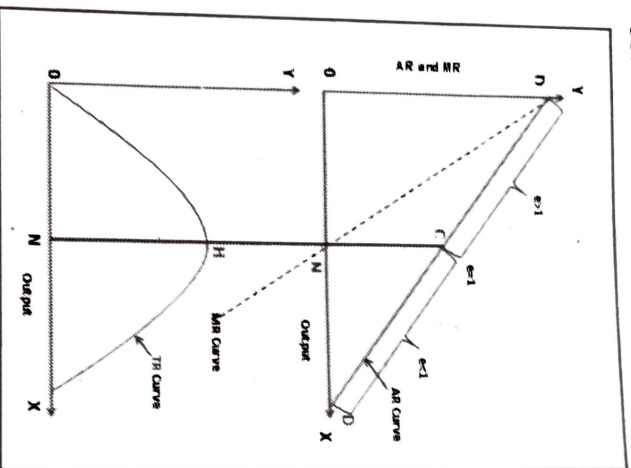
$\therefore$  Price Elasticity = 1

Ans. : (b)

84. Refer Q. 66

Ans. : (a)

86.



Ans. : (a)

90. The very short period or Market period refers to a period of time in which supply is fixed and cannot be increased or decreased.

Ans. : (c)

94. At equilibrium price, the quantity demanded is equal to quantity supplied. In the given question, when the price is ₹ 4 per unit, the demand & Supply equals to each other at 700 units. Therefore, the equilibrium market price is ₹ 4.

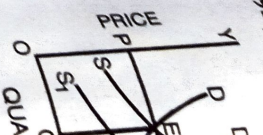
Ans. : (c)

96. Refer Q. 86

Ans. : (b)

100. Refer Q. 93.

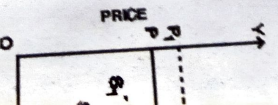
Ans. : (c)



In the above diagram, the new demand price is equilibrium price is more.

Ans. : (a)

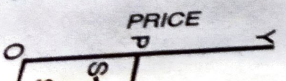
105.



It is clear that equilibrium price is P.

Ans. : (c)

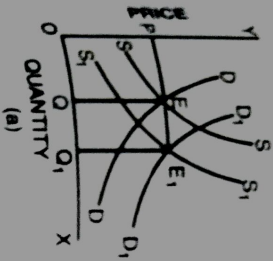
106.



100. Refer Q. 86

Ans. : (c)

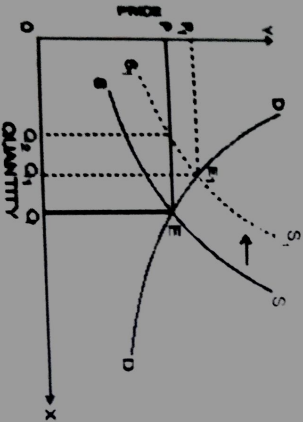
q.3.



In the above figure, the increase in demand is equal to increase in supply. The new demand curve  $D_1$  and supply curve  $S_1$  meet at  $E_1$ . The new equilibrium price is equal to the old equilibrium price (OP). However, equilibrium quantity is more.

Ans. : (a)

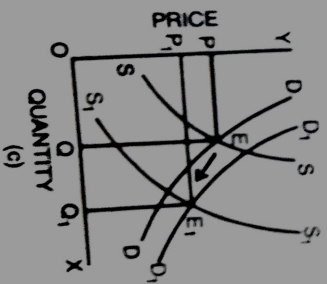
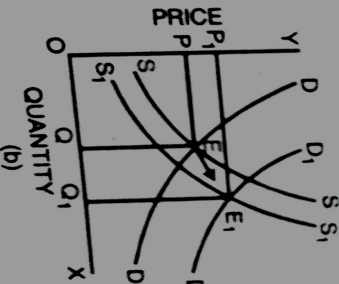
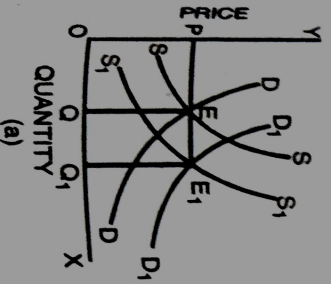
105.



