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Chapter-07

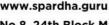
Market

- 1. Which of the following most closely approximates our definition of oligopoly?
- (A) The cigarette industry
- (B) The barber shops
- (C) The gasoline stations
- (D) Wheat Farmers
- 2.One of the essential conditions of perfect competition is-
- (A) Product differentiation
- (B) Mutiplicity of prices for identical products at any one time
- (C) Many seller and a few buyers
- (D) Only one price for identical goods at any one time
- 3.In equilibrium a perfectly competitive firm will
- (A) Marginal social cost with marginal social benefit
- (B) Market supply with market demand
- (C) Marginal profit with maginal cost
- (D) Marginal revenue with marginal cost
- 4. Seller market denotes a situation where-
- (A) Commodities are available at competitive rates
- (B) Demand exceeds supply
- (C) Supply exceeds demand
- (D) Supply and demand are evenly balanced
- 5.One of the essential conditions of Monopolistic competition is-
- (A) Many buyers but one seller
- (B) Price discrimination
- (C) Product differentiation
- (D) Homogeneous product

- 6. The concept that under a system of free enterprise, it is consumers who decide what goods and servics shall be produced and in what quantities is known as-
- (A) Consumer Protection
- (B) Consumer's Decision
- (C) Consumer Preference
- (D) Consumer' Sovereignty
- 7. Under which market condition do firm have excess capacity?
- (A) Perfect competition
- (B) Monopolistic competition
- (C) Duopoly
- (D) Oligopoly
- 8. The size of the market for a product refers to-
- (A) The number of people in the given area
- (B) The geographical area served by the producers
- (C) The volume of potential sales of the product
- (D) The number of potential buyers of the market
- 9. Product differentiation is the most important feature of
- (A) Pure competition
- (B) Monopolistic competition
- (C) Monopoly
- (D) Oligopoly
- 10.Different firms constituting the industry, produce homogeneous goods under-
- (A) Monopoly
- (B) Monopolistic competition
- (C) Oligopoly
- (D) Perfect competition
- 11. Same price prevails throughout the market under-
- (A) Perfect competition
- (B) Monopoly
- (C) Monopolistic competition
- (D) Oligopoly

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- 12.A situation of large number of firms producing similar goods is termed as-
- (A) Perfect competition
- (B) Monopolistic competition
- (C) Pure competition
- (D) Oligopoly
- 13. Under perfect Competition-
- (A) Marginal Revenue is less than the Average Revenue
- (B) Average Revenue is less than the Marginal Revenue
- (C) Average Revenue is equal to the Marignal Revenue
- (D) Average Revenue is more than the Marginal Revenue
- 14. Perfect competition means-
- (A) Large number of buyers and less sellers
- (B) Large number of buyers and sellers
- (C) Large number of sellers and less buyers
- (D) None of these
- 15. Monopoly means-
- (A) Single buyer
- (B) Many sellers
- (C) Single seller
- (D) Many buyers
- 16.Consumer's sovereignty means-
- (A) Consumers are free to spend their income as they like
- (B) Consumers have the power to manage the economy
- (C) Consumer's expenditures influences the allocation of resources
- (D) Consumer goods are free from government control
- 17.Demand curve of a firm under perfect competition is-
- (A) Horizontal On-axis
- (B) Negatively sloped
- (C) Positively sloped

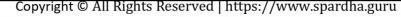
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(D) U-shaped

