Chapter 4

1) Assume that when price is Rs. 20, the quantity demanded is 9 units, and when price is Rs. 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. Rs. 20
   b. Rs. 19
   c. Rs. 10
   d. Rs. 1

2) Assume that when price is Rs. 20, the quantity demanded is 15 units, and when price is Rs. 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. Rs. 18
   b. Rs. 16
   c. -Rs. 12
   d. Rs. 28

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

4) Marginal Revenue is equal to:
   a. The change in price divided by the change in output
   b. The change in quantity divided by the change in price.
   c. The change in P X Q due to a one unit change in output.
   d. Price, but only if the firm is a price searcher.

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) 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

7) 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

8) Which of the following is not a characteristic of a "price-taker"?
   a. TR = P x Q
   b. AR = Price
   c. Negatively – sloped demand curve
   d. Marginal Revenue = Price

9) Which of the following statements is false?
   a. Economic costs include the opportunity costs of the resources owned by the firm.
   b. Accounting costs include only explicit costs.
   c. Economic profit will always be less than accounting profit if resources owned and used by the firm have any opportunity costs.
   d. Accounting profit is equal to total revenue less implicit costs.

10) 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.

11) 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.

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

13)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 and the new equilibrium quantity will be higher.

14)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.

15)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 utilization 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

16)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.

17)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.

18)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.

19) 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 the above

20) 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.

21) 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

22) 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

23) 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

24) 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.

25) 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.

26) 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

27) Average revenue curve is also known as:

- a. Profit Curve
- **b. Demand Curve**
- c. Average Cost Curve
- d. Indifference Curve

28) 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 competition
- c. Oligopoly
- **d. Perfect competition**

29) 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**

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

- a. Uniform
- **b. Different**
- c. Less
- d. Zero

31) 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.

32) 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.

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

34) If firms in the toothpaste industry have the following market shares, which market structure would best describe the industry

Market share	(% of market)
Toothpaste	18.7
Dentipaste	14.3
Shinibright	11.6
I can't believe its not toothpaste	9.4
Brighter than white	8.8
Pastystuff	7.4
Others	29.8

   a. Perfect competition
   b. Monopolistic competition.
   c. Oligopoly
   d. Monopoly

35) 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

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

37) When price is less than average variable cost at the profit-maximizing level of output, a firm should:
   a. produce where marginal revenue equals marginal cost if it is operating in the short run.
   b. produce where marginal revenue equals marginal cost if it is operating is the long run.
   c. shutdown, since it will lose nothing in that case.
   d. shutdown, since it cannot even cover its variable costs if it stays in business

38) 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.

39) 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

40) The structure of the toothpaste industry in India is best described as

a. perfectly competitive
b. monopolistic
c. monopolistically competitive.
d. Oligopolistic

41) The structure of the cold drink industry in India is best described as

a. perfectly competitive
b. monopolistic
c. monopolistically competitive.
d. Oligopolistic

42) Which of the following statements is incorrect?

a. Even a monopolistic firm can have losses
b. Firms in a perfectly competitive market are price takers.
c. It is always beneficial for a firm in a perfectly competitive market to discriminate prices
d. Kinked demand curve is related to an oligopolistic market

43) Under perfect competition, in the long run, there will be no ________________

a. normal profits
b. supernormal profits
c. production
d. costs

44) When ________________________________ , we know that the firms are earning just normal profits.

a. AC = AR
b. MC = MR
c. MC = AC
d. AR = MR

45) When ______________________________, we know that the firms under perfect competition must be producing at the minimum point of the average cost curve and so there will be productive efficiency.

a. AC = AR
b. MC = AC
c. MC = MR
d. AR = MR

46) When ____________________________, there will be allocative 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

47) Agricultural goods markets depict characteristics close to

a. perfect competition.
b. Oligopoly
c. monopoly.
d. monopolistic competition.

48) 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.

49) 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

50) 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

51) 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

52) 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

53) 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.

