MARKETS BASICS

1. In Economics, a place where Buyers and Sellers meet and bargain over a commodity for a price is called—
   a) Den
   b) Shop
   c) Market
   d) Exchange

2. Which of the following statements best describe a "Market"?
   a) Place where Shares and Securities are bought and sold.
   b) Place where Fruits and Vegetables are bought and sold.
   c) Place where Buyers and Sellers meet and bargain over a commodity for a price.
   d) Place where transactions takes place.

3. Which of these is not a feature of Market?
   a) Buyers and Sellers.
   b) Commodity, Product or Service.
   c) Bargaining for a Price
   d) Government Regulation and Control

4. Which of these is a feature of Market?
   a) Perishable Nature of the commodity
   b) Government Regulation and Control
   c) One Price for a Product or Service at a given time
   d) Scarcity of Resources

5. Which of the following is an element of Market Structure?
   (a) Buyers & Sellers
   (b) A product or service
   (c) Bargaining for a Price
   (d) All of the above

6. The Market for ultimate consumers is known as ___
   (a) Whole Sale Market
   (b) Retail Market
   (c) Unregulated Market
   (d) Regulated Market

7. Which of these is not a Market Structure in Economics?
   (a) Perfect Competition
   (b) Monopoly
   (c) Monopolistic Competition
   (d) Intense Competition

8. Which of these is a Market Structure in Economics?
   (a) Stock Exchange
   (b) Reserve Bank of India
   (c) Oligopoly
   (d) Government of India

9. Which of the following types of competition is just a theoretical economic concept, not a realistic case where actual competition and trade take place?
   (a) Monopoly
   (b) Oligopoly
   (c) Perfect Competition
   (d) Monopolistic Competition

10. Free Entry / Exit is a characteristic feature of —
   (a) Perfect Competition
   (b) Monopoly
   (c) Monopolistic Competition
   (d) (a) and (c)

11. Free Entry / Exit is a not a characteristic feature of —
   (a) Perfect Competition
   (b) Monopoly
   (c) Monopolistic Competition
   (d) All the above.

12. Free Entry / Exit is possible in —
   (a) short—run
   (b) long—run
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

13. Short run price is also known as:
   (a) Market price

(b) Showroom price
(c) Maximum retail price
(d) None of these

14. The market for Foodgrains, Cereals, Vegetables, etc. closely resembles —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

15. Railways is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

16. Air Travel Service Industry is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

17. Electricity Supply Service is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

18. Bottled Cool Drinks Industry is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

19. Agricultural Goods markets depict characteristics close to —
(a) Perfect Competition
(b) Oligopoly
(c) Monopoly
(d) Monopolistic Competition

20. Which of the following is an Oligopoly?
(a) Mobile Industry
(b) Cold Drink
(c) Automobile
(d) All of these

21. Toothpaste Manufacturing Industry is an example of
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

22. Automobile (Cars) Manufacturing Industry is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

23. Toilet Soaps Industry is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

24. Mobile Phone Service Providers is an example of
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

25. The structure of the Cold Drink Industry in India is best described as
(a) Perfectly Competitive
(b) Monopolistic
(c) Monopolistically Competitive
(d) Oligopolistic

26. The conditions of Firm Equilibrium, i.e. MC = MR, and MC cuts MR from below, is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) All of the above.

27. In which of the following market conditions, does a Firm maximizes its profit when its Marginal Revenue is equal to Marginal Cost?
(a) Perfect Competition
(b) Monopoly Monopolistic Competition
(c) All of the above.

28. What is the other name given for Average Revenue Curve?
(a) Profit Curve
(b) Demand Curve
(c) Average Cost Curve
(d) Indifference Curve

29. Which of the following is not a characteristic feature common to both Monopolistic Competition and Perfect Competition?
(a) Many Buyers and Sellers
(b) Identical Products
(c) Easy entry and exit of Firms
(d) Firms take other Firms' prices as given

30. As in Perfect Competition, the Firms operating in a monopolistically competitive industry can realize only Normal Profits in the long run because
(a) The Firms tend to have diseconomies of scale in the long run
(b) There are virtually no entry or exit barriers
(c) Consumers are more price sensitive in the long ruin that in the short run
(d) Cartels agreements tend to be more unstable with the increase of time as member Firms try to increase their profits by cheating on the agreement

31. The relationship Firm = Industry is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

32. In which of the following market structures is the demand curve of the market is represented by the demand curve of the Firm?
(a) Monopolistic competition
(b) Perfect Competition
(c) Monopoly
(d) Oligopoly

33. The AR Curve and Industry Demand Curve are same in the case of —
(a) Monopoly
(b) Oligopoly
(c) Perfect Competition
(d) None of the above

34. Why is the Demand Curve of the Market in Monopoly is represented by the Demand Curve of the Firm?
(a) Because there are many Firm in the market
(b) Because there is only one Firm in the market
(c) Because there is only one buyer in the market
(d) Because there are many buyers in the market

35. The relationship Industry = Large Number of Firms, is applicable for —
(a) Perfect Competition
(b) Monopolistic Competition
(c) Monopoly
(d) Both (a) and (b)

36. The relationship Industry = a Few Firms, is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

37. Which among the following market structures has the highest product differentiation?
(a) Pure or Perfect Competition
(b) Monopolistic Competition
(c) Oligopoly
(d) Monopoly

38. Which among the following market structures has the highest price elasticity?
(a) Pure or Perfect Competition
(b) Monopolistic Competition

(c) Oligopoly
(d) Monopoly

39. Which of the following market forms will never suffer losses in the short run?
(a) Perfect Competition
(b) Oligopoly
(c) Monopoly
(d) None of these

40. Under which of the following market structures is the price lower and output larger?
(a) Perfect Competition
(b) Monopolistic Competition
(c) Monopoly
(d) Oligopoly

41. 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

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

43. A market structure in which many Firms sell products that are similar but not identical is known as —
(a) Monopolistic Competition A
(b) Monopoly
(c) Perfect Competition
(d) Oligopoly

44. Which of the following types of market structure is the exact opposite of Perfect Competition?
(a) Monopolistic competition
(b) Monopoly
(c) Oligopoly
(d) Duopoly

45. Which of the following statements about Price and Marginal Cost (MC) in competitive and monopolized markets is true?
(a) In Competitive Markets, Price = MC; in monopolized Markets, Price > MC.
(b) In Competitive Markets, Price = MC; in Monopolized Markets, Price = MC.
(c) In Competitive Markets, Price > MC; in Monopolized markets, Price > MC.
(d) In Competitive Markets, Price > MC; in Monopolized markets, Price = MC.

46. In which of the following types of market structures
can a Firm earn abnormal profits in the long run?
(a) Perfect Competition
(b) Monopolistic competition
(c) Monopoly
(d) None of the above

47. In which of the following types of market structure, do Firms produce homogeneous products?
(a) Monopoly
(b) Differentiated Oligopoly
(c) Perfect Competition
(d) Monopolistic Competition

48. Which of the following statements is incorrect?
(a) Even Monopolist can earn 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.

