CA Foundation Economics Test
Ch 4: Price Determination in Different Markets

1. Demand curve can also be called:
   A Profit curve
   B Marginal Revenue Curve
   C Average Revenue Curve
   D Average Cost Curve

2. Which of the following is the condition for profit maximization?
   A MC < MR
   B MC = MR
   C MC > MR
   D Price = AVC

3. Price of a commodity expresses its:
   A Cost of Production
   B Value in use
   C Variable Cost
   D Value in Exchange

4. Product differentiation is an important feature of:
   A Monopoly
   B Discriminating Monopoly
   C Perfect Competition
   D Monopolistic Competition

5. Price Leadership is used to explain the behavior of firms in:
   A Perfect Competition
   B Monopoly
   C Monopolistic Competition
   D Oligopoly

6. The market form with a single buyer is called:
   A Monopoly
   B Monopsony
   C Bilateral Monopoly
   D Oligopsony

7. Which of the following is not a feature of oligopoly?
   A Interdependence
   B Group behavior
   C Selling Costs
   D Free entry

8. The structure of toothpaste industry is described as a:
   A Perfectly competitive market
   B Monopolistic market
   C Monopolistically Competitive market
   D Oligopolistic market

9. Under the first degree price discrimination, the monopolist charges different prices
   A from different customers
   B for different units
   C in different markets
   D All of these

10. Which of the following cannot be found in a monopolistic market?
    A Barriers to entry
    B Single seller
    C Close substitutes
    D All of these

11. The Average Revenue curve of a monopolist is:
    A Horizontal
    B Vertical
    C Upward sloping from left to right
    D Downward sloping from left to right

12. In the long run, a perfectly competitive firm:
    A earns normal profits
    B earns supernormal profits
    C incurs losses
    D economic profit

13. Under perfect competition, the demand curve for a perfectly competitive firm is:
    A Perfectly elastic
    B Perfectly inelastic
    C Unitary elastic
    D Elastic

14. Which of the following is not a feature of perfect competition?

A homogeneous product
B Large number of buyers and sellers
C Selling cost
D Free entry and exit

15. If the demand for a product is unit elastic, then:
A MR = 0
B MR > 0
C MR < 0
D Price elasticity is not related to MR

16. Which of the following is correct if a firm earns supernormal profits?
A AR = AC
B AR > AC
C AR < AC
D AR < AVC

17. In an imperfect market, TR is maximum when:
A MR < 0
B MR > 0
C MR = 0
D MR = AR

18. According to the behavioural hypothesis:
A A firm should not produce at all if its total variable costs are not met
B A firm should not produce at all if its total fixed costs are not met
C A firm should not produce at all if its total costs are not met
D None of these

19. To reach equilibrium, a discriminating monopolist decides
A the total level of output to be produced
B the distribution of the total output between the two sub markets
C Neither A nor B
D Both A and B

20. If a perfectly competitive firm is incurring losses then which of the following is suitable to carry on business as long as it is covering variable costs:
A Shutdown
B expand its plant
C expand its market
D continue operating at the same level

21. If the demand curve for a firm slopes downward to the right, we can conclude that:
A the firm is a price taker so it need not reduce price in order to increase the sales
B the firm is a price taker so it must reduce the price in order to increase the sales
C the firm is not a price taker so it must reduce the price in order to increase the sales
D the firm is not a price taker so it need not reduce the price in order to increase the sales

22. When price is Rs.40 per unit, the quantity demanded is 15 units and when price reduces to Rs.38, the quantity demanded is 18 units. What is the marginal revenue resulting from an increase in output from 15 units to 18 units?
A Rs.28
B Rs.30
C Rs.32
D Rs.36

23. A market where there is no restrictions on the transactions is called:
A Regulated market
B Unregulated market
C Spot market
D Local market

24. A market where goods are exchanged for money payable either immediately or within short span of time is called:
A Forward market
B Regulated market
C Spot market
D Local market

XYZ Ltd. realizes total revenue of Rs.6000 from the sale of 120 units and Rs.6050 from the sale of 121 units. (Answer Q25 and 26 based on this information).