54) 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

55) 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

56) In a very short period market:
   a. the supply is fixed
   b. the demand is fixed
   c. demand and supply are fixed
   d. none of the above

57) Time element was conceived by
   a. Adam Smith
   b. Alfred Marshall
   c. Pigou
   d. Lionel Robinson

58) 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

59)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

60)When e > 1 then MR is

a. Zero
b. Negative
c. Positive
d. One

61)When e = 1 then MR is

a. Positive
b. Zero
c. One
d. Negative

62)When e < 1 then MR is

a. Negative
b. Zero
c. Positive
d. One

63)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

64)A Monopolist is a

a. price-maker
b. price-taker
c. price-adjuster
d. none of the above

65)Price discrimination is one of the features of ___________

a. monopolistic competition
b. monopoly
c. perfect competition
d. oligopoly

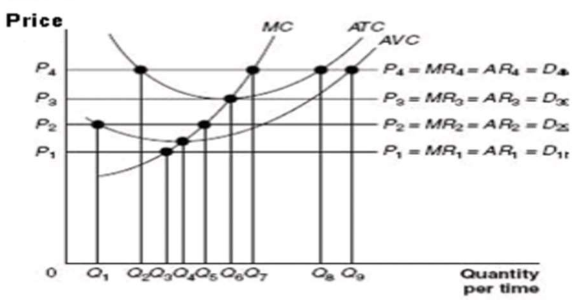
66)Under monopoly, the degree of control over price is:

a. None
b. Some
c. very considerable
d. none of the above

67)Generally, perishable goods like butter, eggs, milk, vegetables etc., will have

a. regional market
b. local market
c. national market
d. none of the above

68)At price P1, the firm in the figure would produce



a. Zero output
b. Q3
c. Q5
d. Q6

69)Secular period is also known as

a. very short period
b. short period
c. very long period
d. long period

70)Stock exchange market is an example of

a. unregulated market
b. regulated market
c. spot market
d. none of the above

71)The market for the ultimate consumers is known as

a. whole sale market
b. regulated market
c. unregulated market
d. retail market

72)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

73) Pure oligopoly is based on the _______________ products

a. Differentiated
b. Homogeneous
c. Unrelated
d. none of the above

74) 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

75) 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

76) When the monopolist divides the consumers into separate sub markets and charges different prices in different sub-markets it is known as

a. first degree of price discrimination
b. second degree of price discrimination
c. third degree of price discrimination
d. none of the above.

77) 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.

78) Price discrimination is related to

a. Time
b. size of the purchase
c. income
d. any of the above

79) The firm and the industry are one and the same in _______________

a. Perfect competition
b. Monopolistic competition
c. Duopoly
d. Monopoly

80) The demand curve of a monopoly firm will be ________________

a. Upward sloping
b. Downward sloping
c. Horizontal
d. Vertical

81) 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.

82) Which of the following statements is incorrect?

a. Under monopoly there is no difference between a firm and an industry
b. A monopolist may restrict the output and raise the price
c. Commodities offered for sale under a perfect competition will be heterogeneous
d. Product differentiation is peculiar to monopolistic competition

83) Average revenue is equal to.

a. The change in P & Q 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.

84) Example of a commodity said to have an International Market.

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

85) 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.**

86) 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.

87) Price Discrimination cannot persist under the following market form:

a. **Perfect Competition**
b. Monopoly
c. Monopolistic
d. Oligopoly

88) 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

89) Combination of Monopoly Market and Monopsony Market is called as

a. Duopoly Market
b. Oligopoly Market
c. **Bilateral Monopoly Market**
d. Monopolistic Market

90) Price varies by attributes such as location or by Customer Segment is __________ degree of Price Discrimination.

a. First
b. Second
c. **Third**
d. Fourth

91) The kinked demand curve model of oligopoly is useful in explaining

a. the way that collusion works
b. why oligopolistic price and output are extremely sensitive to changes in marginal cost.
c. **why oligopolistic prices might change only infrequently.**
d. the process by which oligopolist merge with one other.

