Chapter-4: PRICE DETERMINATION IN MARKET2

1. Which of the following is not normally Characteristic of an oligopolistic market?

(a) Heavy expenditure advertising

(b) Group behavior

(c) Barriers to the entry of new firms

(d) Kink demand curve

2. Under which market condition, though the firms earn normal profits in the long run, there is always excess capacity with them

(a) Perfect competition

(b) Monopoly

(c) Oligopoly

(d) Monopolistic competition.

3. Monopolistic competition differs from perfect

competition due to

(a) Large number of firms and heterogeneous, product

(b) Large number of firms and homogeneous Product

(c) Large number of firms and differentiated products

(d) Only a few firms and similar products

4. Monopolistic can fix

(a) Both price and output

(b) Either price or output

(c) Neither price nor output

(d) None

5. Monopolistic competition takes account of all the following except

(a) Selling cost

(b) Product differentiation

(c) Price competition

(d) Reaction function

6. Negative sloped with higher elasticity demand curve is related to

(a) High price level

(b) Monopolistic competitor

(c) Oligopolistic competitor

(d) Low price level

7. If after selling 10 units, a seller realizes Rs. 12,000 and after selling 15 units he realizes Rs. 20,000 what is the marginal revenue here?

(a) Rs. 1,500

(b) Rs. 1,600

(c) Rs. 8,000

(d) Rs. 2,000

8. In general, if the average revenue curve is a straight line, the marginal revenue curve will be

(a) U-shaped (b) A straight line

(c) C-shaped (d) Bell-shaped

9. Under monopoly and imperfect competition MCis

(a) More than the price

(b) Less than the price

(c) Equal to the price

(d) Anyone of the above

10. Which of the following formula explain the term average revenue?

(a) AR = Total units produced

Total Revenue

(b) AR = Total Revenue

Number of units sold

(c) AR = MR x No. of units produced

(d) AR =TR-MR

11. Two opposing forces that reach balance in market equilibrium are:

(a) Demand and supply.

(b) Labor and capital

(c) Government and scarcity

(d) Government and general public.

12. When AR is constant, MR is

(a) Equal to AR (b) More than AR

(c) Less than AR (d) Equal to zero

13. If AR curve is a falling straight line, MR curve will lie below it in such a way that any line drawn from a point from y-axis parallel to x-axis to meet the AR curve is intersected by the MR curve

(a) Mid-way

(b) More than half-way

(c) Less than half-way

(d) Anywhere

14. At the shut-down point

(a) P=AVC

(b) TR=TVC

(c) The total losses of the firm equal TFC.

(d) All of the above

15. with increasing returns to scale, the equilibrium in a market is incomplete. This is

(a) Only in the case of perfectly competitive market

(b) Only in the case of imperfectly competitive market

(c) Only in the case of monopolistic market situations

(d) None of the above

16. Efficient allocation of resources is likely to be achieved under

(a) Monopoly

(b) Monopolistic competition

(c) Perfect competition

(d) Any market form

17. The limit to the long-run growth of a firm under imperfectly competitive conditions is set by

(a) Fear of falling demand

(b) Fear of prices falling more than costs

(c) Fear of rising costs

(d) Fear of external diseconomies

18. The competitive equilibrium leads to

(a) The firms producing with excess capacity

(b) The firms producing at their minimum costs

(c) Firms producing at a. cost higher than the Minimum

(d) Some firms producing under decreasing costs and others under increasing costs

19. Under price discrimination price will be higher

in the market where demand is

(a) Unitary elastic (b) Highly elastic

(c) Less elastic (d) none of the above

20. A profit-maximizing monopolist in two separate markets will

(a) Charge the same price in both markets

(b) Always charge a higher price in the market where he sells more

(c) Always charge, a higher price in the market where he sells less

(d) Adjust his sales in the two markets so that his MR in each market just equals his MC

21. A circumstance in which it might pay a monopolist to cut the price of his product is where

(a) MC is falling

(b) MR is greater than MC

(c) His advertising costs are increasing

(d) Average costs seem about to fall

22. A monopoly producer usually earns

(a) Abnormal profits

(b) Only normal profits

(c) Neither profits nor losses

(d) Profits and losses, which are uncertain

23. Under monopoly and imperfect competition MCis

(a) More than the price

(b) Less than the price

(c) Equal to the price

(d) Anyone of the above

24. 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

25. The difference between monopoly equilibrium and competitive equilibrium is

(a) The MC should rise at the point of equilibrium under perfect competition whereas under monopoly it can rise, fall or remain constant

(b) There is no difference at all

(c) Under perfect competition the MC = MR where as under monopolistic conditions this need not be the case

(d) None of the above

26. If a monopolist is producing under decreasing cost conditions, increase in demand is beneficial to the society because

(a) Consumers get better quality goods

(b) Cost of production falls and hence price will follow

(c) Goods will be sold in many markets

(d) None of the above answers is correct

27. If the individual firm's demand curve is coincident with the market demand curve then

(a) The firm is price-taker

(b) The firm is a monopolist

(c) The firm can set any price it wants without limitation.

