



CA Foundation – New Syllabus
Business Economics

Chapter 4
Price Determination in
Different Markets

MCQ Compiler by MVSIR

UNIT 1

Basics

ICAI SM

- 1 In Economics, the term 'market' refers to a:
- place where buyer and seller bargain a product or service for a price
 - place where buyer does not bargain
 - place where seller does not bargain
 - none of the above

ICAI SM

- 2 For market the essential condition is
- A particular geographical place
 - Control of the government
 - Close contact between buyers and sellers
 - None of these

MTP Mar 21, SEQ

- 3 The opportunity cost of a good is
- the time lost in finding it
 - the quantity of other goods sacrificed to get another unit of that good
 - the expenditure on the good
 - the loss of interest in using saving

MTP Mar 19

- 4 Economic goods are goods which:
- Cannot be increased in quantity
 - Obeys the law of Micro Economics
 - Are limited in supply and are scarce
 - Are limited to man-made goods.

- 5 In economics, we are concerned with
- Value in use only
 - Exchange value only
 - Both value in use and exchange value
 - None of the above

- 6 Exchange value is determined in
- the monopoly market
 - the oligopoly market
 - in the market where exchange of goods and services takes place
 - None of these

- 7 Price of goods express their
- Value in use
 - Exchange value
 - Economic value
 - Both (B) and (C)

- 8 Value in exchange is also known as
- Value in use
 - Economic value
 - Both (a) and (b)
 - None of these

- 9 Which one of the following features of the term market is incorrect?
- Market is the collection of buyers and sellers with the potential to trade.
 - A market need not be a formal.
 - A market need not to be held in a particular place.
 - A market must be formal or to be held in a particular place.

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- 10 The study of demand and supply model is useful in explaining
- How government works
 - How markets work
 - How consumers behave
 - None of these

- 11 A market is a network of dealings between which of the following?
- Dealers and wholesalers
 - Buyers and sellers
 - Owners and channel partners
 - Sales man and competitors

- 12 In a very short period market:
- the supply is fixed
 - the demand is fixed
 - demand and supply are fixed
 - none of the above

- 13 Time element was conceived by
- Adam Smith
 - Alfred Marshall
 - Pigou
 - Lionel Robinson

- 14 Generally, perishable goods like butter, eggs, milk, vegetables etc., will have
- regional market
 - local market
 - national market
 - none of the above

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- 15 Secular period is also known as
- very short period
 - short period
 - very long period
 - long period

- 16 Stock exchange market is an example of
- unregulated market
 - regulated market
 - spot market
 - none of the above

- 17 The market for the ultimate consumers is known as
- whole sale market
 - regulated market
 - unregulated market
 - retail market

- 18 Example of a commodity said to have an International Market.
- Perishable Goods.
 - High Value and Small Bulk Commodities.
 - Product whose trading is restricted by government.
 - Bulky Articles.

- 19 In economics, generally the classification of the markets is made on the basis of
- Time
 - Geographic area
 - Volume of business
 - All of these

Extra MCQ	
20	_____ allocate productive resources to producers
a) Retail Market b) Product Market c) Factor Market d) Both (a) & (b)	
MTP Dec 22, PYQ Jun 23	
21	On the basis of nature of transaction the market is classified into
a) Regulated and Unregulated market b) Wholesale and Retail market c) Spot and future Market d) None of these	
PYQ Jun 22	
22	When commodities are sold in small quantities are called as which of the following?
a) Wholesale market b) Regulated market c) Spot market d) Retail market	
PYQ Jun 22	
23	Very short period market is suitable for which of the following products?
a) Gold and silver b) Vegetable and fruits c) Bricks and sand d) Supply of capital	

Concepts of TR, MR, AR	
ICAI SM	
24	Assume that when price is Rs. 20, the quantity demanded is 9 units, and when price is Rs. 19 the quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units?
a) Rs. 20 b) Rs. 19 c) Rs. 10 d) Rs. 1	
ICAI SM	
25	Marginal Revenue is equal to:
a) The change in price divided by the change in output. b) The change in quantity divided by the change in price. c) The change in $P \times Q$ due to a one unit change in output. d) Price, but only if the firm is a price searcher.	
ICAI SM, mtp Nov 23	
26	Average revenue curve is also known as
a) Profit Curve b) Demand Curve c) Average Cost Curve d) Indifference Curve	
ICAI SM	
27	Which of the following statements is incorrect?
a) The LAC curve is also called the planning curve of a firm. b) Total revenue = price per unit \times number of units sold. c) Opportunity cost is also called alternative cost. d) If total revenue is divided by the number of units sold we get marginal revenue.	

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CA Foundation New Syllabus	
ICAI SM	
28	Total revenue =
a) price \times quantity b) price \times income c) income \times quantity d) none of the above	
ICAI SM	
29	Average revenue is the revenue earned
a) per unit of input b) per unit of output c) different units of input d) different units of output	
ICAI SM	
30	AR can be symbolically written as:
a) MR / Q b) Price \times quantity c) TR / Q d) none of the above	
ICAI SM	
31	AR is also known as:
a) Price b) income c) Revenue d) none of the above	
ICAI SM	
32	Marginal revenue can be defined as the change in total revenue resulting from the:
a) purchase of an additional unit of a commodity b) sales of an additional unit of a commodity c) sale of subsequent units of a product d) none of the above	

ICAI SM, MTP May 23	
33	When $e > 1$ then MR is
a) zero b) negative c) Positive d) one	
MTP May 20, ICAI SM	
34	When $e = 1$ then MR is
a) Positive b) zero c) One d) negative	
MTP May 20, ICAI SM	
35	When $e < 1$ then MR is
a) Negative b) zero c) Positive d) one	
ICAI SM	
36	Assume that when Price is Rs.10, the quantity demanded is 5 units and when Price is Rs. 12 the quantity demanded is 4 units. Based on this information, what is the Marginal Revenue resulting from increase in output from 4 units to 5 units.
a) Rs.5 b) Rs.4 c) Rs.2 d) Rs.3	
ICAI SM	
37	Average revenue is equal to:
a) The change in $P \times Q$ due to a one unit change in output. b) Nothing but price of one unit of output. c) The change in quantity divided by change in price. d) Graphically it denotes the firm's supply curve.	

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MTP Nov 22, Apr 19, June 24, SEQ, PYQ Dec 23

38 Relationship between AR, MR and Price elasticity of demand is

- a) $MR = AR + [e - 1/e]$
- b) $MR = AR \times [e - 1/e]$
- c) $AR = MR \times [e - 1/e]$
- d) $MR = AR \times [e/e - 1]$

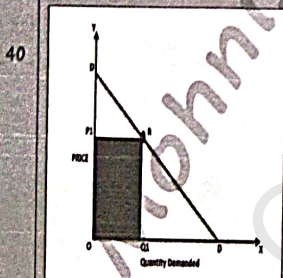
MTP Oct 18, SEQ

39 If a seller realizes Rs. 10,000 after selling 100 units and Rs. 14,000 after selling 120 units. What is the marginal revenue here?

- a) Rs. 4000
- b) Rs. 450
- c) Rs. 200
- d) Rs. 100

A.Q., MTP Dec 23, Aug 24

In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion OP1RQ1 is _____



- a) Total Revenue (TR)
- b) Marginal Revenue (MR)
- c) Total Cost (TC)
- d) None of these

A.Q.

41 If the price of a product is Rs.20/unit and its elasticity of demand is (-) 0.25. Its MR will be _____

- a) 60
- b) 100
- c) - 60
- d) None of these

A.Q.

42 If the price elasticity of demand of a product is (-) 3, what should be the price of the product for its MR to be Rs. 20?

- a) Rs. 10/unit
- b) Rs. 20/unit
- c) Rs. 30/unit
- d) Rs. 40/unit

A.Q.

43 If a product has elastic demand, its marginal revenue (MR) will be _____. (Given that the price of the product is Rs.5/unit)

- a) Positive
- b) Zero
- c) Negative
- d) can't be determined

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A.Q.

44 For an imperfectly competitive firm

- a) Total revenue curve is straight upsloping line because a firm's sales are independent of product price.
- b) The marginal revenue curve lies above the demand curve because any reduction in price applies to all units sold.
- c) The marginal revenue curve lies below the demand curve because any reduction in price applies to all units sold.
- d) Marginal revenue curve lies below the demand curve because any reduction in price applies to only extra unit sold.