It is clear that if there is decrease in supply and demand remains constant, the equilibrium price will go up, but the amount sold and purchased will go down.

Ans. : (a)

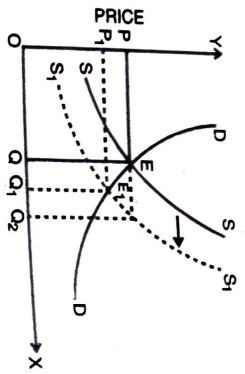
106.





Ans. : (c)

107.



Ans. : (a)

108. Refer Q. 97

Ans. : (d)

119. Accounting Cost = ₹ 75,000

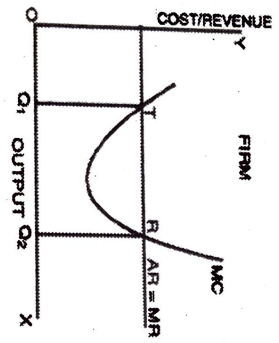
Economic Cost = 75,000 + 30,000 = 1,05,000

Revenue = ₹ 1,00,000

Economic Loss = 5,000

Ans. : (a)

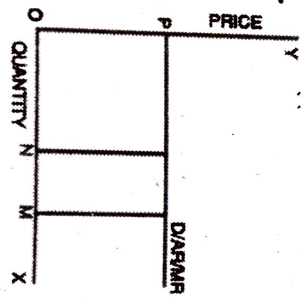
135.



MC curve should cut MR curve from below

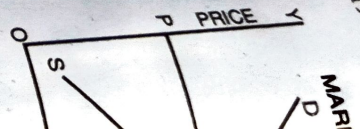
Ans. : (d)

137.



Ans. : (b)

144. In perfect market, therefore, A  
 Ans. : (a)  
 193.



Ans. : (a)

194. Ref

Ans. : (a)

206. Re

Ans. : (

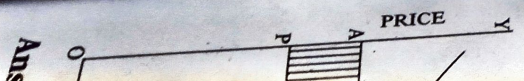
212. Re

Ans. : (

222. S

Ans. :

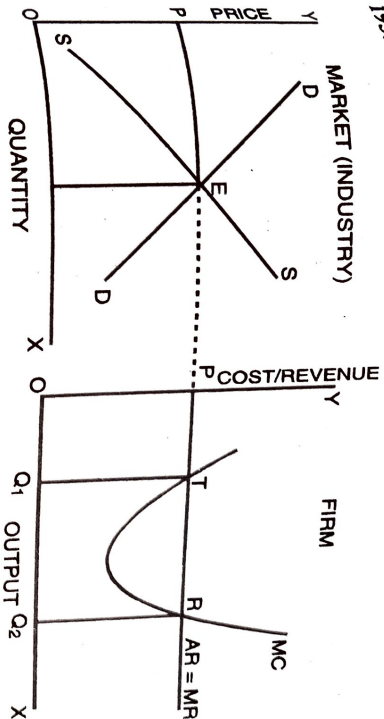
232.



Ans

144. In Perfect Competition, the firms are price takers with homogenous price. Therefore, AR equals to MR.

Ans. : (a)  
193.



Ans. : (a)

194. Refer Q. 177

Ans. : (d)

206. Refer Q. 177

Ans. : (b)

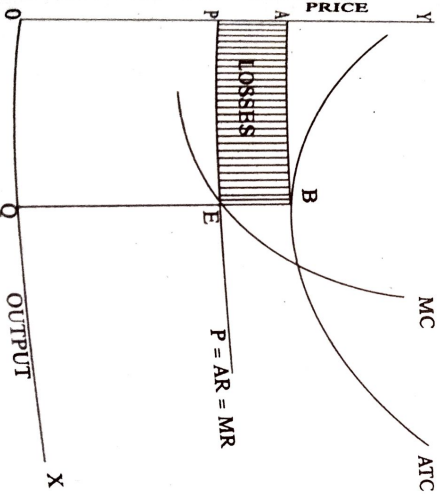
212. Refer Q. 177

Ans. : (b)

222. Since  $AR > AC$ , the firm is making super normal profits.

Ans. : (d)

232.