49. Which of the following statements is not true with respect to the long run?
(a) A Firm in a monopolistically competitive industry earns only normal profits in the long run
(b) A Monopolist does not make losses

(c) A Perfectly Competitive Firm earns only normal profits in the long run
(d) Monopolistically Competitive Firms will be producing at minimum average cost

50. P = MR = MC = AC = is the condition of —
(a) Long run equilibrium for a Firm under Perfect Competition
(b) Long run disequilibrium for a Firm
(c) Long run equilibrium for a Firm under Monopoly
(d) Long run equilibrium for a Firm under Monopolistic competition

51. Which of the following features is not seen in Imperfect Competition?
(a) Few Sellers
(b) Product Differentiation
(c) Price wars
(d) All goods are Homogenous

52. Market situation in which there are **only two Firms** in the market
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopoly

53. A market characterized by a **Single Buyer** of a product or service.
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopoly

54. A market characterized by a **small number of large buyers.**
(a) Monoposony
(b) Bilateral Monopoly Duopoly
(c) Oligopsony

55. A market structure in which there is only a **Single Buyer and a Single Seller**
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopsony

56. Duopoly is a market situation in which —
(a) there are **only two Firms** in the market
(b) there is a **Single Buyer** of a product or service
(c) there is only a **Single Buyer and a Single Seller**
(d) none of the above

57. A person who charges different prices in different sub—markets is —
(a) Discriminating Monopolists
(b) Simple Monopolists
(c) Selective Monopolists
(d) None of the above

PERFECT COMPETITION

1. In India which of the following best describes a perfectly competitive market?
(a) Sugarcane Cultivation
(b) Indian Railways
(c) Toilet Soap Industry
(d) Electricity Distribution

2. Which industry best fits the description of a Perfectly Competitive market?
(a) Automobile
(b) PC
(c) Soft—drinks
(d) Agriculture

3. Under Perfect Competition, there are Sellers.
(a) Many
(b) Only one
(c) A Few
(d) No

4. Under Pure Competition, there are Sellers.
(a) Many
(b) Only one
(c) A Few
(d) No

5. 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

6. Which of the following is not true about perfect competition?
(a) Purchase and sale of homogeneous goods
(b) Mobility of factors of production
(c) Free entry and exit
(d) Presence of advertisement

7. Under Perfect Competition, the product is —
(a) Differentiated
(b) Homogeneous
(c) Influenced by Brand Name
(d) Always Intangible

8. Under Perfect Competition, each Firm is a
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

9. Price under perfect competition is determined by —
(a) Firm
(b) Industry
(c) Government
(d) Society

10. In a perfect competition, who set the prices:
(a) Buyers
(b) Sellers
(c) Both buyers and sellers
(d) Government

11. The assumptions of large number of Sellers and product homogeneity in Perfect Competition, implies that all individual Firms in Perfect Competition are —
(a) Price Takers
(b) Price Movers
(c) Price Givers
(d) Price Offerers

12. In which competition, firm has no control over price?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic Competition
(d) Oligopoly

13. In a Perfect Competitive Market —
(a) Firm is the Price—Giver and Industry is the Price Taker
(b) Firm is the Price Taker and industry is the Price—Giver
(c) Both are Price Takers
(d) none of the above

14. The distinction between a single firm & an Industry vanishes in which of the following market condition
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Imperfect competition

15. How are prices determined under Perfect Competition?
(a) At the equilibrium price of Firm
(b) At the equilibrium prices of Industry
(c) At the point where MR = MC
(d) All of these

16. Under Perfect Competition, each Firm's control over price is —
(a) Nil
(b) Full and Absolute
(c) Subject to Competing Firms' Strategies
(d) None of the above.

17. Under Perfect Competition, Price Elasticity of Demand is
(a) Nil
(b) Less Elastic
(c) More Elastic

(d) Infinity

18. In a Perfectly Competitive Market, the Demand Curve is
(a) Relatively inelastic
(b) Unitary elastic
(c) Relatively elastic
(d) Infinitely elastic

19. Under Perfect Competition, the Firm's Demand Curve is
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

20. 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

21. In India, the Milk Market resembles a perfectly competitive industry. If the industry is an increasing cost industry, the long run supply curve of the industry
(a) Slopes upward to the right
(b) Slopes downward to the right
(c) Would be a vertical straight line
(d) Would be horizontal straight line

22. Under Perfect Competition, a Firm can earn in the long—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

23. Under Perfect Competition, in the long—run, a Firm
(a) will not have excess capacity.
(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

24. Under Perfect Competition, in the long—run, a Firm
(a) will always be a Optimal Firm.
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm.
(d) will leave the industry.

25. Which of these is not a feature of Perfect Competition?
(a) Large Number of Buyers & Sellers
(b) Homogeneous Products
(c) Free Entry / Exit
(d) Preference of Consumers towards one Supplier

26. Which of the following is a feature of Perfect Competition?
(a) Firms are free to produce any number of units of different commodities
(b) Firms are free to enter and exit from the industry
(c) Firms are free to produce any type of a commodity
(d) None of the above

27. One of the essential conditions Perfect Competition is —
(a) Product Differentiation
(b) Multiplicity of prices for identical product at any one time
(c) Many Sellers and few Buyers
(d) Only one price for identical goods at any one time

28. Which of the following is true about Perfect Competition?
(a) Firms can enter freely in the market but it is difficult to exit from the market
(b) Firms face difficulty in entering the market, but Firms can freely exit from the market
(c) Entry and exit in the market is highly restricted
(d) Firms are free to enter and exit the market

29. Which of the following statements regarding Perfect Competition is false?
(a) Supply and Demand forces determine the price of a commodity
(b) All Buyers in the Market are always in position to influence the market
(c) In the short run, the Firm takes Market Price as given
(d) Considering the Market Price, Firm adjusts the level of output to maximize profits

30. Which of these is not a feature of Perfect Competition?
(a) Restriction in Entry of new Firms
(b) Perfect Knowledge
(c) Efficient Transportation Facilities
(d) Uniform Market Price

31. Which of the following is not a condition of Perfect Competition?
(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

32. Which of the following is not a characteristic of a Perfectly Competitive Market?
(a) Large number of Firms in the industry
(b) Outputs of the Firms are perfect substitutes for one another
(c) Firms face downward—sloping Demand Curves
(d) Resources are very mobile

33. Which of the following is not a characteristic of a Perfectly Competitive Market?
(a) Large number of Buyers and Sellers
(b) Homogeneous Product
(c) Free entry and exit of Firms
(d) Presence of high transportation costs

34. Which of these is not a feature of Perfect Competition?
(a) Free Entry / Exit
(b) Lack of Perfect Knowledge
(c) Inefficient Transportation Facilities
(d) Mobility of Factors of Production

35. Which of the following is not a characteristic feature of Perfect Competition?
(a) All the sellers sell at the same price
(b) All the products are homogenous
(c) Customers have no bargaining power
(d) Customers have no purchasing power

36. Which of the following statements regarding Perfect Competition is false?
(a) The Marginal Revenue Curve is a straight line
(b) In the short run, Fixed Costs remain constant and cannot be changed
(c) The Firm becomes a Price—Taker and tries to achieve equilibrium
(d) Marginal Revenue is more than the price

37. Under Perfect Competition, all output can be sold —
(a) at different prices
(b) at the same price only
(c) at zero price
(d) only when Buyers are willing to buy.