MTP Mar 21

45 When the output increases from 20 to 30 units and TR increases from Rs 400 to Rs 500 then MR is

- a) 20
- b) 10
- c) 15
- d) none of these

MTP Oct 18, Oct 21

46 Marginal revenue will be negative if elasticity of demand is

- a) Less than one
- b) More than one
- c) Equal to one
- d) Equal to Zero

Use the following data to answer questions 47-49

Quantity (Q)	Price (P)
1	40
2	30
3	20
4	10

MTP Oct 21

47 The total revenue of third unit is

- a) 35
- b) 40
- c) 60
- d) 30

MTP Oct 21

48 The average revenue of second unit is-

- a) 40
- b) 45
- c) 20
- d) 30

MTP Oct 21

49 The marginal revenue of fourth unit is-

- a) -20
- b) 25
- c) 30
- d) 40

MTP May 20, RTP Sep 24

50 Marginal _____ product, mathematically, is the slope of the _____

- a) total product curve.
- b) average product curve.
- c) marginal product curve.
- d) implicit product curve

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Chapter 4

MTP Mar 19

52 Assume that when price is Rs. 40 quantity demanded is 9 units, and when price is Rs. 38, quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units?

a) Rs. 20
b) Rs. 40
c) Rs. 38
d) Rs. 1

MTP Jun 22, MTP Nov 22

53 When total revenue is increasing

a) Marginal revenue may be either positive or negative.
b) The demand curve is relatively inelastic.
c) Marginal revenue is positive.
d) Marginal revenue is negative.

MTP Jun 22

54 Total revenue along with Total cost helps to determine

a) Profit maximizing output
b) Profit/unit
c) Price/unit
d) Total revenue

MTP Dec 22

55 Total Revenue is maximise when marginal revenue is _____

a) 1
b) 0
c) High
d) None of these

PYQ Jun 22

56 Assume that at price Rs. 100/- per unit, the quantity demanded is 900 units. When price falls to Rs. 90/- the quantity demanded increases to 1000 units. Compute the marginal revenue.

a) 0
b) Rs. 10
c) Rs. 90
d) Rs. 100

PYQ Jun 22

57 Which of the following statement is not correct?

a) Marginal revenue is the revenue of an additional unit sold of a commodity
b) Total revenue is obtained by multiplying the total number of units sold with the price per unit of a commodity
c) Average revenue is the revenue earned per unit of an output
d) Total revenue is the sum total of average revenue

PYQ Jun 22

58 Another name of demand curve is

a) MR-curve
b) AR-curve
c) TR-curve
d) MC-curve

Behavioral Principles

MTP May 20, ICAI SM

59 Suppose a firm is producing a level of output such that $MR > MC$, what should be firm do to maximize its profits?

a) The firm should do nothing.
b) The firm should hire less labour.
c) The firm should increase price.
d) The firm should increase output

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Chapter 4

CA Foundation
New Syllabus

ICAI SM

60 It is assumed in economic theory that

a) decision making within the firm is usually undertaken by managers, but never by the owners.
b) the ultimate goal of the firm is to maximize profits, regardless of firm size or type of business organisation.
c) as the firm's size increases, so do its goals.
d) the basic decision making unit of any firm is its owners

ICAI SM

62 Suppose that, at the profit-maximizing level of output, a firm finds that market price is less than average total cost, but greater than average variable cost. Which of the following statements is correct?

a) The firm should shutdown in order to minimise its losses.
b) The firm should raise its price enough to cover its losses.
c) The firm should move its resources to another industry.
d) The firm should continue to operate in the short run in order to minimize its losses.

MTP Mar 19, ICAI SM

63 When price is less than average variable cost at the profit-maximising level of output, a firm should:

a) produce where marginal revenue equals marginal cost if it is operating in the short run.
b) produce where marginal revenue equals marginal cost if it is operating in the long run.
c) shutdown, since it will lose nothing in that case.
d) shutdown, since it cannot even cover its variable costs if it stays in business.

MTP Oct 19, Oct 21, SEQ, ICAI SM,
MTP Mar 18, Apr 19

61 A firm encounters its "shutdown point" when:

a) average total cost equals price at the profit-maximizing level of output.
b) average variable cost equals price at the profit-maximising level of output.
c) average fixed cost equals price at the profit-maximising level of output.
d) marginal cost equals price at the profit-maximising level of output.

MTP Mar 19, SEQ

64 At shut down point:

a) Price is equal to AVC
b) Total revenue is equal to TVC
c) Total loss of the firm is equal to TFC
d) All of the above

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MTP Aug 18, May 20

65 "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behavior in the short run is:

- a) Rational, if the firm is covering its variable cost
- b) Rational, if the firm is covering its fixed cost
- c) Irrational, since plant closing is necessary to eliminate losses
- d) Irrational, since fixed costs are eliminated if a firm shuts down

MTP Nov 22, MTP Jun 22

66 If a firm's total revenue is not enough to make good even the _____, it is better for firm to shut down.

- a) Total fixed cost
- b) Marginal cost
- c) Average fixed cost
- d) Total variable cost

MTP Mar 18, Aug 18, Oct 21

67 In the long run any firm will eventually leave the industry if

- a) Price does not at least cover average total cost.
- b) Price does not equal marginal cost.
- c) Economies of scale are being reaped.
- d) Price is greater than long run average cost

Extra MCQ

68 On the upper portion of the demand curve, the value of marginal revenue will be _____

- a) Negative
- b) Zero
- c) Positive
- d) Any of the above

MTP Nov 22

69 In the long-run, some firms will exit the market if the price of the good offered for sale is less than:

- a) marginal revenue.
- b) marginal cost.
- c) average total cost.
- d) average revenue.

PYQ Jun 22

70 It will be profitable for a firm to expand output till which of the following condition ?

- a) Marginal revenue is greater than marginal cost
- b) Marginal revenue is less than marginal cost
- c) Marginal cost is greater than marginal revenue
- d) Marginal revenue is equal to marginal cost

PYQ Jun 23

71 Which one of the following is not element of market

- a) Buyer
- b) Service
- c) Firm
- d) Bargaining for price

PYQ Jun 23

72 Suppose a seller realizes Rs. 100 by selling 10th unit of commodity and Rs. 120 by selling 11th unit. What is the MR of 11th unit

- a) 100
- b) 120
- c) 20
- d) 10

Answer Key - Economics Chapter 4 - Unit 1

1	A	11	B	21	C	31	A	41	C	51	B	61	B	71	C
2	C	12	A	22	D	32	B	42	C	52	A	62	D	72	C
3	B	13	B	23	B	33	C	43	A	53	C	63	D		
4	C	14	B	24	C	34	B	44	C	54	A	64	D		
5	B	15	C	25	C	35	A	45	B	55	B	65	A		
6	C	16	B	26	B	36	C	46	A	56	A	66	D		
7	D	17	D	27	D	37	B	47	C	57	D	67	A		
8	B	18	B	28	A	38	B	48	D	58	B	68	C		
9	D	19	D	29	B	39	C	49	A	59	D	69	C		
10	B	20	C	30	C	40	A	50	A	60	B	70	D		

CA

UNIT 2

Determination of Prices

ICAI SM

In the table below what will be equilibrium market price?

Price (Rs.)	Demand (tonnes per annum)	Supply (tonnes per annum)
1	1000	400
2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1000
8	300	1100

- 1
- Rs. 2
 - Rs. 3
 - Rs. 4
 - Rs. 5

SEQ. ICAI SM

2 With a given supply curve, a decrease in demand causes

- an overall decrease in price but an increase in equilibrium quantity.
- an overall increase in price but a decrease in equilibrium quantity.
- an overall decrease in price and a decrease in equilibrium quantity.
- no change in overall price but a reduction in equilibrium quantity

Chapter 4

MTP Oct 21, ICAI SM

3 Assume that consumers' incomes and the number of sellers in the market for good A both decrease. Based upon this information, we can conclude, with certainty, that the equilibrium:

- price will increase.
- price will decrease.
- quantity will increase.
- quantity will decrease

MTP Oct 21, ICAI SM

4 If supply increases in a greater proportion than demand

- The new equilibrium price and quantity will be greater than the original equilibrium price and quantity.
- The new equilibrium price will be greater than the original equilibrium price but equilibrium quantity will be higher.
- The new equilibrium price and quantity will be lower than the original equilibrium price and quantity.
- The new equilibrium price will be lower than the original equilibrium and the new equilibrium quantity will be higher.

Chapter 4

MTP Oct 21, ICAI SM

5 Assume that in the market for good Z there is a simultaneous increase in demand and the quantity supplied. The result will be

- an increase in equilibrium price and quantity.
- a decrease in equilibrium price and quantity.
- an increase in equilibrium quantity and uncertain effect on equilibrium price.
- a decrease in equilibrium price and increase in equilibrium quantity.

MTP Oct 21, ICAI SM

6 Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity?

- Price will increase; quantity cannot be determined.
- Price will decrease; quantity cannot be determined.
- Quantity will increase; price cannot be determined.
- Quantity will decrease; price cannot be determined

A.Q.