92) The monopolistically competitive seller's demand curve will become more elastic, the

a. more significant the barriers to entering the industry.
b. greater the degree of product differentiation.
c. **larger the number of competitors.**
d. smaller the number of competitors.

93) With respect to the pure monopolist's demand curve it can be said that

a. The stronger the barrier to entry, the more elastic is the monopolist's demand curve
b. **Price exceeds marginal revenue at all outputs greater than 1.**
c. Demand is perfectly inelastic.
d. Marginal revenue equals price at all outputs.

94) For an imperfectly competitive firm

a. Total revenue curve is straight up sloping line because a firm's sales are independent of product price
b. The marginal revenue curve lies above the demand curve because any reduction in price applies to all units sold.
c. The marginal revenue curve lies below the demand curve because any reduction in price applies to all units sold.
d. Marginal revenue curve lies below the demand curve because any reduction in price applies to only extra unit sold.

95) A firm reaches a break-even point (normal profit position) where,

a. Marginal revenue curve cuts the horizontal axis.
b. Marginal cost curve intersects the average variable cost curve.
c. Total revenue equals total variable cost.
d. Total revenue and total cost are equal.

96) A purely competitive seller's average revenue curve coincides with

a. its marginal revenue curve only
b. its demand curve only
c. both its demand & marginal revenue curves
d. Neither demand nor marginal revenue curve

97) For a purely competitive firm total revenue

a. is price times quantity sold
b. increases by a constant absolute amount as output expands.
c. graphs as a straight up sloping line from the origin.
d. has all of the above characteristics

98) The demand curve confronted by an individual purely competitive firm is-

a. Relatively elastic i.e., the elasticity coefficient is greater than unity.
b. Perfectly elastic.
c. Relatively inelastic i.e., the elasticity coefficient is less than unity.
d. Perfectly inelastic

99) An industry comprised of a very large number of sellers producing a standardized product is known as

a. Monopolistic competition
b. Oligopoly
c. Pure monopoly
d. Pure competition

100) Demand curve is:

	List I		List II
I	Horizontal	A	Monopoly
II	Kinked	B.	Oligopoly
III.	Downward sloping	C.	Perfect competition

a. I-C, II-A, III-B
b. I-C, II-B, III-a
c. I-A, II-B, III-C
d. I-B, II-A, III-C

101) Price is:

	List I		List II
I	Highest	A	Monopoly
II	Second Highest	B.	Oligopoly
III.	Third Highest	C.	Monopolistic Competition
IV.	Fourth Highest	D.	Perfect competition

a. I-D, II-C, III-B, IV-A
b. I-A, II-B, III-C, IV-D
c. I-D, II-A, III-C, IV-B
d. I-A, II-C, III-B, IV-D

102) Which of the following assumptions is correct in connection with oligopoly?
1. If an oligopolist increases his price his rivals will follow.
2. If an oligopolist increases his price his rivals will not follow.
3. If an oligopolist increases his price his rivals will lower their prices.
4. If an oligopolist decreases his price his rivals will not react.

a. 1 only
b. 2 only
c. 1 & 3 only
d. 4 only

103) Which of the following is not correct?
1. Monopoly form of market organization may be the result of increasing returns to scale
2. Monopoly form of market organization may be the result of patent or govt. decision
3. Monopoly form of market or organization may be the result of control over the supply of raw materials
4. Monopoly form of market or organization may be the result of control over the demand of raw materials

a. 1 only
b. 2 only
c. 1 & 3 only
d. 4 only

104) Marginal cost is equal to marginal revenue, average cost is equal to average revenue, average revenue is equal to marginal revenue and average cost is equal to marginal cost. This is the condition of:

1. Long period equilibrium for a firm under oligopoly
2. Short period equilibrium for a firm under oligopoly
3. Long period equilibrium
4. Long period equilibrium for a firm under perfect competition
5. Short period equilibrium for a firm under perfect competition

a. 1 & 5 only
b. 3 & 4 only
c. 3 & 1 only
d. 2 only

105) Match List I with List II and choose the correct answer using the codes given below.