38. Which of the following statements is false in a Perfectly Competitive Market with constant returns to scale?
(a) The long run average cost curve will be horizontal at each Firm's minimum average cost
(b) The long run average cost curve will be horizontal at each Firm's zero—profit price
(c) The long run equilibrium in a competitive industry will be one with no economic profit
(d) With a constant increase in one input, keeping other inputs constant, the output could be increase

39. Under Perfect Competition, Demand (D) =
(a) Average Revenue (AR)
(b) Marginal Revenue (MR)
(c) Price (P)

(d) All of the above

40. Which of the following curves resembles the Demand Curve in a Perfect Competition?
(a) Average Cost Curve
(b) Marginal Utility Curve
(c) Average Utility Curve
(d) Average Variable Cost Curve

41. Which of the following statement is not true about Perfect Competition?
(a) The Demand Curve is also the Firm's Average Revenue Curve
(b) The Demand Curve is a horizontal line. Demand increases as price increases
(c) Supply increases as price decreases

42. Under Perfect Competition price of the Product
(a) can be controlled by individual Firm
(b) cannot be controlled by individual Firm
(c) can be controlled within certain limit by individual Firm
(d) none of the above

43. 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

44. Price Taker Firms —
(a) Advertise to increase the demand for their products.
(b) Do not advertise because most advertising is harmful for the society.
(c) Do not advertise because they can sell as much as they want at the current price.
(d) Who advertise will get more profits than those who do not.

45. Which of the following is not a characteristic of a "Price Taker"?
(a) TR = P xQ
(b) AR = Price
(c) Negatively — sloped Demand Curve
(d) Marginal Revenue = Price

46. 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 la kh
(d) The individual Firm is unable to affect market price through its output decisions

47. For the 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

48. The Firm in a Perfectly Competitive Market is a Price Taker. This designation as a Price Taker is based on the assumption that —
(a) The Firm has some, but not complete, control over its product price
(b) There are so many buyers and sellers in the market that any individual Firm cannot affect the market
(c) Each Firm produces a homogeneous product
(d) There is easy entry into or exit from the market place

49. A Perfectly Competitive Firm Producer has control over —
(a) Price
(b) Production as well as price
(c) Control over production, price and consumers
(d) None of the above

50. Under Perfect Competition, Demand (D) = AR = MR = Price. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

51. Under Perfect Competition, Total Revenue is equal to Marginal Revenue times the quantity sold. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

52. If a Competitive Firm doubles its output, its Total Revenue —
(a) doubles
(b) more than doubles
(c) less than doubles
(d) cannot be determined because the price of the good may rise or fall

53. In Perfect Competition, a Firm can maximize its profit in short—run only when —
(a) Average Revenue is more than Marginal Revenue
(b) Marginal Revenue is equal to Total Cost
(c) Average Revenue is equal to Marginal Cost
(d) Marginal Cost is equal to Marginal Revenue

54. A Competitive Firm maximizes profit at the output level where —
(a) Price equals Marginal Cost.
(b) Slope of the Firm's profit function is equal to zero.
(c) Marginal Revenue equals Marginal Cost.
(d) All of the above.

55. In Perfect Competition, when Marginal Cost Marginal Revenue, Profit is
(a) Maximum
(b) Average
(c) Zero
(d) Not Possible

56. In Perfect Competition, a Firm maximizing its profits will set its output at that level where —
(a) Average Variable Cost = Price
(b) Marginal Cost = Price
(c) Fixed Cost = Price
(d) Average Fixed Cost = Price

57. Which of the following market situations explains Marginal Cost equal to Price for attaining equilibrium?
(a) Perfect Competition.
(b) Monopoly
(c) Oligopoly.
(d) Monopolistic Competition.

58. In a Perfectly Competitive Market, if MC = Marginal Cost, MR = Marginal Revenue, AR = Average Cost and P = Price, the first order condition for profit maximization will be —
(a) MC< MR<AR< P
(b) MC= MR=AR=P
(c) MC> MR>AR> P
(d) MC=MR>AR=P

59. 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

60. Under the Perfect Competition a Firm will be in Equilibrium when —
(a) MC = MR
(b) MC cuts MR from below
(c) MC is rising when it cuts MR
(d) All of the above

61. Under Perfect Competition, a Firm can earn in the short—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

62. Under Perfect Competition, in the short—run, the condition AR = MR = MC = AC, means that the Firm is earning —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

63. Under Perfect Competition, in the short—run, if AR > AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

64. Under Perfect Competition, in the short—run, if AR < AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

65. In the short run, if a Perfectly Competitive Firm finds itself operating at a loss, it will —
(a) reduce the size of its plant to lower fixed costs.
(b) raise the price of its product.
(c) shut down.
(d) continue to operate as long as it covers its variable cost.

66. Under Perfect Competition, in the short—run, the condition for shut—down is —
(a) AR < AC
(b) AR > AC
(c) AR > AVC
(d) AR < AVC

67. Which of the following is true with reference to shut down point in a Perfect Competition?
(a) The profits of the Firm equals its total costs
(b) At that output level the price covers the average fixed costs of the Firm
(c) At that output level the price covers the average variable costs of the Firm
(d) At that output level the price covers the average total costs of the Firm

68. If the price falls below the Minimum Average Variable Cost, a Firm operating under Perfect Competition should, in the short run,
(a) Produce an output where MR = MC
(b) Reduce its output so as to increase the price and profits
(c) Stop production (output) until price increases
(d) Continue to produce in the short run, but not in long run

69. In Perfect Competition, a Firm increases profit when exceeds
(a) Total Cost, Total Revenue
(b) Marginal Cost, Marginal Revenue
(c) Total Revenue, Total Fixed Cost
(d) Average Revenue, Average Cost

70. In a perfectly competitive markets, if MR is greater than MC then a firm should—
(a) Increase its production
(b) Decrease its production
(c) Increase in sales
(d) Decrease in sales

71. In Perfect Competition, a Firm's Profit diminishes when _______exceeds
(a) Marginal Revenue, Marginal Cost
(b) Marginal Cost, Marginal Revenue
(c) Marginal Revenue, Average Cost
(d) Average Revenue, Average Cost