At a particular price level, there are no forces tending to move it either up or down

- The firm is in equilibrium
- The price in equilibrium
- The equilibrium price of the firm
- The equilibrium price & quantity of the firm

- 1 & 4 only
- 1, 2 & 4 only
- 3 & 1 only
- 4 only

MTP Mar 21

8 A rise in supply and demand in equal proportion will result in

- increase in equilibrium price and decrease in equilibrium quantity
- decrease in equilibrium price and increase in equilibrium quantity
- no change in equilibrium price and increase in equilibrium quantity
- increase in equilibrium price and no change in equilibrium quantity

MTP May 20

9 If good growing conditions increases the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought

- increases and the price might rise, fall or not change.
- does not change but the price rises.
- does not change but the price falls.
- increases and the price rises

MTP Aug 18

10 Which of the following situation does not lead to an increase in equilibrium price?

- a) An increase in demand, without a change in supply
- b) A decrease in supply accompanied by an increase in demand
- c) A decrease in supply without a change in demand
- d) An increase in supply accompanied by a decrease in demand

MTP Oct 18

11 A drought in India leads to unusually low level of wheat production. This would lead to a rise in price of wheat and fall in the quantity of wheat demanded due to:

- a) excess demand at the original price.
- b) excess supply at the original price.
- c) the supply curve shifting to the right.
- d) the demand curve shifting to the left.

MTP Aug 18

12 Suppose consumer tastes shift toward the consumption of apples. Which of the following statements is an accurate description of the impact of this event on the market for apples?

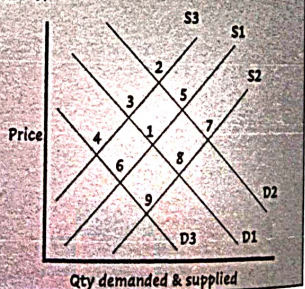
- a) There is an increase in the quantity demanded of apples and in the supply for apples
- b) There is an increase in the demand and supply of apples.
- c) There is an increase in the demand for apples and a decrease in the supply of apples.
- d) There is an increase in the demand for apples and an increase in the quantity supplied.

MTP Jun 22

13 When demand increases and supply decreases,

- a) the equilibrium price and quantity both rise
- b) the equilibrium price and quantity both fall
- c) the equilibrium price rises but nothing certain can be said about the change in equilibrium quantity.
- d) the equilibrium quantity rises but nothing certain can be said about the change in equilibrium price.

Refer the below graph for questions 14-17



Qty demanded & supplied

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ICAI SM

14 Assume X is a normal good. Holding everything else constant, assume that income rises and the price of a factor of production also increases.

- a) Point 3
- b) Point 5
- c) Point 8
- d) Point 2

ICAI SM

15 We are analyzing the market for good Z. The price of a complement good, good Y, declines. At the same time, there is technological advance in the production of good Z.

- a) Point 6
- b) Point 7
- c) Point 3
- d) Point 1

ICAI SM

16 Heavy rains in Maharashtra during 2005 and 2006 caused havoc with the rice crop.

- a) Point 9
- b) Point 3
- c) Point 4
- d) Point 5

Answer Key – Economics Chapter 4 – Unit 2

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

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UNIT 3	
Perfect Competition	
MTP Oct 19, ICAI SM	
1	Which of the following is not an essential condition of pure competition? a) Large number of buyers and sellers b) Homogeneous product c) Freedom of entry d) Absence of transport cost
SEQ, ICAI SM	
2	What is the shape of the demand curve faced by a firm under perfect competition? a) Horizontal b) Vertical c) Positively sloped d) Negatively sloped
ICAI SM	
3	Which is the first order condition for the profit of a firm to be maximum? a) $AC = MR$ b) $MC = MR$ c) $MR = AR$ d) $AC = AR$
MTP Oct 18, ICAI SM, SEQ	
4	Which of the following is not a characteristic of a "price-taker"? a) $TR = P \times Q$ b) $AR = Price$ c) Negatively - sloped demand curve d) Marginal Revenue = Price
MTP Mar 18	
5	In perfectly competitive firm, MC curve above AVC is ___ Curve a) Average cost b) Marginal revenue c) Demand d) Supply
ICAI SM	
6	Which of the following is not a condition of perfect competition? a) A large number of firms. b) Perfect mobility of factors. c) Informative advertising to ensure that consumers have good information. d) Freedom of entry and exit into and out of the market
ICAI SM	
7	Which of the following is not a characteristic of a perfectly competitive market? a) Large number of firms in the industry. b) Outputs of the firms are perfect substitutes for one another. c) Firms face downward-sloping demand curves. d) Resources are very mobile.

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MTP Aug 18, ICAI SM	
8	Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be "small" relative to the market. Which of the following best describes this smallness? a) The individual firm must have fewer than 10 employees. b) The individual firm faces a downward-sloping demand curve. c) The individual firm has assets of less than Rs. 20 lakhs. d) The individual firm is unable to affect market price through its output decisions.
Extra MCQ	
9	In _____ market, price being given, a firm decides only about the output. a) Monopoly b) Monopolistic competition c) Oligopoly d) Perfect competition
MTP Mar 19, Apr 19, MTP Mar 22, ICAI SM	
10	For a price-taking firm: a) marginal revenue is less than price. b) marginal revenue is equal to price. c) marginal revenue is greater than price. d) the relationship between marginal revenue and price is indeterminate
ICAI SM	
11	Under which of the following forms of market structure does a firm have no control over the price of its product? a) Monopoly b) Monopolistic competition c) Oligopoly d) Perfect competition
ICAI SM	
12	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 the market. c) each firm produces a homogeneous product. d) there is easy entry into or exit from the market place
ICAI SM	
13	A purely competitive firm's supply schedule in the short run is determined by a) its average revenue. b) its marginal revenue. c) its marginal utility for money curve. d) its marginal cost curve
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14 ICAI SM, MTP May 23
Which of the following statements is incorrect?

- a) Even a monopolistic firm can have losses.
- b) Firms in a perfectly competitive market are price takers.
- c) It is always beneficial for a firm in a perfectly competitive market to discriminate prices.
- d) Kinked demand curve is related to an oligopolistic market.

15 SEQ
Which of the following statement is incorrect?

- a) Even monopolist can earn losses
- b) Firms in a perfectly competitive market are price-takers
- c) It is always beneficial for a firm in the perfectly competitive market to discriminate prices
- d) Economic laws are less exact than the laws of physical sciences

MTP Oct 21, ICAI SM, MTP Oct 21

16 When _____, we know that the firms are earning just normal profits

- a) $AC = AR$
- b) $MC = MR$
- c) $MC = AC$
- d) $AR = MR$

MTP Mar 18, Oct 18, ICAI SM

17 When _____ we know that the firms under perfect competition must be producing at the minimum point of the average cost curve and so there will be productive efficiency

- a) $AC = AR$
- b) $MC = AC$
- c) $MC = MR$
- d) $AR = MR$

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22 ICAI SM
Which of the following markets would most closely satisfy the requirements for a perfectly competitive market?

- a) Electricity
- b) Cable television
- c) Cola
- d) Milk

23 ICAI SM
Which of the following statements is accurate regarding a perfectly competitive firm?

- a) Demand curve is downward sloping
- b) The demand curve always lies above the marginal revenue curve
- c) Average revenue need not be equal to price
- d) Price is given and is determined by the equilibrium in the entire market

24 ICAI SM
In the long-run equilibrium of a competitive market, firms operate at

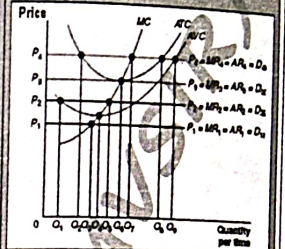
- a) the intersection of the marginal cost and marginal revenue
- b) their efficient scale
- c) zero economic profit
- d) all of these answers are correct

25 ICAI SM
Under perfect competition a firm is the _____:

- a) price-maker and not price-taker
- b) price-taker and not price-maker
- c) neither price-maker nor price-taker
- d) none of the above

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26 ICAI SM
At price P_1 , the firm in the figure would produce



- a) Zero output
- b) Q_3
- c) Q_5
- d) Q_6

MTP May 20, ICAI SM

27 If the average cost is higher than the average revenue then the firm incurs _____

- a) Normal profit
- b) Abnormal profit
- c) Loss
- d) No profit, no loss

MTP Apr 21, ICAI SM

28 Which of the following statements is correct?

- a) Price rigidity is an important feature of monopoly.
- b) Selling costs are possible under perfect competition.
- c) Under perfect competition factors of production do not move freely as there are legal restrictions.
- d) An industry consists of many firms.

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Chapter 4

ICAI SM, MTP Oct 21, Mar 21

29 Which of the following statements is incorrect?

- Under monopoly there is no difference between a firm and an industry.
- A monopolist may restrict the output and raise the price.
- Commodities offered for sale under a perfect competition will be heterogeneous.
- Product differentiation is peculiar to monopolistic competition

ICAI SM

30 Conditions for equilibrium of a firm are:

- MR = MC
- MC should cut MR from below.
- MR = AR and MC should cut MR from below.
- MR = MC and MC should have a positive slope

SEQ

31 Under _____ market condition, firms make normal profits in the long run.

- Perfect Competition
- Monopoly
- Oligopoly
- None of the above

Extra MCQ

32 _____ type of market is regarded as a myth by many.