- 18. The theory of monopolistic competition has been formulated in the United States of America by-
- (A) Joan Robinson
- (B) Edward Chamberlin
- (C) John Bates Clark
- (D)Joseph Schumpeter
- 19.Under perfect competition the industry does not have any excess capacity because each firm produces at the minimum point on its-
- (A) Long-run marginal cost curve
- (B) Long-run average cost curve
- (C) Long-run average variable cost curve
- (D) Long-run average revenue curve
- 20.In a perfectly competitive market, a firm's-
- (A) Average Revenue is always equal to Marginal Revenue
- (B) Marginal Revenue is more than Average Revenue
- (C) Average Revenue is more than Marginal Revenue
- (D) Marginal Revenue and Average Revenue are never equal
- 21. A market in which there are a few number of large firms is called as-
- (A) Duopoly
- (B) Competition
- (C) Oligopoly
- (D) Monopoly
- 22. Number of sellers in the monopoly market structure is-
- (A) One
- (B) Few
- (C) Large
- (D) Two
- 23. Diamonds are priced higher than water because-
- (A) They are sold by selected firms with monopolistic powers

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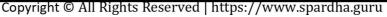


- (B) Their marginal utility to buyers is greater than that
- (C) Their total utility to buyers is higher than that of
- (D) Consumers do not buy them at lower prices
- 24.Price and output are determinates in market structure other than-
- (A) Monopoly
- (B) Perfect competition
- (C) Oligopoly
- (D) Monopsony
- 25.In a free enterprise economy, resource allocation is determined by-
- (A) The pattern of consumer's spending
- (B) the wealth of the entrepreneurs
- (C) decision of the Government
- (D) the traditional empolyment of factors
- 26. Buyers and Sellers will have perfect Knowlege of market conditions under-
- (A) Duopoly
- (B) Perfect Competition
- (C) Monopolistic competition Spardhaguru
- (D) Oligopoly
- 27. One of the features of a free market economy is-
- (A) Active state intervention
- (B) Public ownership of factors of production
- (C) Rationing and price control
- (D) Consumer's sovereignty
- 28. Money market is a market for ___
- (A) Short term fund
- (B) Long term fund
- (C) Negotiable instruments
- (D) Sale of shares
- 29.In which of the following market forms, a firm does not exercise control over price?
- (A) Monopoly

- (B) Perfect competition
- (C) Oligopoly
- (D) Monopolistic competition
- 30.Bilateral monopoly situation is-
- (A) When there are only two sellers of a product
- (B) When there are only two buyers of a product
- (C) When there is only one buyer and one seller of a
- (D) When there are two buyers and two sellers of a product
- 31. Which among the following is a characteristic of Laissezfaire system?
- (A) No government intervention
- (B) Market forces are highly regulated
- (C) It is a socialist system
- (D) Maximum government intervention
- 32. Which of the following is not an assumption of perfect competition?
- (A) There are many buyers and single sellers
- (B) Average total costs continually decrease.
- (C) The good sold by all sellers in the market is assumed to be homogeneous.
- (D) Buyers and sellers in the market are assumed to have perfect information
- 33.In perfect competition a firm maximizes profit by
- (A) Setting price such that price is equal to or greater than its marginal costs
- (B) Setting output such that price equals average total
- (C) Setting output such that price equals marginal costs
- (D) Setting price so that it is greater than marginal cost
- 34.Match the characteristics with their market structure-
- (i) Differentiated products, but close substitutes for consumers so their demand curves are elastic

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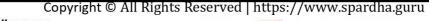
- (ii) Homogeneous product, all goods are perfect substitutes for consumers
- (A) (i) Monopolistic Competition, (ii) Pure Competition
- (B) (i) Monopolistic Competition, (ii) Pure Monopoly
- (C) (i) Pure Competition, (ii) Monopolistic Competition
- (D) (i) Pure Monopoly, (ii) Pure Competition
- 35.Match the characteristics with their market structure-
- (i) Difficult entry (often due to economies of scale)
- (ii) Can sell as much as it can at market price
- (A) (i) Monopolistic Competition, (ii) Pure Monopoly
- (B) (i) Pure Monopoly, (ii) Oligopoly
- (C) (i) Oligopoly, (ii) Pure Competition
- (D) (i) Pure Competition, (ii) Oligopoly
- 36.Match the characteristics with their market structure-
- (i) MC = Price
- (i) Firm will tend to set output so that it earns maximum profits.
- (A) (i) Pure Competition, (ii) Pure Monopoly
- (B) (i) Pure Monopoly, (ii) Monopolistic Competition
- (C) (i) Oligopoly, (ii) Monopolistic Competition
- (D) (i) Pure Competition, (ii) Oligopoly
- 37.In perfect competition
- (A) Products can be similar or different
- (B) Producer can control price by controlling production
- (C) Demand curve is perfectly elastic
- (D) All firms make economic profit in the long run
- 38.Match the characteristics with their market structure:
- (i) demand will tend to be inelastic
- (ii) Firm has control over quantity of output but it must take into account reactions of competitors
- (A) (i)Pure Monopoly, (ii) Oligopoly
- (B) (i) Pure Monopoly, (ii) Monopolistic Competition
- (C) (i)Pure Competition, (ii) Oligopoly
- (D) (i)Monopolistic Competition, (ii) Pure Competition