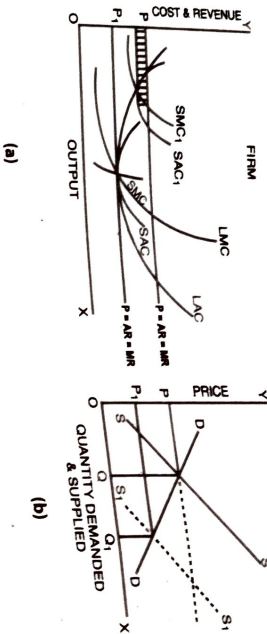


Ans. : (b)

4.64

PRICE DETERMINATION IN DIFFERENT MARKETS

243.

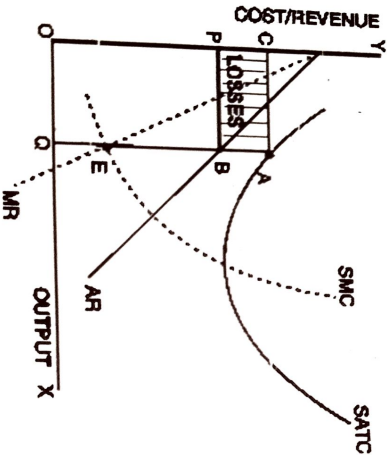


Ans. : (d)

246. Same as Q. 224

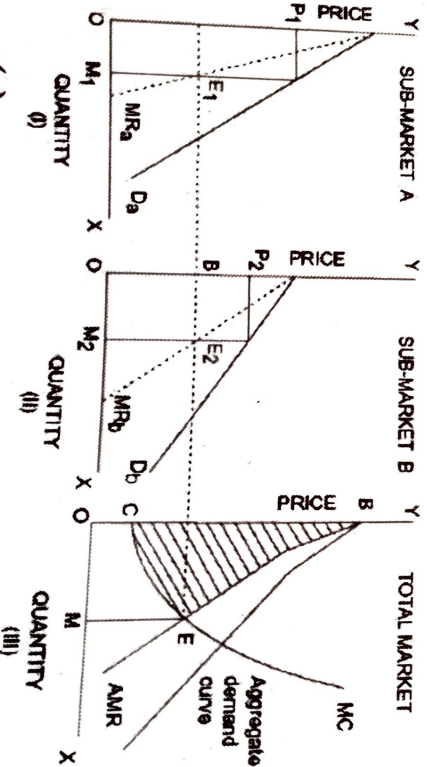
Ans. : (d)

277.



Ans. : (c)

319.



Ans. : (c)

385. OPEC

Ans. : (c)

406. The demand curve hypothesis of oligopoly and the kinked price

Ans. : (c)

409. Oligopoly

Ans. :

432. R

Ans. :

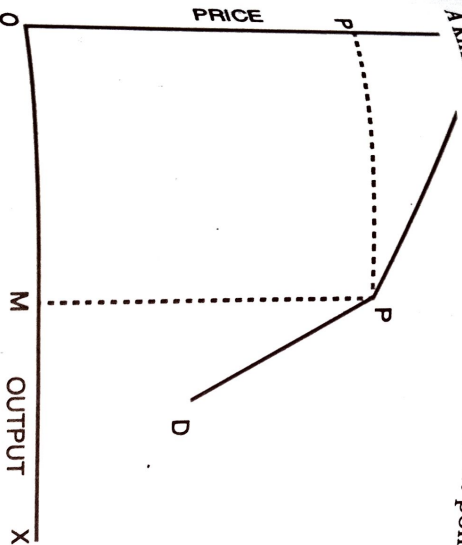
PRICE

O



385. OPEC refers to organization for Petroleum Exporting Countries.  
Ans. : (c)

406. The demand curve facing an oligopolist, according to the kinked demand curve hypothesis, has a 'kink' at the level of prevailing price. It is because the segment of the demand curve above the prevailing price level is highly elastic and the segment of the demand curve below the prevailing price level is inelastic. A kinked demand curve with a kink at point P is shown in Fig.



Ans. : (c)

409. OPEC (Organisation for Petroleum Exporting Countries) is an example of oligopoly market because there are few seller for petroleum in the world.

Ans. : (c)

432. Refer Q. 378

Ans. : (d)