- Perfect Competition
- Monopoly
- Oligopoly
- Monopolistic

MTP Mar 18, Oct 18, SEQ

33 When the perfectly competitive firm and industry are in long run equilibrium then:

- $P = MR = SAC = LAC$
- $D = MR = SMC = LMC$
- $P = MR =$ Lowest point on the LAC curve
- All of the above

MTP Apr 19, SEQ

34 In perfect competition the firm's _____ above AVC has the identical shape of the firm's supply curve

- Marginal revenue curve
- Marginal cost curve
- Average cost curve
- None of the above

MTP Mar 21

35 Under perfect competition the supply curve is derived from :

- MC curve
- AC curve
- TC Curve
- none of these.

SEQ

36 Under the perfect competition a firm will be in Equilibrium when :

- MC = MR
- MC cuts the MR from below
- MC is rising when it cuts the MR
- All of the above

SEQ

37 A perfectly competitive firm has control over

- price
- production as well as price
- production, price and consumers
- none of the above

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Chapter 4

CA Foundation New Syllabus

MTP Oct 21, MTP Mar 22, June 24, SEQ

38 Full capacity is utilized only when there is

- Monopoly
- Perfect competition
- Price discrimination
- Oligopoly

ICAI SM

39 Under perfect competition, in the long run, there will be no _____.

- normal profits
- supernormal profits.
- production
- costs

MTP Aug 18, SEQ

40 If a competitive firm doubles its output, its total revenue:

- doubles.
- more than doubles.
- less than doubles.
- cannot be determined because the price of the good may rise or fall

MTP Oct 18, SEQ

41 In the short run if a perfectly competitive firm finds itself operating at a loss, it will:

- Reduce the size of its plant to lower fixed costs.
- Raise the price of its product.
- Shutdown.
- Continue to operate as long as it covers its variable cost

A.Q.

42 For a competitive firm, long period normal price will

- Equal AC and MC of production
- Equal MC of production only
- Equal TC of production only
- None of these

A competitive firm sells as much as of its product it chooses at a market price of Rs. 100 per unit. Its fixed cost is Rs. 300 and its variable costs (in rupees) for different levels of production are shown in the following table. Use Table to answer questions 43-46

Qty.	Variable Cost	Fixed Cost	Total Cost	Average Variable Cost	Average Total Cost	Marginal Cost
0	0	-	-	-	-	-
5	270					
10	490					
15	720					
20	1000					
25	1370					
30	1870					
35	2540					

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40	3420				
45	4550				
50	5970				

43 When production is 35 units, the average variable cost is:

a) Rs. 7.25
b) Rs. 72.25
c) Rs. 72.57
d) Rs. 85.50

44 In the table marginal cost per unit that corresponds to 25 units of production is

a) Rs. 3.50
b) Rs. 74
c) Rs. 450
d) Rs. 370

MTP Oct 21, MTP Mar 22, SEQ

45 To maximize output, the firm should produce

a) 30
b) 35
c) 45
d) 50

Use following table to answer questions 48-51
A firm operating in perfect competition sells as much as of its products as it chooses at a market price of Rs. 100 per unit. Its Fixed cost is Rs. 300 and its Variable cost for different levels of production are shown in the above table.

Quantity	Variable Cost	Fixed Cost	Total Cost	AVC	ATC	MC
0	0					
5	25					
10	470					
15	700					
20	980					
25	1350					
30	1850					
35	2520					

40	3400				
45	4530				
50	5950				

MTP Aug 18, Apr 19

48 When production is 40 units, the average cost is:

a) Rs. 4.40
b) Rs. 7.50
c) Rs. 85
d) Rs. 92.50

MTP Aug 18, Apr 19

49 In the table, marginal cost per unit that corresponds to 40 units of production is:

a) Rs. 22
b) Rs. 85
c) Rs. 176
d) Rs. 880

MTP Aug 18, Apr 19

50 To maximize profit the firm should produce:

a) 15 units
b) 30 units
c) 35 units
d) 50 units

MTP Aug, 18 Apr 19

51 If the market price drops from Rs. 100 to Rs. 56 per unit, the firm's short run response should be

a) Shut down
b) Produce 5 units
c) Produce 20 units
d) Continue to produce the same number of units as before the drop in price

A.Q.

52 For a purely competitive firm total revenue

a) is price times quantity sold.
b) increases by a constant absolute amount as output expands.
c) graphs as a straight upsloping line from the origin.
d) has all of the above characteristics.

MTP Dec 22, A.Q.

53 A purely competitive seller's average revenue curve coincides with

a) its marginal revenue curve only
b) its demand curve only
c) both its demand & marginal revenue curves
d) Neither demand nor marginal revenue curve

A.Q.

54 A firm reaches a break-even point (normal profit position) where,

a) Marginal revenue curve cuts the horizontal axis.
b) Marginal cost curve intersects the average variable cost curve.
c) Total revenue equals total variable cost.
d) Total revenue and total cost are equal.

MTP Apr 21	
55	Raw materials and other factors of production is not monopolised, and labour is not unionised in which form of market structure:
a) Monopoly b) Perfect Competition c) Monopolistic Competition d) Oligopoly	

MTP Apr 21	
56	Wild Animals had destroyed the entire crops of a farmer what effect it will have on the price in perfect competition:
a) Price will remain constant b) Price will decrease c) Price will increase d) None of these	

MTP Mar 21	
57	The condition for pure competition to be fulfilled are -
a) large numbers of buyers and sellers b) products are homogeneous c) firms are free from entry and exit from the market d) all the above	

MTP May 20, June 24, ICAI SM	
58	The condition for pure competition is
a) large number of buyer and seller, free entry and exist b) homogeneous product c) both (a) and (b) d) large number of buyer and seller, homogeneous product, perfect knowledge about the product	

MTP Oct 21, Mar 21	
59	In which type of market buyers have no preference between different sellers and between different units of commodity offered for sale ?
a) Monopoly b) Perfect Competition c) Monopolistic Competition d) Oligopoly	

MTP Mar 21	
60	Foreign Exchange market is an example of -
a) perfect competition b) oligopoly c) monopoly d) monopolistic competition	

MTP Mar 21	
61	Break even point indicate which of the following ?
a) $TR = TC$ b) $TR > TC$ c) $TR = TVC$ d) none of these	

MTP Aug 18	
62	Which of the following market situations explains marginal cost equal to price for attaining equilibrium?
a) Perfect competition b) Monopoly c) Oligopoly d) Monopolistic competition	

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MTP Oct 18, Oct 21	
63	Price taker firms :
a) Advertise to increase the demand for their products. b) Do not advertise because most advertising is harmful for the society. c) Do not advertise because they can sell as much as they want at the current price. d) Who advertise will get more profits than those who do not	

MTP Nov 22, Oct 18, May 20, Nov 23	
64	Excess capacity is not found under _____
a) Monopoly b) Monopolistic competition c) Perfect competition. d) Oligopoly	

MTP Mar 19	
65	In perfect competition utilization of resources is
a) Partial b) Moderate c) Full d) Over	

MTP Mar 18, MTP Mar 19	
66	In the long run, normal profits are included in the _____ curve.
a) LAC b) LMC c) AFC d) SAC	

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MTP Aug 18, Mar 19, MTP Oct 18	
67	Which of the following statements is correct?
a) Monopolist can earn only profits b) Firms in a perfectly competitive market are price maker c) Industry in a perfectly competitive market is a price taker d) AR curve and demand curve are same	

MTP Apr 19	
68	Under which market structure, the control of firm over price is nil?
a) Perfect competition b) Monopoly c) Oligopoly d) Monopolistic Competition	

MTP Mar 19	
69	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 commodity are considered by buyers to be different c) Buyer discriminates in their purchases based on non-price factors. d) There are no obstacles to the free mobility of resources	

MTP Mar 18	
70	Shares traded in the stock market depict characteristics close to _____
a) Perfect competition b) Oligopoly c) Monopolistic Competition d) Monopoly	

MTP Oct 18

71 A competitive firm maximizes profit at the output level where:

a) Price equals marginal cost.
b) The slope of the firm's profit function is equal to zero.
c) Marginal revenue equals marginal cost.
d) All of the above.

MTP Oct 18

72 Which of the following is correct?

a) If marginal revenue is positive and falling, total revenue will rise at a decreasing rate.
b) Total revenue is equal to price times the quantity sold.
c) Under perfect competition, total revenue is equal to marginal revenue times the quantity sold.
d) All of the above

A.Q.