	List I		List II
A	Perfect competition	1	Differentiated product
B	Monopolistic competition	2	Homogeneous or differentiated products
C	Oligopoly	3	Homogenous product
D	Monopoly	4	Sharply differentiated products

Codes	A	B	C	D
a.	1	2	3	4
b.	**3**	**1**	**2**	**4**
c.	4	3	2	1
d.	1	4	3	2

106) Which of the following is an essential condition for price discrimination? Choose the correct answer using the codes given below:

1. Existence of two or more than two markets
2. Full control over the supply
3. Communication between buyers in different sectors of the monopolist's market
4. Existence of different elasticity of demand in different markets.
5. No possibility of reselling a commodity at a higher price in another market.

a. 1, 2, 3 & 4
b. 2, 3, 4 & 5
c. 3, 4 & 5
d. 1, 2, 4 & 5

107) If a monopolist could perfectly discriminate then which of the following statements would be true?

a. Every increment of the goods would be priced separately so as to capture the entire consumer surplus
b. Every increment of the goods would be priced evenly.
c. Every increment of the goods would be priced higher than the previous one.
d. Every increment of the goods would be priced lower than the previous one.

108) For a competitive firm, long period normal price will

a. **Equal AC and MC of production**
b. Equal MC of production only
c. Equal TC of production only
d. None of these

109) Monopolistic competition has features of

a. Monopoly but not competition
b. **Monopoly and competition with features of competition predominating**
c. Monopoly and competition with features of monopoly predominating
d. None of the above

110) Imperfect competition arises when

a. There is imperfect rivalry among competitors
b. There are unexplainable imperfections in the market
c. Competition does not exist
d. **Product variation, ignorance of consumers and distance & transportation costs lead to Imperfection in the competitive market which operates on certain assumptions.**

111) Marginal revenue along with marginal cost helps to determine

a. **Profit maximizing output**
b. Profit/unit
c. Price/unit
d. Total revenue

112) Which of the following is true at equilibrium in monopolistic competition?

a. Price is greater than marginal cost
b. Price is greater than marginal revenue
c. **Both (A) and (B)**
d. Price is equal to marginal revenue

113) The kinked demand curve theory explains that even when the demand conditions ____________ the price ____________

a. Change, changes
b. **Change, remains stable**
c. Remain stable, changes
d. Remain stable, falls

114) Consider the following:

1. Large number of buyers and sellers
2. Firms produce differentiated products
3. Free entry & exit of firms
4. Perfect knowledge about technology

Which of the above are the characteristics of monopolistic competition?

a. 1 & 3
b. 2 & 3
c. 2, 3 & 4
d. 1, 2, 3 & 4

115) Monopoly equilibrium can be reached when ____________________.

a. Marginal cost is rising
b. Marginal cost is remaining constant
c. Marginal cost is falling
d. None of these

116) The size of a monopolist's plant and the degree of utilization of any given plant size depend entirely on the ___________________.

a. Factor price
b. Price of good
c. Market demand
d. Market supply

117) In the perfect competition at short run, the firm is a price ___________ and can sell ________ amount of output at the ongoing market price.

a. Taker, any
b. Taker, a definite
c. Maker, any
d. None of the above

118) Which of the following is an implication of the imposition of price ceiling below the equilibrium price?

a. Shortages in the market
b. Problem of allocation of limited supplies among large number of consumer.
c. Black marketing
d. All of the above

119) If a product has elastic demand, its marginal revenue (MR) will be ____________. (Given that the price of the product is Rs.5/unit).

a. Positive
b. Zero
c. Negative
d. can't be determined

120) If the price elasticity of demand of a product is (-) 3, what should be the price of the product for its MR to be Rs. 20?

a. Rs. 10/unit
b. Rs. 20/unit
c. Rs. 30/unit
d. Rs. 40/unit

121) If the price of a product is Rs.10/unit and its price elasticity of demand is (-) 2.5. Its MR will be _____

a. 10
b. 6
c. -10
d. 4

122) 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

123) 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

124) Relationship between AR, MR and Price elasticity of demand is

a. MR = AR + [e -1/e]
b. MR = AR x [e -1/e]
c. AR = MR x [e -1/e]
d. MR = AR x [e/e -1]