72. In a perfectly competitive market, in the long run, competitive prices equal the minimum possible cost.
(a) Marginal
(b) Variable
(c) Total
(d) Average

73. Under Perfect Competition, the burden of a specific tax would be borne by —
(a) Seller
(b) Buyer
(c) Seller and buyer equally
(d) Cannot say

74. Under Perfect Competition, the condition for equilibrium is AR = MR = MC = AC. This is for
(a) short—run
(b) long—run
(c) Both (a) and (b)
(d) Neither (a) nor (b)

75. Under Perfect Competition, in the long—run, the LAC Curve will be ____ to the AR Curve.
(a) tangent
(b) perpendicular
(c) parallel
(d) coinciding

76. Under Perfect Competition, in the long—run, the ______ will be tangent to the AR Curve.
(a) LAC Curve
(b) LMC Curve
(c) Demand
(d) Supply

77. Under Perfect Competition, in the long—run, the industry is said to be in equilibrium, if —
(a) All the Firms are earning normal profits only.
(b) There is no further entry or exit of Firms to / from the market.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

78. Under Perfect Competition, in the long—run, if SMC = SAC = LAC = LMC = LMR = LAR = Price, then the industry is said to be —
(a) Growing
(b) in troubled times
(c) in Equilibrium
(d) inefficient

79. In the long—run, Industry Equilibrium is achieved if SMC = SAC = LAC = LMC = LMR = LAR = Price. This condition is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

80. Under Perfect Competition, the condition for Industry Equilibrium, i.e. SMC = SAC = LAC = LMC = LMR = LAR = Price, is applicable for —
(a) short—run
(b) long—run
(c) Both (a) and (b)
(d) Neither (a) nor (b)

81. When the Perfectly Competitive Firm and industry are in long run equilibrium then —
(a) P=MR=SAC=LAC.
(b) D=MR=SMC=LMC.
(c) P=MR=Lowest point on the LAC curve.
(d) All of the above.

82. In the long run, the Pure Competition Firm can have
(a) Super Normal Profit
(b) Normal Profits
(c) Losses
(d) All of these

83. In Long run which of the following is true for a perfect competition
(a) Industry is operating at minimum point of AC curve
(b) MC is greater than MR
(c) AFC is less than AVC
(d) Price is less than AC

84. In Perfect Competition, in the long run —
(a) There are large Profits for the Firm
(b) There are large Losses for the Firm
(c) There is no super—normal profit and no loss for the Firm
(d) There are negligible profits for the Firm

85. What are the conditions for long—run equilibrium of the Competitive Firm?
(a) LMC = LAC = P
(b) SMC = SAC = LMC
(c) P = MR
(d) All of these

86. Under Perfect Competition, in the long—run, Output is produced at —
(a) minimum feasible cost
(b) maximum cost
(c) optimal cost
(d) zero cost

87. Under Perfect Competition, in the long—run, LAC refers to —
(a) minimum feasible cost
(b) maximum cost
(c) optimal cost
(d) zero cost

88. Under Perfect Competition, in the long—run, resources will be —
(a) fully used
(b) partially used
(c) not used at all
(d) wasted

89, Excess Capacity is not found under —
(a) Monopoly
(b) Monopolistic Competition
(c) Perfect Competition.
(d) Oligopoly.

90. Under Perfect Competition, the Firm's AR and MR Curve will be the same as —
(a) Supply Curve
(b) Demand Curve
(c) Production Possibility Curve
(d) Indifference Curve

91. Under Perfect Competition, the Firm's Demand Curve will be the same as —
(a) Marginal Revenue (MR) Curve
(b) Average Revenue (AR) Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

92. Under Perfect Competition, the Firm's MC Curve will be the same as —
(a) Supply Curve
(b) Demand Curve
(c) Production Possibility Curve
(d) Indifference Curve

93. Under Perfect Competition, the Firm's Supply Curve will be the same as —
(a) Marginal Revenue (MR) Curve
(b) Average Revenue (AR) Curve
(c) Marginal Cost (MC) Curve
(d) Average Cost (AC) Curve

94. Under Perfect Competition, the Firm's Supply Curve will be the same as Marginal Cost (MC) Curve for —
(a) the portion above AVC
(b) the portion below AVC
(c) Both (a) and (b)
(d) Neither (a) nor (b)

95. Normally, in the short run, the supply curve of a perfectly competitive Firm slopes
(a) Downward from left to right
(b) Upward from right to left
(c) Upward from left to right
(d) Downward from right to left

96. The short—run supply curve of the Perfectly Competitive Firm is given by —
(a) Rising Portion of its MC Curve over and above the Shut—Down Point
(b) Rising Portion of its MC Curve over and above the Break—Even Point
(c) Rising Portion of its MC Curve over and above the AC Curve
(d) Rising Portion of its MC Curve

97. 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

98. In Perfect Competition, in the long run, if a new Firm enters the industry, the Supply Curve shifts to the right resulting in —
(a) Fall in Price
(b) Rise in Price
(c) Reduction in Supply
(d) No change in Price

A Competitive Firm sells its product at Market Price of Z 51 per unit. The Fixed Cost is 300 and Variable Cost for different level of production are shown in the following table. Answer the following questions

Quantity	Variable Cost	Fixed Cost	Total Cost	AVC	ATC	MC
0						
10	470					
20	980					
30	1850					
40	3400					
50	950				.	

99. When production is 30 units, the Average Variable Cost is —
(a) 70.6
(b) 60.6
(c) 61.6
(d) 71.6

100. When Production is 50 units, Marginal Cost is —
(a) 265
(b) 255
(c) 245
(d) 275

101.To maximize profit, the Firm should produce —
(a) 30 units
(b) 10 units
(c) 20 units
(d) 40 units

102.If the Market Price drops from Z 51 to Z 47, the Firm should —
(a) Close down
(b) Produce 10 units
(c) Produce 30 units
(d) Produce 20 units

Monopoly

1. Under Monopoly, there is / are______Seller(s).
(a) Many
(b) Only one
(c) A Few
(d) No

2. Under Monopoly, the product is —
(a) Differentiated
(b) Homogeneous
(c) Necessity Goods
(d) Always Intangible

3. In Monopoly, entry of new Firms —
(a) is restricted at all times
(b) is possible only in short—run
(c) is possible only in long—run
(d) both (b) and (c)

4. Under Monopoly, each Firm is a
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

5. Monopolist can control only
(a) Price
(b) Demand
(c) Utility
(d) Both (a) & (b)

6. Which of the following is false regarding Monopoly?
(a) Firm is a price taker
(b) Unique product
(c) Single Seller
(d) None of the above

7. Under which of the followings forms of market structure does a firm has very considerable control over the price of its product?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

8. A Monopoly will not be a Perfect Monopoly, if cross elasticity of demand of the related goods is
(a) High
(b) Low
(c) One
(d) Zero