73 When a firm is maximizing profit it will necessarily be

a) Maximizing profit per unit of output.
b) Maximizing the difference between total revenue and total cost.
c) Minimizing total cost
d) Maximizing total revenue

MTP Apr 19

74 A firm under perfect competition will be making minimum losses (in the short run) at a point where:

a) $MC > MR$
b) $MR > MC$
c) $MC = MR$
d) $AC = AR$

Extra MCQ

75 Precious metals (gold, silver, platinum) approach the condition of _____

a) Perfect competition
b) Oligopoly
c) Monopolistic Competition
d) Monopoly

MTP Mar 21

76 When average cost is equal to average revenue of a firm, it gets _____.

a) sub normal profit
b) normal profit
c) abnormal profit
d) super profit

Extra MCQ

77 Demand curve of perfect competition market as a whole is _____

a) Downward sloping
b) Upward sloping
c) Horizontal
d) Vertical

MTP Jun 22

78 Marginal revenue is equal to the price under

a) Monopoly market structure
b) Oligopoly form of market
c) Monopolistically competitive market
d) Perfect competition

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MTP Jun 22, PYQ Sept 24

79 Short run supply curve of a perfectly competitive firm is _____

a) That portion of the short run marginal cost curve that is above the average variable cost curve
b) That portion of the short run marginal cost curve that is above the average total cost curve
c) That portion of short run average total cost curve that is above the average variable cost curve
d) None of the above is correct.

MTP Mar 22

80 In the Short run level of output the firm at the optimum will be:

a) Minimizing total losses
b) Maximizing total profit
c) Either maximizing total profit or minimizing total losses
d) None of these

MTP Mar 22

81 Supply Schedule in a purely competitive firm in the short run is determined by:

a) Marginal revenue
b) Average revenue
c) Marginal cost curve
d) None of these

MTP Mar 21

82 In the short run, a perfect competitive firm can-

a) Earn normal profit
b) Earn super-normal profit
c) incur Losses
d) Any of the above

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MTP Mar 21

83 When firm is in long run equilibrium in perfect competition, which of following is not true -

a) $AC = MR$
b) $TR = TC$
c) firm will earn supernormal profit
d) None of these

Extra MCQ

84 Here, PC firm is _____

a) Incurring Losses
b) Earning super-normal profit
c) Earning normal profit
d) Any of the above

MTP Dec 22

85 At the best, or optimum, short-run level of output, the firm will be

a) maximizing total profits
b) minimizing total losses
c) either maximizing total profits or minimizing total losses
d) maximizing profits per unit.

PYQ Jun 22

86 Which of the following product market is close to perfect competition?

a) Mobile phones
b) Car
c) Utensils
d) Agricultural product

Monopolistic Competition	
ICAI SM, MTP Apr 23	
87	Which of the following is not a characteristic of monopolistic competition? a) Ease of entry into the industry b) Product differentiation. c) A relatively large number of sellers. d) A homogeneous product
Extra MCQ	
88	In case of Monopolistic Competition, the less differentiated the product is from its competitors, the ___ demand curve will be a) Less elastic b) More elastic c) More steeper d) None of the above
ICAI SM, SEQ	
89	The structure of the toothpaste industry in India is best described as a) perfectly competitive. b) monopolistic. c) monopolistically competitive. d) oligopolistic
ICAI SM	
90	Monopolistic competition differs from perfect competition primarily because a) in monopolistic competition, firms can differentiate their products. b) in perfect competition, firms can differentiate their products. c) in monopolistic competition, entry into the industry is blocked. d) in monopolistic competition, there are relatively few barriers to entry.
A.Q.	
91	The long-run equilibrium outcomes in monopolistic competition and perfect competition are similar, because in both market structures a) the efficient output level will be produced in the long run. b) firms will be producing at minimum average cost. c) firms will only earn a normal profit. d) firms realise all economies of scale
ICAI SM	
92	Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude That a) the firm operates in a perfectly competitive market. b) the firm can sell all that it wants to at the established market price. c) the XYZ Co. is not a price-taker in the market because it must lower price to sell additional units of output. d) the XYZ Co. will not be able to maximise profits because price and revenue are subject to change.
A.Q.	
93	Monopolistic competition has features of a) Monopoly but not competition b) Monopoly and competition with features of competition predominating c) Monopoly and competition with features of monopoly predominating d) None of the above

MTP Nov 22, A.Q.	
94	The competitive seller's demand curve will become more elastic, the a) more significant the barriers to entering the industry. b) greater the degree of product differentiation. c) larger the number of competitors. d) smaller the number of competitors
MTP Apr 21	
95	Shampoo manufactures is an example of : a) Perfect Competition b) Monopolistic Competition c) Monopoly d) None of these
MTP Apr 21	
96	The dilemma faced by a Monopolistic is setting _____. a) Price b) Output c) Both a and b d) Either a or b
MTP Apr 21	
97	Monopolistic Competition theory architect was : a) Roden b) Marx c) J R Hicks d) Chamberlin
MTP Apr 21	
98	Which markets form has features of selling cost : a) Oligopoly b) Monopolistic Competition c) Monopoly d) None of these
MTP Mar 21	
99	Which is not the characteristics of monopolistic competition. a) Large number of sellers b) homogeneous Product c) freedom of entry and exit d) non price discrimination
MTP Mar 21	
100	The Price elasticity for Monopolistic Firm is : a) $e > 1$ b) $e < 1$ c) $e = 1$ d) none of these
MTP Mar 21	
101	Average revenue curve is more elastic under monopolistic competition than monopoly due to a) low degree of governmental control b) lack of close substitute c) availability of close substitute d) none of these
MTP Oct 21	
102	A Monopolistic Competitive firm advertises : a) Because it has no control over price of its product. b) To lower its cost of production c) To increase its sales and profits d) Because it cannot raise price of its product
PYQ Jun 22, Jun 23, MTP Apr 19	
103	Product differentiation is the most important feature of: a) Monopolistic Competition b) Monopoly c) Oligopoly d) Perfect Competition

MTP Mar 19	
104	Soap industry is an example of: a) Oligopoly b) Perfect competition c) Monopolistic competition d) Monopoly
MTP Mar 19	
105	Excess Capacity is the essential characteristic of the firm in the market form of: a) Monopoly b) Perfect competition c) Monopolistic competition d) Oligopoly
MTP Oct 18	
106	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
MTP Aug 18	
107	The sale of branded articles is common in a situation of ____ a) Excess capacity b) Monopolistic competition c) Monopoly d) Pure competition
MTP Oct 19, ICAI SM	
108	A market structure in which many firms sell products that are similar but not identical is known as a) monopolistic competition b) monopoly c) perfect competition d) oligopoly

ICA I SM	
109	Which of the following is not a characteristic of a monopolistically competitive market? a) Free entry and exit b) Abnormal profits in the long run c) Many sellers d) Differentiated products
SEQ	
110	In short run, a firm in monopolistic competition a) always earns profits b) incurs losses c) earns normal profit only d) may earn normal profit, supernormal profit or incur losses
MTP Mar 21, June 24	
111	Demand Curve in the monopolistic competition is - a) infinitely elastic b) downward sloping and highly inelastic c) downward sloping and more elastic demand curve. d) none of these.
MTP Nov 22, MTP Jun 22	
112	Which of the following is a differentiated product? a) A hamburger b) A shirt c) An automobile d) All of the above
MTP Mar 22	
113	In a monopolistically competitive market: a) Firm face a perfectly elastic demand for its product b) Does not face a perfectly elastic demand for its product c) Cannot be determined d) None of these

MTP Dec 22	
114	When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve, a) always b) never c) sometimes d) cannot say.
MTP Dec 22	
115	Which of the following is true at equilibrium in monopolistic competition? a) Price is greater than marginal cost b) Price is greater than marginal revenue c) Both (A) and (B) d) Price is equal to marginal revenue
PYQ Jun 22	
116	Non-price competition is observed in which type of following market? a) Monopoly b) Monopolistic competition c) Duopoly d) Oligopoly
Monopoly	
MTP Mar 18, Apr 19, ICAI SM	
117	In which form of the market structure is the degree of control over the price of its product by a firm very large? a) Monopoly b) Imperfect Competition c) Oligopoly d) Perfect competition
ICA I SM, MTP Apr 23	
118	Discriminating monopoly implies that the monopolist charges different prices for his commodity: a) from different groups of consumers b) for different uses c) at different places d) any of the above
ICA I SM	
119	Under monopoly, the degree of control over price is a) none b) some c) very considerable d) none of the above
MTP May 20, ICAI SM	
120	The firm and the industry are one and the same in ____ a) Perfect competition b) Monopolistic competition c) Duopoly d) Monopoly
ICA I SM	
121	Monopoly may arise in a product market because a) A significantly important resource for the production of the commodity is owned by a single firm. b) The government has given the firm patent right to produce the commodity. c) The costs of production and economies of scale makes production by a single producer more efficient. d) All the above

ICAI SM	
122	The demand curve of a monopoly firm will be ____
a) Upward sloping b) Downward sloping c) Horizontal d) Vertical	

ICAI SM	
123	Natural Monopoly arises when
a) There is enormous goodwill enjoyed by a firm. b) There are stringent legal and regulatory requirement. c) There are very large Economies of Scale. d) There are Business Combinations and Cartels	

MTP Oct 18, SEQ	
124	In monopoly, the relationship between average and marginal revenue curves is as follows:
a) AR curve lies above the MR curve b) AR curve coincides with the MR curve c) AR curve lies below the MR curve d) AR curve is parallel to the MR curve	

MTP Oct 21, MTP Apr 21, SEQ	
125	New firms are barred from entering the market in
a) Perfect competition b) Oligopoly c) Monopolistic competition d) Monopoly	

MTP Aug 18, SEQ	
126	Which of the following statements about price and marginal cost in competitive and monopolized markets is true?
a) In competitive markets, price equals marginal cost; in monopolized markets, price equals marginal cost. b) In competitive markets, price exceeds marginal cost; in monopolized markets, price exceeds marginal cost. c) In competitive markets, price equals marginal cost; in monopolized markets, price exceeds marginal cost. d) In competitive markets, price exceeds marginal cost; in monopolized markets, price equals marginal cost.	

