Chapter-4: PRICE DETERMINATION IN MARKET

1. Price discrimination under monopoly depends on:

(a) Elasticity of supply of commodity.

(b) Taxes and other overhead expenses.

(c) The size of market where he sells.

(d) Elasticity of demand for the commodity,

2. The AR curve and Industry demand curve are same in case of

(a) Monopoly.

(b) Oligopoly.

(c) Perfect competition.

(d) None of these.

3. Perfect competitive firms are

(a) Price-searcher.

(b) Price-maker

(c) Price discriminator.

(d) Price taker.

4. The imposition of a ceiling on a monopolist's price will affect his

(a) Profits only

(b) Average revenue in the short-run only

(c) Equilibrium output only

(d) Equilibrium output and profits

5. . A firm will shut-down its operation if its

(a) Revenue is just equal to variable cost and the loss is equal to fixed costs

(b) Earning covers variable costs as well as a part of the fixed costs.

(c) Average revenue falls below average variable cost

(d) Firms, in the short-run never shut down their operation.

6. Monopolistic competition constitutes

(a) Single firm producing close substitutes

(b) Many firms producing close substitutes

(c) Many firms producing differentiated substitutes

(d) None of the above

7. Only one price for identical goods at any one time is the essential condition.

(a) Monopoly

(b) Monopolistic competition

(c) Perfect competition

(d) Monophony

8. A monopolist will fix the equilibrium output of his product where the elasticity of his AR curve is

(a) Greater than-or equal to one

(b) Equal to or less than one

(c) Less than one but more than zero

(d) Zero

9. There is a single seller of a commodity which has no close substitutes can be termed as

(a) Oligopoly.

(b) Monopoly.

(c) Perfect competition.

(d) Duopoly

10. The market, which has large numbers of seller, selling, differentiated product and freedom to entry and exit is an example of

(a) Perfect competition

(b) Monopoly

(c) Monopolistic competition

(d) Oligopoly

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11. The market in which the numbers of seller, is small and there is interdependence in decision making by the firms is known as

(a) Perfect competition

(b) Oligopoly

(c) Monopoly

(d) Monopolistic competition

12. In the perfect competition, if a new firm enters the industry in the long run, the supply curve______.

(a) Shifts to the left.

(b) Turns upwards

(c) Turns downwards

(d) Shifts to the right

13. In the long run there is enough time for the firm to cover its losses and earn normal profits. This is because in the long run, all inputs

(a) Identical

(b) Homogenous

(c) Variable

(d) Fixed

14. In perfect competition, in the long run if a new firm enters the industry the supply cu¬rve shifts to the right resulting in _____.

(a) Fall in price

(b) Rise in price

(c) Reduction in supply

(d) No change in price

15. If the price is statutorily fixed and equal to MC, monopoly profits will be

(a) Increased

(b) decreased

(c) Eliminated

(d) At same level

16. In which of the following market structure 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

17. The equilibrium level of output for the pure monopolist is where

(a) MR=MC

(b) MR>MC

(c) MR<MC

(d) P<AC

18. Under monopoly the supply curve is absent because

(a) The monopolist always makes profit

(b) There is no entry for others.

(c) Equilibrium involves MC=MR and MC < P

(d) The monopolist controls the supply

19. In _________, a firm faces an infinitely elastic demand curve which means that the firm can sell any amount of a good at the prevailing market price

(a) Oligopolistic market.

(b) Monopoly market.

(c) Perfect competition.

(d) Monopolistic market.

20. Which of the following is not true in respect of normal profit?

(a) Normal profit is the minimum payment, which a producer must get in order to induce him to undertake risk to production.

(b) It is the minimum supply price of the entrepreneurial services.

(c) It is part of cost of production.

(d) It is the difference between the average revenue and average cost of the commodity

21. Price elasticity of demand for an individual firm under perfect competition is

(a) Zero.

(b) Unity.

(c) Infinite.

(d) Less than infinite but greater than zero.

22. If price and marginal revenue are same then demand curve must be

(a) Perfectly elastic and horizontal

(b) Perfectly inelastic and vertical

(c) Highly inelastic

(d) Highly elastic

23. Highly elastic negatively sloped demand curve is related to

(a) Perfect competition

(b) Monopolistic competition

(c) Both (a) and (b)

(d) None of these.

24. Perfectly elastic demand curve signifies that

(a) The firm does not exercise any control over the price of the product

(b) The firm can sell any amount of the product as it likes at the ruling price

(c) Both (a) and (b)

(d) None of these.

25. A perfectly competitive firm is operating at an output level where price is greater than marginal cost. Which of the following is/are true?

(a) The firm should increase its output so as to maximize profit.

(b) The firm should reduce its output so as to maximize profit.

(c) The firm is neither making profit nor loss.