9. Which of the following best describes Monopoly?
(a) An indisputable market leader in an industry
(b) Only a single buyer in the market
(c) A single seller with large control over the price in the industry
(d) Only a single seller with complete control over the industry

10. In India, Monopoly exists in the following industry —
(a) Courier Services
(b) Internet Services providing industry
(c) Rail Transportation
(d) Toilet Soaps Industry

11. A Market in which a Single Seller is required for efficient production is called —
(a) Regulated Industry
(b) Natural Monopoly
(c) Legal Monopoly
(d) Contestable Market

12. If the Electricity Market is a Natural Monopoly, it is preferred to have a single producer rather than several small producers because —
(a) Marginal Cost is maximized
(b) Marginal Revenue is maximized
(c) Average Total Cost is minimized
(d) Profits are maximized

13. By Imperfect Monopoly, we mean —
(a) It is possible to substitute the Monopolized product with another monopolized product
(b) Entry of new Firms is possible to produce the same product
(c) The amount of output produced is very small
(d) None of the above

14. Under Monopoly, each Firm's control over price is —
a) Nil
b) Full and Absolute
c) Subject to Competing Firms' Strategies
d) None of the above.

15. In case of a profit maximizing Monopolist, what point determines the Selling Price?
(a) Point where marginal cost equals average revenue
(b) Point where average cost equals marginal revenue
(c) Point where average cost equals average revenue
(d) Point where marginal cost equals marginal revenue

16. Under Monopoly, Price Elasticity of Demand is
(a) Nil
(b) Less Elastic
(c) More Elastic
(d) Infinity

17. Under Monopoly, the Firm's Demand Curve is
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

18. The Demand Curve facing an industrial Firm under Monopoly is a/an —
(a) Horizontal Straight Line
(b) Indeterminate
(c) Downward Sloping
(d) Upward Sloping

19, A Monopolist who faces a negatively sloped demand curve operates in the region where the elasticity of demand is —
(a) Less than one
(b) Equal to one
(c) Greater than one
(d) Between zero and one

20. In Monopoly, the relationship between Average and Marginal Revenue Curves is as follows:
(a) AR Curve lies above the MR Curve.
(b) AR Curve coincides with the MR Curve.
(c) AR Curve lies below the MR Curve.
(d) AR Curve is parallel to the MR Curve.

21. Under Monopoly, a Firm can earn in the long-run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Either (a) or (b)
(d) Losses

22. In long-run a monopolist always earn profits
(a) Normal
(b) Abnormal
(c) Zero profit
(d) Loss

23. In the short run, the Monopolist —
(a) Earns Normal Profits
(b) Earns Super Normal Profits
(c) Incurs losses
(d) Any of these

24. A Monopoly Producer usually earns even in the long run.
(a) Super Normal Profits
(b) Only Normal Profits
(c) Losses
(d) None of the above

25. Abnormal profits exists in the long run only under
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

26. Under Monopoly, in the long—run, a Firm —
(a) will not have excess capacity.
(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

27. Under Monopoly, in the long—run, a Firm —
(a) will always be a Optimal Firm.
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm.
(d) will leave the industry.

28. Monopolies are allocatively inefficient because
(a) they restrict the output to keep the price higher than under Perfect Competition.
(b) they charge a price higher than the Marginal Cost.
(c) both (a) and (b) are correct.
(d) both (a) and (b) are incorrect.

29. The degree of Monopoly Power is measured in terms of difference between —
(a) Marginal Cost and Price
(b) Average Cost and Average Revenue
(c) Marginal Cost and Average Cost
(d) Marginal Revenue and Average Cost

30. Which of these is not a feature of Monopoly? .
(a) Many Sellers
(b) Many Buyers
(c) No substitutes
(d) Firm = Industry

31. Which of these is not a feature of Monopoly?
(a) Single Seller
(b) Firm = Industry
(c) No substitutes
(d) Elasticity of Demand = 0

32. Which of these does not apply to Monopoly?

(a) Single Seller
(b) Firm = Industry
(c) Free Entry and Exit of Firms
(d) No substitutes

33. Which of the following is not the characteristic of Monopoly?
(a) Many Buyers
(b) Heterogeneous Products
(c) Free Entry of new Firms
(d) Both b & c

34. Which of the following features is not associated with a Monopoly market structure?
(a) There is only one seller in the market
(b) There are no close substitutes for the product
(c) There are barriers to entry
(d) There are no close complements for the product

35. All of the following are characteristics of a Monopoly except —
(a) There is a single Firm
(b) The Firm is a Price Taker
(c) The existence of some advertising
(d) The Firm produces a unique product

36. In Monopoly Market, there is a —
(a) Single Seller
(b) Single Buyer
(c) Both (a) and (b)
(d) Neither(a) and (b)

37. Economics of Scale allows the Monopolist to set a ______ price than any new entrant.
(a) Higher
(b) Lower
(c) Economics of scale does not influence the price
(d) At the existing market rate

38. In Monopoly Market, the product has —
(a) Perfect Substitutes
(b) No Close Substitutes
(c) the same feature as Giffen Goods
(d) None of the above

39. Price Elasticity of Demand for Monopolist's Product is
(a) Infinity
(b) More than one
(c) Less than one.
(d) Zero

40. Under Monopoly, in the short—run, the Firm can never make Losses. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

41. In the case of Monopoly —
(a) MR Curve cannot be defined
(b) AR Curve cannot be defined
(c) Short Run Supply Curve cannot be defined
(d) None of the above

42. Under monopoly which of the following are correct—
(a) AR&MR both are downward sloping
(b) MR lies half way between AR & Y axis
(c) MR can be zero or negative
(d) all of the above

43. Equilibrium Price of a Monopolist is —
(a) Less than Marginal Cost
(b) Equal to Marginal Cost
(c) Equal to Marginal Revenue
(d) More than Marginal Cost

44. Under Monopoly, the Firm can earn ____ in the short—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

45. 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

46. If Marginal Revenue exceeds Marginal Cost, a Monopolist should —
(a) increase output.
(b) decrease output.
(c) keep output the same because profits are maximized when Marginal Revenue exceeds Marginal Cost.
(d) raise the price.

47. Under Monopoly, in the short—run, the condition AR = MR = MC = AC, means that the Firm is earning —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

48. Under Monopoly, in the short—run, if AR > AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

49. Under Monopoly, in the short—run, if AR < AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

50. Under Monopoly, in the short—run, the Firm will never shut—down. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

51. Under Monopoly, in the short—run, the condition for shut—down is —
(a) AR < AC
(b) AR > AC
(c) AR > AVC
(d) AR < AVC

52. If a Monopolist is operating at a production level where Marginal Cost is 10 and Marginal Revenue is 25, what action you would suggest to him?
(a) To reduce the price to 20
(b) To increase the costs by ' 4
(c) To increase output till Marginal Revenue would equal Marginal Cost
(d) To stop production

53. When different prices are charged by the Producer, from different customers, it is called
(a) Demand Supply Equilibrium
(b) Price Discrimination
(c) Optimum Price Search
(d) Profiteering

54. A Monopolist who is selling in two markets in which demand is not identical will be unable to maximize his profits unless he —
(a) Sells below Costs of Production in both markets.
(b) Practices Price Discrimination.
(c) Equates the volume of sales in both markets.
(d) Equates Marginal Costs with Marginal Revenue in one market only.