MTP Dec 22, Apr 23, June 24, SEQ	
127	In long run equilibrium the pure monopolist can make pure profits because of
a) Blocked entry b) The high price he charges c) The low LAC costs d) Advertising	

SEQ	
128	In the case of monopoly;
a) MR curve cannot be defined b) AR curve cannot be defined c) the short run supply curve cannot be defined d) none of the above	

A.Q.	
129	With respect to the pure monopolist's demand curve it can be said that
a) The stronger the barrier to entry, the more elastic is the monopolist's demand curve. b) Price exceeds marginal revenue at all outputs greater than 1. c) Demand is perfectly inelastic. d) Marginal revenue equals price at all outputs	

A.Q.	
130	If a monopolist could perfectly discriminate the which of the following statements would be true?
a) Every increment of the goods would be priced separately so as to capture the entire consumer surplus. b) Every increment of the goods would be priced evenly. c) Every increment of goods would be priced higher than the previous one. d) Every increment of goods would be priced lower than the previous one.	

MTP Apr 21, Apr 23	
131	AR is different from MR under
a) Monopoly b) Monopolistic competition c) Perfect Competition d) Both a and b	

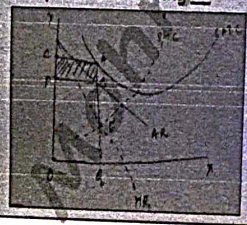
A.Q.	
133	Because the monopolist's demand curve is down sloping
a) Marginal revenue equals price. b) Price must be lowered to sell more output. c) The elasticity coefficient will increase as price lowered. d) Its supply curve will also be downsloping.	

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MTP Apr 21, Apr 23
134 Unique supply curve in monopoly is not due to ____
a) $P > MC$
b) $P < MC$
c) $P = MC$
d) None of these

MTP Apr 21, Apr 23
135 Cross elasticity of Product in Monopoly is:
a) Zero
b) High
c) Infinity
d) None of these

MTP Mar 22
136 Cross elasticity of demand for the monopolist's product or any other product is ____
a) Zero
b) Very small
c) High
d) Either (a) or (b)

MTP Apr 21
137 In the following diagram the Monopolist is incurring ____

a) Losses
b) Profit
c) Super normal profit
d) None of these

MTP Apr 21
138 In the absence of competition the monopolist:
a) The monopolist need not produce at the optimal level
b) Produce at the optimal level
c) Either a or b
d) None of these

MTP Mar 21, Dec 23
139 Dynamic fare charged by Indian railways is an example of:
a) pure monopoly
b) discriminating monopoly
c) perfect competition
d) none of these

MTP Mar 21, Dec 23, June 24
140 The firm and industry are same in:
a) duopoly
b) monopoly
c) perfect competition
d) none of these

MTP Mar 21
141 The shape of TR curve of the monopolist is:
a) u shaped
b) inverted u shaped
c) downward sloping
d) none of these

MTP Apr 19
142 In the long run under which market a firm may earn super normal profits?
a) Monopolistic competition
b) Perfect competition
c) Oligopoly
d) Monopoly

MTP Mar 18, Apr 19
143 A monopolist is able to maximize his profits when:
a) His output is maximum
b) He charges high price
c) His average cost is minimum
d) His marginal cost is equal to marginal revenue

MTP Mar 19
144 MR curve under Monopoly lies between AR and Y - axis because, the rate of decline of the MR is
a) Just half of the rate of decline of AR
b) Just equal to the rate of decline of AR
c) Just triple the rate of decline of the average revenue
d) Just double the rate of decline of the average revenue

MTP Aug 18
145 A monopolist who is selling in two markets in which demand is not identical will be unable to maximize his profits unless he
a) Sells below costs of production in both markets
b) Practices price discrimination.
c) Equates the volume of sales in both markets.
d) Equates marginal costs with marginal revenue in one market only.

MTP May 20, ICAI SM
149 When the monopolist divides the consumers into separate sub markets and charges different prices in different sub-markets it is known as
a) first degree of price discrimination
b) second degree of price discrimination
c) third degree of price discrimination
d) none of the above

MTP Nov 22, MTP Oct 18
146 Monopolies are allocatively inefficient because:
a) They restrict the output to keep the price higher than under perfect competition.
b) They charge a price higher than the marginal cost.
c) Both (a) and (b) are correct.
d) Both (a) and (b) are incorrect

MTP May 20, Nov 22, May 23, Nov 23, Jun 24, ICAI SM
147 Price discrimination will be profitable only if the elasticity of demand in different sub-markets is:
a) Uniform
b) different
c) Less
d) zero

ICAI SM
148 Price discrimination is one of the features of ____
a) monopolistic competition
b) monopoly
c) perfect competition
d) oligopoly

MTP May 20, ICAI SM	
150	Under _____ the monopolist will fix a price which will take away the entire consumers' surplus
a) first degree of price discrimination b) second degree of price discrimination c) third degree of price discrimination d) none of the above	

ICAI SM	
151	Price discrimination is related to
a) time b) size of the purchase c) Income d) any of the above	

ICAI SM, MTP Mar 21, Mar 18, Apr 23, SEQ	
152	Price Discrimination cannot persist under the following market form:
a) Perfect Competition b) Monopoly c) Monopolistic d) Oligopoly	

ICAI SM	
153	Price varies by attributes such as location or by Customer Segment is _____ degree of Price Discrimination.
a) First b) Second c) Third d) Fourth	

SEQ, MTP May 24	
154	Price discrimination is a situation when a producer
a) Charges different prices in different markets b) Charges same price c) Charges many prices d) All of the above	

Extra MCQ	
155	Family pack of soaps or biscuits tends to cost less per kg than smaller packs. It is case of _____

Extra MCQ	
a) First degree of price discrimination b) Second degree of price discrimination c) Third degree of price discrimination d) Fourth degree of price discrimination	

SEQ	
156	The demand curve facing an industrial firm under monopoly is
a) horizontal straight line b) indeterminate c) downward sloping d) upward sloping	

A.Q.	
157	Which of the following is an essential condition for price discrimination? Choose the correct answer using the codes given below: 1. Existence of two or more than two markets 2. Full control over the supply 3. Communication between buyers in different sectors of the monopolist's market 4. Existence of different elasticity of demand in different markets. 5. No possibility of reselling a commodity at a higher price in another market.
a) 1, 2, 3 & 4 b) 2, 3, 4 & 5 c) 3, 4 & 5 d) 1, 2, 4 & 5	

MTP Mar 19	
158	Price discrimination occurs when:
a) Producer sells a specific commodity or service to different buyers for the same price b) Producer sells a specific commodity or service to different buyers at two or more different prices due to difference in cost c) Producer sells a specific commodity or service to different buyers at two or more different prices for reasons not associate with difference in cost d) Producer under perfect competition sells different goods to consumers at different prices	

Extra MCQ	
159	_____ classified three degrees of price discrimination
a) Alfred Marshall b) Prof. Pigou c) Hicks & Allen d) Adam Smith	

MTP Mar 21	
160	Price discrimination is possible when
a) seller should have some control over the supply of the Product b) price elasticity of the product should be different in different submarket c) seller should be able to divide his market into two or more submarket d) All of these	

MTP Jun 22	
161	Consider the following statements and select the correct answer from the given options. Assertion (A): Although a monopolist can charge any price he likes, but does not charge a higher price than his equilibrium price. Reason (R): Higher price means fall in total revenue.
a) Both (A) and (R) are true and (R) is the correct explanation of (A) b) Both (A) and (R) are true and (R) is not the correct explanation of (A) c) (A) is true but (R) is false d) (A) is false but (R) is true	

MTP Jun 22

162 Marginal Revenue of a monopoly firm is less than the price because

- a) Demand curve has a positive slope.
- b) Demand curve has a negative slope.
- c) Monopolist incurs losses.
- d) Monopolist is in equilibrium.