125) In perfect competition the firm's _________ above AVC has the identical shape of the firm's supply curve

a. Marginal revenue curve
b. Marginal cost curve
c. Average cost curve
d. None of the above

126) Which of the following statements about price and marginal cost in competitive and monopolized markets is true?

a. In competitive markets, price equals marginal cost; in monopolized markets, price equals marginal cost.
b. In competitive markets, price exceeds marginal cost; in monopolized markets, price exceeds marginal cost.
c. In competitive markets, price equals marginal cost; in monopolized markets, price exceeds marginal cost.
d. In competitive markets, price exceeds marginal cost; in monopolized markets, price equals marginal cost.

127) If oligopolist engage in collusion and successfully form a cartel, the market outcome is

a. The same as if it were served by a monopoly
b. The same as if it were served by competitive firms
c. Efficient because cooperation improves efficiency
d. Known as Nash equilibrium

128) If a seller realizes Rs. 10,000 after selling 100 units and Rs. 14,000 after selling 120 units. What is the marginal revenue here?

a. Rs. 4,000
b. Rs. 450
c. Rs. 200
d. Rs. 100

129) In long run equilibrium the pure monopolist can make pure profits because of

a. Blocked entry
b. The high price he charges
c. The low LAC costs
d. Advertising

130) A perfectly competitive firm has control over

a. Price
b. production as well as price
c. production, price and consumers
d. none of the above

131) 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, supernormal profit or incur losses

132) In the case of monopoly:

a. MR curve cannot be defined
b. AR curve cannot be defined
c. the short run supply curve cannot be defined
d. none of the above

133) Full capacity is utilized only when there is

a. Monopoly
b. Perfect competition
c. Price discrimination
d. Oligopoly

134) Which of the following statement 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 the perfectly competitive market to discriminate prices
d. Economic laws are less exact than the laws of physical sciences

135) 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

136) 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. Shutdown
d. Continue to operate as long as it covers its variable cost

137) In Economics, we are concerned with:

a. Value in use only
b. Exchange value only
c. Both value in use and exchange value
d. None of the above

138) Women primarily wear Traditional Assamese Saree in Assam & adjoining areas, is an example of:

a. National Market
b. Regional Market
c. Local Market
d. International Market

139) Markets where goods are exchanged for money payable either immediately or within a short span of time:

a. Forward Market
b. Spot Market
c. Both (a) and (b)
d. Neither (a) nor (b)

140) Marginal Revenue will be zero in imperfect competitive market, if the elasticity of demand is:

a. Equal to zero
b. Equal to 1
c. Greater than 1
d. Less than 1

141) On the basis of nature of transaction, the market is classified into:

a. Regulated & Unregulated Market
b. Wholesale & Retail Market
c. Spot & Future Market
d. None of these

142) "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, his behaviour in the short run is:

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 shuts down.

143) _____ is not an objective of price discrimination

a. To secure equity through pricing
b. To enjoy economies of scale
c. To dispose of surplus stock
d. To escape foreign market

144) This type of oligopoly tends to process raw materials or produce intermediate goods that are used as inputs by other industries

a. Open oligopoly
b. Collusive oligopoly
c. Pure oligopoly
d. Full oligopoly

145) 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

146) _____ classified three degrees of price discrimination

a. Alfred Marshall
b. Prof. Pigou
c. Hickes & Allen
d. Adam smith

147) MR curve under Monopoly lies between AR and Y-axis because the rate of decline of MR is:

a. Just half of the rate of decline of AR
b. Just equal to the rate of decline of AR
c. Just double the rate of decline of the AR
d. None of the above

148) Aluminum industry is an example of:

a. Collusive Oligopoly
b. Organized oligopoly
c. Competitive oligopoly
d. Pure Oligopoly