55. Price Discrimination in a Monopoly is described as —
(a) Same product selling at different prices since the costs of production are different
(b) Same product selling at different prices though the costs of production are same
(c) Different products having same price though costs of production are same
(d) Different products having different prices since costs of production are different

56. Objectives of price discrimination in international market is—
(a) To capture foreign markets
(b) To dispose of surplus stock
(c) To earn maximum profit
(d) All of the these

57. Price discrimination will not be profitable if elasticity of demand is in different markets.
(a) Uniform
(b) Different
(c) Less
(d) Zero

58. 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

59. Which of these is not a pre—requisite for Price Discrimination?
(a) Seller's Control over the supply of his product
(b) Market Segmentation
(c) Differing Elasticity in various market segments
(d) Different versions of the same product

60. 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 conditions all over
(c) The price elasticity of demand is different in different markets
(d) The price elasticity of demand is uniform

61. Which of these is a pre—requisite for Price Discrimination?
(a) Divisibility of Market into segments
(b) No scope of re—sale between segments
(c) Differing Elasticity in various market segments
(d) All of the above

62. Which of the following is a condition which makes Price Discrimination possible?
(a) The market must be divided into sub markets with different price elasticities
(b) There has to be an effective separation of the submarkets
(c) Size of the submarkets should be very large
(d) Both a and b above

63. Barriers to entry like________allows the Monopolist to charge a price much below then the price of new entrant, thereby driving the new entrant out of business.
(a) Economics of Scale
(b) Product Differentiation
(c) Price Discrimination
(d) High Quality Product

64. Why is first degree price discrimination termed as the extreme form of price discrimination —
(a) All the Firms in the industry undertake price discrimination
(b) Firms in the industry discriminate in price for almost all the products they are producing
(c) Firms earn the least profit in this type of discrimination; they are just able to cover the cost
(d) In this type of discrimination Firms charge the consumers the maximum price

65. Which of the following statements in not true about a discriminating Monopolist?
(a) He operates in more than one market
(b) He makes more profit because he discriminates
(c) He maximizes his profits in each market
(d) He charges different prices in each market

66. Under Price Discrimination, the Producer Firm can charge higher prices from a market, if Price Elasticity
(e) —
(a) e = 1

(b) e < 1
(c) e > 1
(d) e = 0

67. Under Price Discrimination, the Producer Firm may charge lower prices from a market, if Price Elasticity (e)
(a) e = 1
(b) e < 1
(c) e > 1
(d) e = 0

68. 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

69. Price Discrimination is not possible if the market is an indivisible whole of Buyers. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

70. For practicing Price Discrimination, the Seller should be able to divide his market into two or more sub—markets. The statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

71. Price Discrimination is possible —
(a) Only under Monopoly situation
(b) Under any market form
(c) Only under Oligopoly
(d) Only under Perfect Competition

72. Discriminating Monopoly is possible if two markets have
(a) Rising Cost Curves
(b) Rising and declining Cost Curves
(c) Different Elasticities of Demand
(d) Equal Elasticities of Demand

73. Discriminating Monopolist divides the total production in two markets in a way that —
(a) MR earned in market with higher elasticity of demand is greater than the other with lower elasticity of demand
(b) MR earned in market with lower elasticity of demand is greater than the other
(c) MR earned in each market is the same
(d) MR earned in each market is maximum

Questions 74 to 76 are based on the Figure

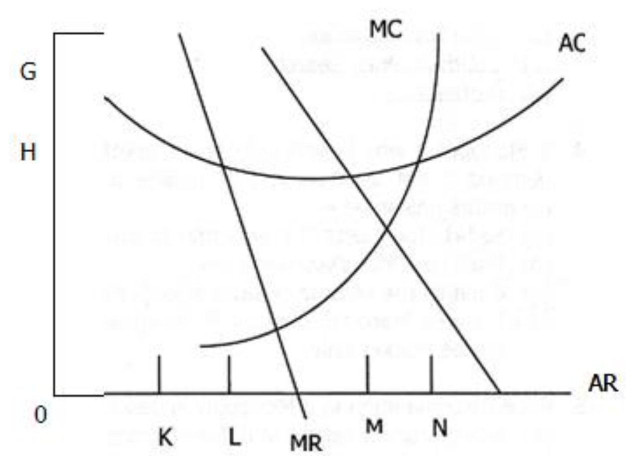

Figure represents a:
(a) Perfectly competitive firm.
(b) Perfectly competitive industry.
(c) Monopolist
(d) None of the above.

75. In figure , the firm's marginal revenue curve is curve:
(a) E.
(b) A
(c) F
(d) B

76. In figure , curve E is the firm's:
(a) Marginal cost curve
(b) Average cost curve

7.34

(c) Demand curve.
(d) Marginal revenue curve

77. Which of the following is false with reference to first—degree price discrimination?
(a) The Monopolist will be able to extract entire Consumer's Surplus
(b) The price of each unit will be different
(c) By following first degree price discrimination, the Monopolist will earn higher profits than he would have earned by adopting a single price
(d) The price of the first unit will be less than that of the subsequent units

Monopolistic Competition

1. Under Monopolistic Competition, there are ______Sellers.
(a) Many
(b) Only one
(c) A Few
(d) No

2. Under Monopolistic Competition, the product is
(a) Differentiated
(b) Homogeneous
(c) Necessity Goods
(d) Always Intangible

3. A market structure in which many firms sell product that are similar, but not identical.
(a) Monopolistic Competition
(b) Monopoly
(c) Perfect Competition
(d) Oligopoly

4. Selling outlay is an essential part of which of the following market situation
(a) Monopolistic Competition
(b) Perfect Competition
(c) Monopoly
(d) Pure Competition

5. Under Monopolistic Competition, each Firm is a________
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

6. Under Monopolistic Competition, each Firm's control over price is —
(a) Nil
(b) Full and Absolute
(c) Reasonable
(d) None of the above.