MTP Mar 22, Apr 23, June 24

163 If the monopolist incur losses in the short run then in the long run:

- a) It will stay in the business
- b) Go out of business
- c) Will break even
- d) Any of the above is possible

MTP Mar 22

164 A cartel which is market sharing will reach the monopoly situation:

- a) Always when the product is homogenous
- b) Always when the product is differentiated
- c) Sometime
- d) None of these

MTP Oct 19

165 A monopolist is a-

- a) Price maker
- b) Price-taker
- c) Price adjuster
- d) None of the above

MTP Mar 22

166 The price elasticity for demand for monopolist's product is :

- a) < 1
- b) > 1
- c) $= 0$
- d) None of these

MTP Dec 22

167 In the short run, the monopolist

- a) breaks even,
- b) incurs a loss,
- c) makes a profit
- d) any of the above.

MTP Nov 22

168 A monopolized market is in long run equilibrium when

- a) Zero economic profit is earned by the monopolist
- b) Production takes place where price is equal to long run MC and AC
- c) Production takes place where long run MC is equal to MR and price is not below the long run average cost.
- d) All of the above are correct

MTP Nov 22

169 All the following are the features of monopoly except

- a) There is a single seller
- b) The firm is a price taker
- c) The firm produces a unique product
- d) The existence of some advertising

Extra MCQ

170 Price under monopoly is higher than price under _____

- a) Perfect competition
- b) Monopolistic competition
- c) Oligopoly
- d) All of the above

PYQ Jun 22

171 Under monopoly market conditions, MR is _____ than the AR.

- a) Less
- b) Greater
- c) Equal
- d) Variable

oligopoly

ICAI SM

172 Which of the following is the distinguishing characteristic of oligopolies?

- a) A standardized product
- b) The goal of profit maximization
- c) The interdependence among firms
- d) Downward-sloping demand curves faced by firms

MTP Oct 19, Oct 21, SEQ, ICAI SM

173 In the context of oligopoly, the kinked demand hypothesis is designed to explain

- a) Price and output determination
- b) Price rigidity
- c) Price leadership
- d) Collusion among rivals.

ICAI SM

174 If firms in the toothpaste industry have the following market shares, which market structure would best describe the industry?

Market share	(% of market)
Toothpaste	18.7
Dentipaste	14.3
Shinibright	11.6
I can't believe its not toothpaste	9.4
Brighter than white	8.8
Pastystuff	7.4
Others	29.8

- a) Perfect competition.
- b) Monopolistic competition.
- c) Oligopoly
- d) Monopoly.

SEQ, ICAI SM, MTP Nov 23

175 The kinked demand curve model of oligopoly assumes that

- a) the response (of consumers) to a price increase is less than the response to a price decrease.
- b) the response (of consumers) to a price increase is more than the response to a price decrease.
- c) the elasticity of demand is constant regardless of whether price increases or decreases.
- d) the elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases.

SEQ, ICAI SM

176 One characteristic not typical of oligopolistic industry is

- a) horizontal demand curve.
- b) too much importance to non-price competition.
- c) price leadership.
- d) a small number of firms in the industry

SEQ, MTP Oct 18, ICAI SM

177 The structure of the cold drink industry in India is best described as

- a) perfectly competitive.
- b) monopolistic.
- c) monopolistically competitive.
- d) oligopolistic

ICAI SM

178 The market for hand tools (such as hammers and screwdrivers) is dominated by Draper, Stanley, and Craftsman. This market is best described as

- a) Monopolistically competitive
- b) a monopoly
- c) an oligopoly
- d) perfectly competitive

MTP Oct 21, ICAI SM

179 Pure oligopoly is based on the _____ product

- a) differentiated
- b) homogeneous
- c) unrelated
- d) none of the above

180 In oligopoly, when the industry is dominated by one large firm which is considered as leader of the group, then it is called:

- a) full oligopoly
- b) collusive oligopoly
- c) partial oligopoly
- d) syndicated oligopoly

MTP Oct 21, ICAI SM, PYQ Dec 23

181 When the products are sold through a centralized body, oligopoly is known as

- a) organized oligopoly
- b) partial oligopoly
- c) competitive oligopoly
- d) syndicated oligopoly

SEQ

182 If oligopolists engage in collusion and successfully form a cartel, the market outcome is

- a) The same as if it were served by a monopoly
- b) The same as if it were served by competitive firms
- c) Efficient because cooperation improves efficiency
- d) Known as Nash equilibrium

MTP Apr 21

183 Reliance Jio can be described as part of which form to market structure :

- a) Oligopoly
- b) Monopoly
- c) Duopoly
- d) Perfect Competition

MTP Apr 21, Apr 23

184 Cartels can be formed in which form of market:

- a) Perfect competition
- b) Monopoly
- c) Oligopoly
- d) None of these

ICAI SM, MTP Mar 21, May 23, Apr 23, June 24

185 The concept of price rigidity in Sweezy's model is related to which market form:

- a) oligopoly market
- b) perfect competition market
- c) monopoly market
- d) monopolistic market

MTP Mar 21, June 24

186 The price in collusive oligopoly is decided by:

- a) firm
- b) price leader
- c) industry
- d) none of these

MTP Oct 19

187 Homogeneous product are sold under-

- a) Collusive oligopoly
- b) Non-collusive oligopoly
- c) Perfect oligopoly
- d) Imperfect oligopoly

MTP Oct 18

188 Which one of the following is the best example of agreement between oligopolists?

- a) GATT
- b) OPEC
- c) WTO
- d) UNIDO

MTP Aug 18

189 In which of the following market system, there are few sellers in the market in the market selling similar or differentiated product?

- a) Perfect Competition
- b) Monopoly
- c) Oligopoly
- d) Monopsony

ICAI SM

190 Oligopolistic industries are characterized by:

- a) a few dominant firms and substantial barriers to entry.
- b) a few large firms and no entry
- c) a large number of small firms and no entry barriers.
- d) one dominant firm and low entry barriers.

MTP Mar 18

191 Kinked demand curve in oligopoly market explains:

- a) Price and output determination
- b) Existence of very few firms in the market
- c) Price rigidity
- d) Price leadership

MTP Jun 22

192 Oligopolistic industries

- a) are characterized by a relatively large number of small firms.
- b) may produce either standardized or differentiated products.
- c) always produce differentiated products.
- d) always produce stan products.

MTP Mar 22

193 The concept of price rigidity in market is explained in which form of market:

a) Monopolistic Market
b) Perfect Competition
c) Oligopoly
d) Monopoly

MTP Dec 22

194 In the kinked demand curve models, the oligopolists

a) Recognize their interdependence
b) Do not collude
c) Tend to keep prices constant
d) All of the above

MTP Mar 21

195 Telecom Industry is an example of

a) Monopoly
b) Perfect Competition
c) Oligopoly
d) Monopolistic competition

MTP Nov 22

A point of 'Kink' in the kinked demand curve indicates

196 I. Price rigidity
II. Quantity rigidity
III. Price flexibility
IV. Quantity flexibility

a) I & II are correct
b) II & III are correct
c) III & IV are correct
d) I & IV are correct

MTP Nov 22

197 If a firm sells its output on a market that is characterized by few sellers and many buyers and limited long run resource mobility, then the firm is

a) A monopolist
b) An oligopolist
c) A perfect competitor
d) A monopolistic competitor

PYQ Jun 22

198 Price rigidity concept is related to _____

a) Duopoly
b) Monopoly
c) Oligopoly
d) Monopolistic competition

PYQ Jun 22

199 Pure oligopoly occurs when _____

a) The product is homogeneous
b) The product is differentiated
c) The industry is dominated by one large firm
d) The absence of price leadership

PYQ Jun 22

200 The elasticity of demand on the upper segment of a kinked demand curve will be _____

a) Infinite
b) Equal to one
c) Greater than one
d) Less than one

MTP Oct 19, Apr 21, Apr 23, ICAI SM

201 Combination of Monopoly Market and Monopsony Market is called as:

a) Duopoly Market
b) Oligopoly Market
c) Bilateral Monopoly Market
d) Monopolistic Market

Additional Practice Questions

A.Q.

202 Imperfect competition arises when

a) There is imperfect rivalry among competitors
b) There are unexplainable imperfections in the market
c) Competition does not exist
d) Product variation, ignorance of consumers and distance & transportation costs lead to Imperfection in the competitive market which operates on certain assumptions.

A.Q.

203 Match List I with List II and choose the correct answer using the codes given below.

LIST I	
A	Perfect competition
B	Imperfect competition
C	Oligopoly
D	Monopoly

LIST II	
I.	Differentiated product
II.	Homogeneous or differentiated products
III.	Homogenous product
IV.	Sharply differentiated products

Codes:	a	b	c	d
(A)	I	II	III	IV
(B)	III	I	II	IV
(C)	IV	III	II	I
(D)	I	IV	III	II

A.Q.