(d) The firm is incurring loss.

26. The condition of the long-run equilibrium for a competitive firm is

(a) MC = MR = AR

(b) MG=AC = AR

(c) MC = MR = AC

(d) MC=MR = AR = AC

27. In the case of price discrimination, price will be higher in the market where

(a) Demand is perfectly elastic

(b) Demand is highly elastic

(c) Demand is unitary elastic

(d) Demand is less elastic.

28. One equates price and MC to maximize profit the other one equates MC and MR for the same purpose they are:

(a) Monopolist and perfect competitor

(b) Monopolist and imperfect competitor.

(c) Oligopolist and Monopolist

(d) Perfect competitor and monopolist.

29. Excess capacity is a prominent feature of equilibrium under

(a) Perfect competition

(b) Monopoly

(c) Monopolistic competition

(d) Oligopoly.

30. Equating marginal cost and marginal revenue the competitive firm can maximize its profit in

(a) The long run

(b) The short run

(c) The market period

(d) None of these.

31. Which of the following is not a characteristic of Oligopolistic market form?

(a) Interdependence

(b) Indeterminateness of demand curve

(c) Importance of advertising and selling costs

(d) Large number of firms.

32. If an individual seller, in a perfectly competitive market, wishes to double his sales, he would

(a) Improve the quality of his product

(b) Lower his price to half

(c) Simply offer double the quantity of his product

(d) Advertise the superiority of his product.

33. The short-run supply curve of a firm under perfect competition is the same as

(a) Average variable cost curve

(b) Marginal cost curve

(c) Marginal cost curve above average variable cost curve

(d) Average total cost curve.

34. A profit maximizing firm will stop production in the short run if price is

(a) Less than average cost

(b) Below the marginal cost

(c) Less than average variable cost

(d) Equal to average cost,

35. Kinked demand curve is related to

(a) Pure monopoly

(b) Pure competition

(c) Oligopoly

(d) Oligopolistic competition.

36. Cigarette industries must be closely related to

(a) Perfectly competitive model

(b) Imperfectly competitive model

(c) Monopolistic market

(d) Oligopolistic market.

37. Under perfect competition, if the prevailing price is such that the price line is tangent to the minimum point of the average cost curve than the firm would

(a) Make only normal profit

(b) Incur losses

(c) Make abnormal profit

(d) Profit cannot be determined.

38. 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

(d) There are negligible profits for the firm.

39. Charging different prices from different buyers for the same product is known as

(a) Price determination

(b) Price discrimination

(c) Price rigidity

(d) None of these.

40. A firm practicing price discrimination will be

(a) Charging different prices for different qualities of a product

(b) Buying in the cheapest and selling in he dearest markets

(c) Charging different prices in different markets for a product

(d) Buying only from firms selling in bulk at a Distance

41. In imperfect competition, the average revenue and marginal revenue curves are

(a) Different

(b) Same

(c) Identical

(d) Perpendicular

42. In perfect competition, since the firm is a price taker, the ___ curve is straight line.

(a) Marginal cost

(b) Total cost

(c) Total revenue

(d) Marginal revenue.

43. The average revenue curve of a firm in perfect competition is:

(a) U-shaped

(b) L-shaped

(c) Vertical

(d) Horizontal

44. Some of the perfect competition firms will leave the industry because of

(i) Suffering losses in a short run competitive equilibrium

(ii) Suffering losses in a short run competitive equilibrium in the long run

(iii) Suffering losses in a long run competitive equilibrium in the shortrun

(iv) Suffering losses in a market period.

(a) (i) and (ii) only

(b) (i), (ii) and (iii) only

(c) (i) and (iii) only

(d) (ii) only.

45. Under monopolistic competition the cross elasticity of demand for the product of a single firm would be

(a) Infinite

(b) Highly elastic

(c) Highly inelastic

(d) Zero

46. The marginal product of the variable factors is at a maximum, where the marginal cost of the output is

(a) At minimum

(b) At maximum

(c) At normal profit

(d) Zero.

47. The sale of 'branded' articles is common in a situation of

(a) Excess capacity

(b) Monopolistic competition

(c) Monopoly

(d) Pure competition

48. Kinked demand curve in Oligopoly market explains

(a) Price leadership

(b) Price and output determination

(c) Price rigidity

(d) Collusion among rival firms.

49. Even in the long run equilibrium, the pure monopolist can make abnormal profits because of

(a) Blocked entry (b) High price he charges

(c) His low LAC (d) Advertising

50. A monopolist has control over the price he charges for his product. He will be able to maximize his profit by

(a) Lowering the price if the demand curve is elastic

(b) Lowering the price, if the demand curve is inelastic

(c) Raising the price, if the demand curve is elastic

(d) None of tile above is applicable