25. What is the average revenue when XYZ Ltd. sells 121 units?
A Rs.6,000
B Rs.6,050

C Rs.50
D Rs.100

26. When XYZ Ltd. sells 130 units, the total revenue will be:
A Rs.18,550
B Rs.12,050
C Rs.6,000
D Rs.6,500

27. Consider the following revenue schedule:

Units	1	2	3	4	5	6
Total Revenue (Rs)	180	250	310	360	400	430

The marginal revenue of 5^{th} units is:
A Rs.60
B Rs.55
C Rs.45
D Rs.40

28. Kinked demand hypothesis is designed to explain the __________ under oligopolistic market.
A collusion between the firms
B Price and output determination
C price rigidity
D price leadership

29. _________ is the best example of oligopoly.
A SAARC
B GATT
C WTO
D OPEC

30. Aluminium industry is the example of which type of oligiopoly?
A Open oligopoly
B Closed oligopoly
C Pure oligopoly
D Syndicated oligopoly

31. Railways charges comparatively cheaper fare from the senior citizens. This is an example of:
A price discrimination
B market analysis
C profit discrimination
D demand forecasting

32. Smart phones market is an example of:
A Monopoly
B Monopolistic competition
C Oligopoly
D Perfect competition

33. Collusion is impossible if the industry has:
A large number of firms
B only few firms
C only two firms
D limited number of firms

34. When the industry is dominated by one large firm, it is called:
A Full oligopoly
B Organised oligopoly
C Partial oligopoly
D Closed oligopoly

35. Choose the incorrect statement regarding the barometric price leadership:
A Live and let live policy is followed
B Old and experienced firm acts as the leader
C Price is decided by assessing market conditions
D Price decided by leader is generally accepted by the rest of the firms

36. Competition among a few is described in:
A Monopoly
B Oligopoly
C Duopoly
D Monopsony

37. Which of the following influences the price most in the very short period:
A Demand
B Supply
C Production
D Cost

38. Kinked demand curve of the Oligopoly indicates
I) If one firm decreases price other firms also decreases the price

II) If one firm increases price other firms also increases the price
III) If one firm decreases the price other firms does not decrease the price.
IV) If one firm increases the price other firms does not increase the price.

A Only I | **B** II and IV
C I and IV | **D** II and III

39. 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 market.
C Each firm produces a homogeneous product.
D There is easy entry into or exit from the market place.

40. Abnormal profits exists in the long run only under ______
A Monopoly | **B** Perfect competition
C Monopolistic competition | **D** Oligopoly

41. Shut down point is that point where price is :
A Less than average variable cost | **B** Equal to average variable cost
C Equal to average cost | **D** None of the above

42. The kinked demand curve model of oligopoly was developed by:
A Cournot | **B** Stackleberg
C Sweezy | **D** Marshall

43. Under the kinked demand hypothesis, the portion of demand curve above the prevailing price level is:
A elastic | **B** kinked
C inelastic | **D** unit elastic

44. If the percentage increase in demand is greater than percentage increase in supply:
A equilibrium price increases but equilibrium quantity decreases
B equilibrium price decreases but equilibrium quantity increases
C both equilibrium price and equilibrium quantity increase
D both equilibrium price and equilibrium quantity decrease

45. In which of the following models of oligopoly, each firm independently sets the price of its products?
A Sweezy's model | **B** Bertrand's model
C Counot's model | **D** Stackleberg's model

46. The distinction between a single firm & an Industry vanishes in which of the following market condition:
A Monopoly | **B** Perfect competition
C Monopolistic competition | **D** Imperfect competition

47. Selling outlay is an essential part of which of the following market situation
A Monopolistic Competition | **B** Perfect Competition
C Monopoly | **D** Pure Competition

48. The demand curve of an oligopolist is
A Determinate | **B** Indeterminate
C Circular | **D** Vertical

49. Under which of the following forms of market structure, does a firm has very considerable control over the price of its product?
A Monopoly | **B** Perfect competition
C Monopolistic competition | **D** Oligopoly

50. In a perfectly competitive market, if MR is greater than MC then a firm should

A	Increase its production	**B**	Decrease its production
C	Increase in sales	**D**	Decrease in sales