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- 39.Match the characteristics with their market structure:
- (i) MR = MP
- (ii) Elasticity of demand depends on pricing policies of
- (A) (i) Pure Monopoly, (ii) Monopolistic competition
- (B) (i) Pure competition, (ii) Oligopoly
- (C) (i) Pure competition, (ii) Pure Monopoly
- (D) (i) Pure Monopoly, (ii) Oligopoly
- 40.Match the characteristics with their market structure:
- (i) Price > MC in both short and long run
- (ii) Faces highly elastic demand
- (A) (i) Monopolistic competition, (ii) Pure competition
- (B) (i) Pure Monopoly, (ii) Monopolistic competition
- (C) (i) Pure competition, (ii) Monopolistic competition
- (D) (i) Oligopoly, (ii) Pure competition
- 41.Match the characteristics with their market structure:
- (i) A single, homogeneous product with no close substitutes D 11170
- (ii) Few sellers with interdependent pricing and quantity decision
- (A) (i) Pure Competition, (ii) Monopolistic Competition
- (B) (i) Pure Monopoly, (ii) Monoplolistic Competition
- (C) (i) Oligopoly, (ii) Pure Competition
- (D) (i) Pure Monopoly, (ii) Oligopoly
- 42.Match the characteristics with their market structure:
- 1. Firm has control over quantity of output but it must take into account reactions of competitors.
- 2. Firm will tend to set output so that it earns maximum profits.
- (A) 1. Oligopoly, 2. Pure competition
- (B) 1. Monopolistic competition, 2. Oligopoly
- (C) 1. Pure Monopoly, 2. Pure competition
- (D) 1. Oligopoly, 2. Pure Monopoly

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- 43.Match the characteristics with their market structure:
- (i) Expand output until MC = MR
- (ii) Elaasticity of demand depends on pricing policies of rivals
- (A) (i) Pure competition, (ii) Pure Monopoly
- (B) (i) Pure Monopoly, (ii) Monopolistic competition
- (C) (i) Pure competition, (ii) Oligopoly
- (D) (i) Monopolistic competition, (ii) Oligopoly
- 44. Which is the best for any firm?
- (A) Increase in profit
- (B) Decrease in selling
- (C) Market monopoly
- (D) Decrease in production
- 45.Bilateral Monopoly refers to the market situation
- (A) Two sellers, Two buyers
- (B) One seller, Two buyers
- (C) Two sellers, One buyer
- (D) One seller, One buyer.
- 46. The Extreme forms of market are-
- (A) Perfect Competition, Monopolistic Competition
- (B) Perfect Competition, Oligopoly
- (C) Oligopoly, Monopoly
- (D) Perfect Competition, Monopoly.
- 47. The New firms are not allowed in market with.
- (A) Perfect competition
- (B) Oligopoly
- (C) Monopolic competition
- (D) Monopoly.
- 48.Perfect Market situation will be situated when-
- (A) When firms are independent
- (B) When large number of buyers & sellers are present
- (C) When large number of sellers & less number of payers are there
- (D) When less number of buyer are there.

