

TEST

Forms of Market

QUESTIONS

SECTIONS

1. Forms of Market - 20 Questions

Section 1 : Forms of Market - 20 Questions

- 1 The AR curve and industry demand curve are same
- a. in case of monopoly
 - B. in case of oligopoly
 - C. in case of perfect competition
 - D. None of the above
- Correct: +1
- 2 A cartel is most likely to occur in
- a. perfect competition as firms compete by reducing cost
 - B. oligopoly as firms act together to raise prices to increase profits
 - C. monopolistic competition where firms collude to increase profit
 - D. oligopoly as firms compete to lower prices and increase their own profits
- Correct: +1
- 3 A price discriminating monopoly
- a. cannot offer discounts
 - B. sells a larger quantity than it would if it was a single price monopoly
 - C. cannot control the price of its product
 - D. makes a smaller economic profit than it would if it was a single price monopoly
- Correct: +1
- 4 In monopolistic competition, a firm can earn supernormal profits in the short-run but in the long-run, such profits disappear because
- a. it assumes that entry is free and new firms will enter the industry
 - B. it assumes that exit is free and old firms will exit from the industry
 - C. it assumes that the market is to be converted into monopoly due to cartel
 - D. All of the above
- Correct: +1

5 In pure monopoly, what is the relation between the price and the marginal revenue?

- a. The price is greater than the marginal revenue
- B. The price is less than the marginal revenue
- C. There is no relation
- D. They are equal

Correct: +1

6 In order to maximise profits, a monopoly company will produce that quantity at which the

- a. marginal revenue equals average total cost
- B. price equals marginal revenue
- C. marginal revenue equals marginal cost
- D. total revenue equals total cost

Correct: +1

7 Monopoly means

- a. a single producer of a particular product in the world
- B. a single producer of a particular product in India
- C. a single producer of a particular product in a particular town or city
- D. a single producer of a particular product in a single market

Correct: +1

8 A market in which the products are similar but not identical is

- a. monopoly
- B. oligopoly
- C. Monophony
- D. Monopolistic competition

Correct: +1

9 Which of the following statement is not true? A discriminating monopolist

- a. operates in more than one market
- B. makes more profit because he discriminates
- C. maximise his profit in each market
- D. charges same prices in different markets

Correct: +1

10 When there is a single buyer of a commodity in the market, it is known as

- a. monopoly
- B. monophony

- C. bilateral monopoly
- D. None of these

Correct: +1

11 Which of the following market type has only a few competing firms?

- a. Oligopoly
- B. Monopoly
- C. Perfect competition
- D. Monopolistic competition

Correct: +1

12 Which of the following is a characteristic of pure monopoly?

- a. One seller of the product
- B. Low barrier to entry
- C. Close substitutes of products
- D. Perfect information

Correct: +1

13 A firm under perfect competition faces for its product

- a. a horizontal demand curve
- B. a downward sloping demand curve
- C. an upward rising demand curve
- D. a vertical demand curve

Correct: +1

14 Which of the following is true for collusive oligopoly?

- a. Oligopoly with lower cost firms as leader
- B. Cartel aiming at joint profit maximisation
- C. Oligopoly with dominant firms as leader
- D. None of the above

Correct: +1

15 Which of the following market type has all firms selling products so identical that buyer do not care from which firms then buy?

- a. Perfect competition
- B. Monopolistic competition
- C. Oligopoly
- D. Monopoly

Correct: +1

- 16 Perfect competition is characterised by all the following except
- a. considerable advertising by individual firms
 - B. no restrictions on entry into or exit from the industry
 - C. a large number of buyer and sellers
 - D. well-informed buyers and sellers with respect to prices
- Correct: +1

- 17 Monopolistic competition differs from perfect competition primarily because
- a. in monopolistic competition, entry into the industry is blocked
 - B. in monopolistic competition, firms can differentiate their products
 - C. in monopolistic competition, there are relatively few barrier to entry
 - D. in perfect competition, firms can differentiate their products
- Correct: +1

- 18 Compared to the case of perfect competition, a monopolist is more likely to
- a. charge a higher price
 - B. produce a lower quantity of the product
 - C. make a greater amount of economic profit
 - D. All of the above
- Correct: +1

- 19 Monopoly can be established by
- a. patent right
 - B. cartel
 - C. government license
 - D. All of these
- Correct: +1

- 20 Which curve under monopoly is known as demand curve?
- a. MR curve
 - B. TR curve
 - C. AR curve
 - D. MC curve
- Correct: +1

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ANSWERS

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- 1 a. in case of monopoly
- 2 a. perfect competition as firms compete by reducing cost
- 3 a. cannot offer discounts
- 4 a. it assumes that entry is free and new firms will enter the industry
- 5 a. The price is greater than the marginal revenue
- 6 a. marginal revenue equals average total cost
- 7 a. a single producer of a particular product in the world
- 8 a. monopoly
- 9 a. operates in more than one market
- 10 a. monopoly
- 11 a. Oligopoly
- 12 a. One seller of the product
- 13 a. a horizontal demand curve
- 14 a. Oligopoly with lower cost firms as leader
- 15 a. Perfect competition
- 16 a. considerable advertising by individual firms
- 17 a. in monopolistic competition, entry into the industry is blocked
- 18 a. charge a higher price
- 19 a. patent right
- 20 a. MR curve

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SOLUTIONS

SECTIONS

1. Forms of Market - 20 Questions

Section 1 : Forms of Market - 20 Questions

- 1 A
- 2 B
- 3 B
- 4 A
- 5 A
- 6 C
- 7 D
- 8 D
- 9 D
- 10 B
- 11 A
- 12 A
- 13 A
- 14 B
- 15 A
- 16 A
- 17 B
- 18 D
- 19 D
- 20 C