7. Under Monopolistic Competition, Price Elasticity of Demand is —
(a) Nil
(b) Less Elastic
(c) More Elastic
(d) Infinity

8. Under Monopolistic Competition, the Firm's Demand Curve is —
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

9. Product Differentiation in a Monopolistic Competition could lead to —
(a) Horizontal Demand Curve
(b) Downward Sloping Demand Curve
(c) Vertical Demand Curve
(d) Downward sloping supply curve

10. Under Monopolistic Competition, a Firm can earn ______ in the long—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

11. Under Monopolistic Competition, in the long—run, a Firm
(a) will not have excess capacity.

(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

12. Which of the following markets has the concept of group equilibrium in long—run?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

13. 'Excess Capacity' is the essential characteristic of the Firm in the market form of —
(a) Monopoly
(b) Perfect Competition
(c) Monopolistic Competition
(d) Oligopoly

14. Under Monopolistic Competition, in the long—run, a Firm —
(a) will always be a Optimal Firm.
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm.
(d) will leave the industry.

15. Non-price competition in popular sense called —
(a) Monopoly market
(b) Oligopoly market
(c) Monopolistic competition
(d) Perfect competition

16. Which of these does not apply to Monopolistic Competition?
(a) Large Number of Buyers
(b) Large Number of Sellers
(c) Product Differentiation
(d) Price Competition

17. Which of these does not apply to Monopolistic Competition?
(a) Product Differentiation
(b) Free entry /exit
(c) Large Number of Buyers
(d) Single Seller

18. Which of the following is not a feature of Monopolistic Competition?
(a) Large Number of Sellers
(b) Product differentiation
(c) Non—Price competition
(d) None of these

19. Which of the following is not a characteristic feature of Monopolistic Competition?
(a) Many Buyers and Sellers
(b) Identical Products
(c) Easy entry and exit of Firms
(d) Firms take other Firms' prices as given

20. Which of the following is not a characteristic of Monopolistic Competition?
(a) Ease of entry into the industry
(b) Product Differentiation
(c) Relatively large number of sellers
(d) Homogenous products

21. Which of these applies to Monopolistic Competition?
(a) Price Competition
(b) Restrictions in entry /exit
(c) Large Number of Sellers
(d) Homogeneous Product

22, Under Monopolistic Competition, each Seller tries to develop Brand Loyalty for his product. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

23. The sale of branded articles is common in a situation of
(a) Excess Capacity.
(b) Monopolistic Competition.
(c) Monopoly.
(d) Pure Competition.

24. A Firm under Monopolistic Competition advertises —
(a) to compete successfully with the rival Firms
(b) to lower cost of production
(c) to increase sales and profit
(d) because it cannot raise price

25. Through more advertising, a monopolistically competitive Firm has successfully created more demand for its product. It would have resulted in shifting of —
(a) AC Curve upward
(b) MR Curve to the left
(c) AC Curve upward and MR curve to the right
(d) AC Curve upward and MR curve to the right

26. Under Monopolistic Competition, Price Discrimination is not possible at all. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

27. Which of these does not apply to Monopolistic Competition?
(a) Aggressive Advertising and Publicity
(b) Product improvement and Development
(c) Price Competition
(d) Efficient after—sales service

28. Under Monopolistic Competition, in the short—run, the Firm can never make Losses. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

29. Under Monopolistic Competition, the Firm can earn ________in the short—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

30. In short run, a Firm in Monopolistic Competition —
(a) always earns profits
(b) incurs losses
(c) earns normal profit only
(d) may earn normal profit, super normal profit or incur losses

31. In long—run, all Firms in Monopolistic Competition —
(a) earn super normal profits
(b) earn normal profits
(c) incur losses
(d) may earn super normal profit, normal profit or in incur losses

32. In the short run equilibrium of a Firm in Monopolistic Competition, which Curve is U shaped?
(a) AR
(b) AC
(c) MR
(d) MC

33. Under Monopolistic Competition, in the short—run, the condition AR = MR = MC = AC, means that the Firm is earning —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

34. Under Monopolistic Competition, in the short—run, if AR > AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

35. Under Monopolistic Competition, in the short—run, if AR < AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

36. Under Monopolistic Competition, in the short—run, the Firm will never shut—down. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

37. Under Monopolistic Competition, in the short—run, the condition for shut—down is —
(a) AR < AC
(b) AR > AC
(c) AR > AVC
(d) AR < AVC

38. In Monopolistic Competition, the long—run equilibrium price will be equal to —
(a) Marginal Revenue
(b) Average Cost
(c) Marginal Cost
(d) Both (a) and (c)

39. Under Monopolistic Competition, in the long—run, if MC = MR and LAC = LAR, then the industry is said to be —
(a) Growing
(b) in troubled times
(c) in Equilibrium
(d) inefficient

40. In the long—run, Industry Equilibrium is achieved if MC = MR and LAC = LAR. This condition is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

41. In the long—run, Industry Equilibrium is achieved in Monopolistic Competition only if LAC = LMC. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

42. In the long—run, Industry Equilibrium is achieved in Monopolistic Competition only at the lowest point of LAC Curve. This statement is
(a) True
(b) False
(c) Partially True
(d) None of the above

43. In Monopolistic Competition, a Firm is in long run equilibrium —
(a) at the minimum point of the LAC Curve.
(b) in the declining segment of the LAC Curve.
(c) In the rising segment of the LAC Curve.
(d) when price is equal to Marginal Cost.

44. Under Monopolistic Competition, in the long—run, Output is produced at —
(a) minimum feasible cost
(b) maximum cost
(c) optimal, and not necessarily minimum cost
(d) zero cost

45. Under Monopolistic Competition, in the long—run, resources —
(a) will be fully used
(b) may be partially used
(c) may not be used at all
(d) will not be required at all

46. 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

47. The long—run equilibrium outcomes in Monopolistic competition and Perfect Competition are similar, because in both market structures —
(a) The efficient output level will be produced in the long run
(b) Firms will be producing at minimum average cost
(c) Firms will only earn a normal profit
(d) Firms realize all economies of scale

Oligopoly

1. Under Oligopoly, there are Sellers.
(a) Many
(b) Only one
(c) A Few
(d) No

2. _______is a situation is which a firm bases its market policy on part of the expected behavior of a few close rivals-
(a) monopoly
(b) oligopoly
(c) perfect competition
(d) monopolish

3. Which one of the following is the best example of agreement between Oligopolists?
(a) GATT
(b) OPEC
(c) WTO
(d) UNIDO

4, If Firms in the Toothpaste Industry have the following market shares, which market structure would best describe the industry?

Firm	**Market**
White Shine Ltd	29.8
White Teeth Ltd	18.7
More White Teeth	14.3
Sure Health Ltd	11.6
Bright Teeth Ltd	9.4
Dental Care Ltd	8.8
Brighter than White	7.4
Total	**100.0**

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

5. One characteristic not typical of Oligopolistic Industry is
(a) Horizontal Demand Curve
(b) Too much importance to Non—Price Competition
(c) Price Stickiness
(d) A small number of Firms in the industry

6. Under Oligopoly, the product is —
(a) Differentiated
(b) Homogeneous
(c) Necessity Goods
(d) Always Intangible

7. Under Oligopoly, each Firm's control over price is —
(a) Nil
(b) Full and Absolute
(c) Subject to Competing Firms' Strategies
(d) None of the above.