(d) None of above

28. In all forms of imperfect competition the average revenue curve facing the individual slopes

(a) Upward

(b) Downward

(c) Horizontally

(d) Vertically

29. Which one of the statement is correct in connection with monopolistic competitions?

(a) Paucity of firms

(b) Comparatively easy

(c) Standardized product

(d) All of the above

30. The supply curve for the short-run competitive firm is the same as

(a) Marginal cost curve

(b) Average variable cost curve

(c) That part of the MC curve, which equals or is greater than A VC

(d) Average total cost curve

31. Under perfect competition a firm will be in equilibrium if

(a) MC = MR

(b) MC cuts the MR from below

(c) MC rises when it cuts the MR

(d) All the above three conditions are fulfilled

32. Under perfect competition a firm can produce with

(a) An optimum plant

(b) An optimum output

(c) Maximum profit

(d) Identical products at low cost

33. A perfectly competitive firm can earn, in the short-run

(a) Normal profit

(b) Supernormal profit

(c) Can incur losses

(d) All of the above.

34. In a competitive firm when AR = AC, then firm

earns

(a) No profit (b) Abnormal profit

(c) Normal profit (d) Heavy loss

35. Under the perfect competition the transportation cost

(a) Is considered to be negligible and thus, Ignored

(b) Is considered to be vital for the Calculation of total cost

(c) Is charged along with the price of the Commodity

(d) Excluded from the prime cost

36. The market which has single seller, no-substitutes for the product and freedom to entry of new firms is completely blocked is the case of

(a) Perfect competition

(b) Oligopoly

(c) Duopoly

(d) Monopoly

37. In a perfectly competitive market, in the long run, competitive prices equal the minimum possible ______cost of good.

(a) Marginal.

(b) Variable

(c) Total

(d) Average.

38. The essential conditions for price discrimination is/are

(a) It is not possible to transfer any unit of the goods from one market to another.

(b) It is not possible for the buyers in the dearer market to transfer themselves into the cheaper market.

(c) (a)and(b)

(d) None of these.

39. The average profit is regarded as the difference between

(a) MC and MR

(b) ACandAR

(c) ARandMR

(d). AC and MR

40. Mutual inter-dependence is a characteristic of oligopolistic market, which makes it necessary for each firm to

(a) Use a kinked demand curve for pricing its product

(b) Develop collusive behaviour

(c) Consider the possible reactions of rivals of any action it initials

(d) Seriously consider profit minimization

41. In the case of monopolistic competition

(a) The long-run supply curve can be defined

(b) The long-run supply curve cannot be defined

(c) The short-run supply curve cannot be defined

(d) The short run supply curve can be defined

42. A condition needed for a perfectly competitive industry to exist is that:

(a) Buyers are able to influence the price of the commodity.

(b) Any units of a commodity are considered by buyers to be different.

(c) Buyers discriminate in their purchases based on non-price factors.

(d) There are no obstacle to the free mobility of resources

43. The concept of supply curve is relevant only for

(a) Perfect competition

(b) Monopoly

(c) Monopolistic competition

(d) Oligopoly

44. Price discrimination is undertaken with the aim of

(a) Increasing sales and maximising profits

(b) Reducing sales and raising prices

(c) Minimizing cost and maximizing revenue

(d) Serving the markets without earning profits

45. Which of the following statements is incorrect?

(a) A monopolist never earns losses.

(b) In a perfectly competitive market, the products are differentiated.

(c) In a monopolistically competitive market, the products are differentiated.

(d) Price is greater than long run average cost.

46. If a seller realises Rs.1000 after selling 50 units and Rs. 1018 after selling 51 units. What is the marginal revenue here?

(a) Rs.20 (b) Rs.l 8

(c) Rs.25 (d) Rs.50

47. Identify the correct statement:

(a) Price discrimination is possible only under perfect competition

(b) Prices can never change in an oligopoly market

(c) Firms under perfect competition have no control over the price of their products.

(d) None of the above

48. The strength of a monopolist may be assessed by

(a) The size of his total revenue

(b) The gap between AR and MR

(c) The size of consumer's surplus accruing to him

(d) The long-term price of his product

49. under which market structure, average revenue of a firm is equal to its marginal revenue:

(a) Oligopoly

(b) Monopoly

(c) Perfect competition

(d) Monopolistic competition

50. Interdependency is a prominent feature of which market form?

(a) Perfect competition

(b) Monopoly

(c) Monopolistic competition

(d) Oligopoly.