- 49. Under Perfect Competition who is Price Taker.
- (A) Buyer
- (B) Business
- (C) Government
- (D) Firm.
- 50.The Theory of "Monopolistic Competition" was given by—
- (A) John Robinson
- (B) Edward Chamberlin
- (C) John Bates Clarke
- (D) Joseph Schumpeter
- 51. Which market firms allow free entry and exit of firms?
- (A) Perfect and Monopolistic
- (B) Perfect and Oligopoly
- (C) Oligopoly and Monopoly
- (D) Monopoly and Monopolistic
- 52.Kinked demand curve is a feature of
- (A) Monopoly
- (B) Oligopoly
- (C) Monopsony
- (D) Duopoly
- 53.In which market structure is the demand curve of the market is represented by the demand curve of the firm?

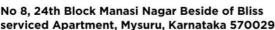
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- (A) Monopoly
- (B) Oligopoly
- (C) Duopoly
- (D) Perfect Competition
- 54. The most distinguishing feature of oligopoly is-
- (A) Number of firms
- (B) Interdependence
- (C) Negligible influence on price
- (D) Price leadership
- 55. The degree of monopoly power is to be measured in terms of the firm's—

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(A) Normal profit	(B) Monopoly		
(B) Supernormal profit	(C) Duopoly		
(C) Both normal and supernormal profit	(D) Monopolistic Competition		
(D) Selling price			
	61. When there is only one buyer and one seller of		
56.Under which market condition do firms have excess	product, it is called situation.		
capacity?	(A) Public monopoly		
(A) Perfect competition	(B) Bilateral monopoly		
(B) Monopolistic competition	(C) Franchised monopoly		
(C) Duopoly	(D) Monopsony		
(D) Oligopoly			
	62.In which market form, a market or industry is		
57.The situation in which total revenues equals total	dominated by a few firms?		
cost is known as-	(A) Perfect Competition		
(A) Monopolistic competition	(B) Monopoly		
(B) Equilibrium level of output	(C) Oligopoly		
(C) Break even point	(D) Monopolistic		
(D) Perfect competition			
	63.In which of the following market forms, a firm does		
58.Match the following	not exercise control over price?		
Form of Market Number of sellers and Buyers	(A) Mixed Competition		
1. Oligopoly a.A few big sellers and a large number	(B) Monopoly		
of buyers	(C) Oligopoly		
2. Monopoly b.One seller but large number of (D) Perfect Competition Limited			
3. Perfect Competition c.Large number of sellers and	64.A deficit is financed by net capital		
buyers	flows from the rest of the world, thus by a capital		
(A) 1-b, 2-c, 3-a	account surplus.		
(B) 1-c, 2-a, 3-b	(A) Current Account		
(C) 1-a, 2-b, 3-c	(B) Savings Account		
(D) 1-b, 2-a, 3-c	(C) Capital Account		
	(D) Asset Account		
59.The market structure called monopoly exists where			
there is exactly seller in any market.	65. A commodity market has a structure, if		
(A) One	there is one seller of the commodity, the commodity		
(B) Two	has no substitute, and entry into the industry by		
(C) Five	another firm is prevented.		
(D) Ten	(A) Perfect Competition		
	(B) Monopoly		
60.In which market form, a market or an industry is	(C) Oligopoly		
dominated by a single seller?	(D) Monopolistic Competition		
(A) Oligopoly	Pa		

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66. If the firm has zero costs or only has fixed cost, the quantity supplied in equilibrium is given by the point where the marginal revenue is zero.

- (A) Perfect Competition
- (B) Monopoly
- (C) Oligopoly
- (D) Monopolistic Competition

67. Which of the following is a basic characteristic of 'Oligopoly'?

- (A) Many sellers, many buyers
- (B) Few sellers, few buyers
- (C) Few sellers, many buyers
- (D) Many sellers, few buyers