8. Under Oligopoly, Price Elasticity of Demand is
(a) Nil
(b) Less Elastic
(c) More Elastic
(d) Infinity

9. Under Oligopoly, the Firm's Demand Curve is —
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

10. Oligopoly is the market from in which there are
(a) Many Sellers and many Buyers
(b) One Seller and many Buyers

(c) Few Sellers and many Buyers
(d) None of the above

11. Which of the following most closely approximates the definition of an Oligopoly?
(a) Tobacco Industry
(b) Vehicle manufacturers in India
(c) Rice Producers
(d) Readymade Garments units in a city

12. Pure Oligopoly is one where —
(a) There are many sellers producing homogeneous product
(b) There are many sellers producing differentiated product
(c) There are few sellers producing homogeneous product
(d) There are few sellers producing differentiated product

13. Oligopolistic Industries are characterized by
(a) A few dominant Firms and substantial barriers to entry
(b) A few large Firms and no entry barriers
(c) A large number of small Firms and no entry barriers
(d) One dominant Firm and low entry barriers

14. In which of the following, a Kinked Demand Curve can be seen in a Firm?
(a) Monopolistic competition
(b) Monopoly
(c) Duopoly
(d) Oligopoly

15. Which of these does not apply to Oligopoly?
(a) A Few Sellers
(b) Inter—dependence between Sellers
(c) Only one Buyer
(d) Group Behaviour between Sellers

16. One characteristic not typical of Oligopolistic industry is
(a) Too much importance to Non—Price Competition
(b) Price Leadership
(c) Horizontal Demand Curve
(d) A small number of Firms in the industry

17. Which of these applies to Oligopoly?
(a) A Few Sellers
(b) Group Behaviour between Sellers
(c) Non—Price Competition
(d) All the above

18. Duopoly is a specific form where are —
(a) No Sellers at all
(b) Only one Seller
(c) Two Sellers
(d) Large Number of Sellers

19. The American Economist Sweezy developed the —
(a) Production Possibility Curve concept
(b) Diminishing Marginal Utility Theory
(c) Kinked Demand Curve Theory
(d) Price Discrimination Theory

20. When an Oligopolistic Firm changes its price, its rival Firms —
(a) will retaliate or react and change their prices
(b) will not react at all
(c) will exit the market
(d) will appeal to the Government

21. A Price War in an Oligopoly refers to —
(a) Successive and continued price cuts by the Firms to increase sales and revenues
(b) Free gift offers by all Firms on a competitive basis
(c) Flooding the market with its goods by one Firm leading to price reduction by others
(d) Increase in the price by one Firm and other Firms following in a reverse way by decreasing their prices

22. A Firm under _______ cannot have sure and definite Demand Curve.
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

23. Price Leadership is form of —
(a) Monopolistic Competition
(b) Monopoly
(c) Non—Collusive Oligopoly
(d) Perfect Competition

24. Under Oligopoly, if one Firm reduces its prices, the other Firms will generally —
(a) reduce their prices
(b) increase their prices
(c) not react at all
(d) exit the market.

25. Under Oligopoly, if one Firm reduces its prices, the other Firms will generally —
(a) reduce their prices
(b) increase their prices
(c) maintain their prices
(d) exit the market.

26. Kinked demand curve is related to—
(a) Oligopoly
(b) Perfect
(c) Monopoly
(d) Monopolistic competition

27. Kinked demand curve is found in:
(a) Monopolistic
(b) Perfectly Competitive firm
(c) Perfectly competitive industry
(d) None of the above

28. As per Kinked Demand Curve Theory of Oligopoly, the Kink is formed at —
(a) Prevailing Price
(b) Higher than Prevailing Price
(c) Lower than Prevailing Price
(d) Origin

29. As per Kinked Demand Curve Theory of Oligopoly, the demand above the Kink is —
(a) more elastic
(b) less elastic
(c) unit elastic
(d) zero elastic

30. As per Kinked Demand Curve Theory of Oligopoly, the demand below the Kink is —
(a) more elastic
(b) less elastic
(c) unit elastic
(d) zero elastic

31. The upper part of kinked demand curve is —
(a) Elastic
(b) Inelastic
(c) Perfectly Elastic
(d) Unitary Elastic

32. What does the Kinked Demand Curve explain?
(a) Price Differentiation
(b) Other than Price Competition
(c) Rivalry reactions in an Oligopoly
(d) None of the above

33. A Firm having a Kinked Demand Curve indicates that
(a) If the Firm increases the price, competitive Firms reduce the price
(b) If the Firm increases the price, competitive Firms also increase the price
(c) If the Firm reduces the price, competitive Firms do not reduce the price
(d) If the Firm increases the price, competitive Firm do not increase the price

34. The Kinked Demand Hypothesis is designed to explain in the context of Oligopoly —
(a) Price and Output Determination
(b) Price Rigidity
(c) Price Leadership
(d) Collusion among Rivals

35. The Kinked Demand Curve model assumes that price elasticity of demand —
(a) Is higher for a price increase than for a price decrease
(b) Is lower for a price increase than for a price increase
(c) Is perfectly elastic for a price increase perfectly inelastic for a price decrease
(d) Is perfectly inelastic for a price increase and perfectly elastic for a price increase

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

37. Kinky demand curve model explains the market situation known as
(a) Pure Oligopoly
(b) Collusive oligopoly
(c) Differentiated Oligopoly
(d) Price rigidity

38. Kinked DD curve under oligopoly is designed to show
(a) Price & output
(b) Price rigidity
(c) Price & Leadership
(d) Collusion among rivals

39. The Kinked Demand Curve model of Oligopoly assumes that —
(a) Response to a price increase is less than the response to a price decrease
(b) Response to a price increase is more than the response to a price decrease
(c) Elasticity of demand is constant regardless of whether price increases or decreases
(d) Elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases.

40. In both the Chamberlin and Kinked Demand Curve models, the Oligopolists —
(a) recognize their independence
(b) do not collude
(c) tend to keep prices constant
(d) all of the above

41. In Oligopoly, why it difficult to determine the equilibrium price and output?
(a) All the Firms take their independent decisions
(b) Firms are interdependent making it difficult to specify the particular reaction of the rivals
(c) Very few Firms exist in the market
(d) A large number of Firms exist in the market

42. If the Demand Curve confronting an individual Firm is perfectly elastic then
(a) The Firm is a Price Taker
(b) The Firm cannot influence the Price
(c) The Firm's Marginal Revenue Curve coincides with Average Revenue Curve
(d) All of the above

43. Kinked demand curve of the Oligopoly indicates
I. If one firm decreases price other firms also decreases the price
II. If one firm increases price other firms also increases the price
III. If one firm decreases the price other firms does not decrease the price.
IV. If one firm increases the price other firms does not increase the price.
(a) Only I
(b) II and IV
(c) I and IV
(d) II and III