204 Marginal cost is equal to marginal revenue, average cost is equal to average revenue, average revenue is equal to marginal revenue and average cost is equal to marginal cost. This is the condition of-

1. Long period equilibrium for a firm under oligopoly
2. Short period equilibrium for a firm under oligopoly
3. Long period equilibrium
4. Long period equilibrium for a firm under perfect competition
5. Short period equilibrium for a firm under perfect competition

a) 1 & 5 only
b) 3 & 4 only
c) 3 & 1 only
d) 2 only

MTP Apr 21

206 Which of the following statement is correct?

- An industry consists of many firms.
- Price rigidity is an important feature of monopoly.
- Under perfect competition factors of production do not move freely
- Selling cost are possible under perfect competition.

MTP Apr 21

207 Cinema Halls, Telephone bills etc. are following

- Differential Pricing
- Full cost pricing
- Marginal Cost Pricing
- None of these

MTP Mar 21

208 The Government offer minimum assured price to the farmers to purchase their output is called:

- market Price
- support Price
- equilibrium Price
- ceiling Price

MTP Apr 19

209 In Imperfect competition:

- Excess capacity always exists
- Excess capacity never exists
- Excess capacity may or may not exist
- None of the above

A.Q.

205 Price is

LIST I

a	Highest
b	Second highest
c	Third highest
d	Fourth highest

LIST 2

i.	Monopoly
ii.	Oligopoly
iii.	Monopolistic Competition
iv.	Perfect Competition

a) i-d, ii-c, iii-b, iv-a
b) i-a, ii-b, iii-c, iv-d
c) i-d, ii-a, iii-c, iv-b
d) i-a, ii-c, iii-b, iv-d

MTP Jun 22, RTP Sept 24

210 If the market demand curve for a commodity has a negative slope then the market structure must be:

- Perfect competition
- Monopoly
- Imperfect competition

a) The market structure cannot be determined as the information is insufficient

A.Q.

211 Demand curve is

LIST I

i.	Horizontal
ii.	Kinked
iii.	Downward sloping

LIST 2

a	Monopoly
b	Oligopoly
c	Perfect Competition

a) i-c, ii-a, iii-b
b) i-c, ii-b, iii-a
c) i-a, ii-b, iii-c
d) i-b, ii-a, iii-c

The following Table provides cost and price information for a firm called Comfy Cushions (CC). The firm produces and sells cushions using a fixed amount of capital equipment but can change the level of inputs such a labour and materials. Read the Table and answer questions 212-218

Production (Q)	Price per unit (P)	Total Cost (TC)	Average Total Cost (ATC)	Marginal Cost (MC)	Total Revenue (TR)	Marginal Revenue (MR)
0	250	500				
1	240	730				
2	230	870				
3	220	950				
4	210	1010				
5	200	1090				
6	190	1230				
7	180	1470				
8	170	1850				
9	160	2410				

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MCQ Compiler

Chapter 4

MTP Mar 18	
212	What is the value of fixed cost incurred by CC?
a) Rs. 252 b) Rs. 730 c) Rs. 500 d) cannot be determined	
MTP Mar 18	
213	What is the average total cost when 5 units are produced?
a) Rs. 218 b) Rs. 1090 c) Rs. 730 d) Rs. 210	
MTP Mar 18	
214	What is the marginal revenue (per unit) when production increase from 7 units to 8 units?
a) 160 b) 140 c) 120 d) 100	
MTP Mar 18	
215	What is the marginal cost when production increase from 3 to 4 units?
a) 140 b) 80 c) 60 d) 240	
MTP Mar 18	
216	To maximize its profit or minimize its loss, what level of production should CC choose?
a) 7 units b) 6 units c) 4 units d) 8 units	
MTP Mar 18	
217	At the profit maximizing level, what price should be charged?
a) Rs. 190 b) Rs. 200 c) Rs. 210 d) Rs. 220	
MTP Mar 18	
218	Calculate CC's maximum profit or minimum loss.
a) Loss of Rs. 100 b) Loss of Rs. 60 c) Profit of Rs. 90 d) Loss of Rs. 90	
Extra MCQ	
219	This type of oligopoly tends to process raw process raw materials or produce intermediate goods that are used as inputs by other industries
a) Open Oligopoly b) Collusive Oligopoly c) Pure Oligopoly d) Full Oligopoly	
Extra MCQ	
220	In _____ the market will be conspicuous by the absence of price leadership
a) Close Oligopoly b) Collusive Oligopoly c) Partial Oligopoly d) Full Oligopoly	
MTP Nov 22	
221	The buyers in the market include
a) Consumers b) Businesses c) Government d) All of the above	

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Chapter 4

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PYQ Jun 22	
222	Which of the following is a correct statement?
a) Firms have to incur a good deal of costs on advertising and other sales promotion measures in oligopoly market b) A monopolist always earns supernormal profit c) Identical products are not found in a competitive market d) Close substitutes are available under monopoly	
MTP May 23	
223	Total profits are maximized when
a) TR equals TC b) The TR curve and the TC curve are parallel c) TC exceeds TR d) TR exceeds TC	
MTP May 23	
224	Two Suppliers and many buyers are in _____ market.
a) Duopoly b) Monopoly c) Perfect Competition d) Oligopoly	
MTP May 23, RTP Sept 24	
225	Under which market form, the demand curve is steeper as compared to monopolistic competition?
a) Monopoly b) Oligopoly c) Perfect Competition d) None of these	
MTP May 23, June 24	
226	Consumers get maximum variety of goods under:
Perfect Competition Monopolistic Competition Monopoly Pure Competition	
MTP May 23, Dec 23	
227	A few big sellers is a characteristics of:
a) Perfect Competition b) Monopolistic Competition c) Oligopoly d) None of the above	
Extra MCQ	
228	In which type of the following market product is homogeneous in nature
a) Pure oligopoly b) Pure monopoly c) Pure competition d) Both a & c	
MTP May 23, Dec 23, Aug 24	
229	Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-axis. It happens because:
a) Selling costs are zero b) There is freedom of entry and exit c) Firm is a price-taker d) None of these	
MTP Apr 23	
230	The market price cannot be influenced by a seller under:
a) Monopolistic Competition b) Monopoly c) Perfect Competition d) All the above	

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MTP May 23, July 24	
231	Firms cooperate with each other in determining price or output or both. It is a feature of: a) Pure Oligopoly b) Non-Collusive Oligopoly c) Imperfect Oligopoly d) Collusive Oligopoly
MTP Apr 23	
232	At the stage when Negative Return sets in : a) MP is negative b) MP is diminishing c) Either a or b d) none of these
PYQ Jun 23	
233	_____ is not an objective of price discrimination a) To enjoy economics of scale b) To dispose of surplus stock c) To escape foreign market d) To secure equity through pricing
MTP May 23	
234	Which of the following is correct about Cartel? a) There are few firms b) All of which are similar in size c) Most Cartels have only a Subset of producers d) All of the above
PYQ Jun 23	
235	Under which of the following market condition both average and marginal revenue are same a) Perfect competition b) Monopoly c) Monopolistic competition d) Oligopoly

MTP Apr 23	
236	Pears, Liril & Dove are example of a) Perfect Competition b) Monopoly c) Monopolistic Competition d) None of these
MTP May 23	
237	The Product under Pure Monopoly is: a) Homogenous b) Differentiated c) Unrelated d) None of these
MTP Apr 23	
238	How do monopoly arises: a) Strategic Control over scarce resources b) Governments granting exclusive rights to produce and sell a good or a service c) Stringent legal and regulatory requirements effectively discourages entry of new firms without being specifically prohibited d) All of the above
MTP Apr 23	
239	Which is the feature of monopolistic Competition: a) Large number of sellers b) Product differentiation c) Freedom of entry and exit d) All of the above
PYQ Jun 23	
240	Which of the following is the characteristic of monopoly a) Industry is dominating by large number of firms b) Freedom to entry and exit c) No close substitutes d) Only two firms is the market

1	D	21	C	41	D	61	A	81	C	101	C
2	A	22	D	42	A	62	A	82	D	102	C
3	B	23	D	43	C	63	C	83	C	103	A
4	C	24	D	44	B	64	C	84	C	104	C
5	D	25	B	45	A	65	C	85	C	105	C
6	C	26	A	46	D	66	A	86	D	106	D
7	C	27	C	47	D	67	D	87	D	107	B
8	D	28	D	48	D	68	A	88	B	108	A
9	D	29	C	49	C	69	D	89	C	109	B
10	B	30	D	50	B	70	A	90	A	110	D
11	D	31	A	51	C	71	D	91	C	111	C
12	B	32	A	52	D	72	D	92	C	112	D
13	D	33	D	53	C	73	B	93	B	113	B
14	C	34	B	54	D	74	C	94	C	114	B
15	C	35	A	55	B	75	A	95	B	115	C
16	A	36	D	56	A	76	B	96	D	116	B
17	B	37	D	57	D	77	A	97	D	117	A
18	C	38	B	58	C	78	D	98	B	118	D
19	C	39	B	59	B	79	A	99	B	119	C
20	A	40	A	60	A	80	C	100	A	120	D

Answer Key - Economics Chapter 4 - Unit 3

121	D	141	B	161	A	181	D	201	C	221	D
122	B	142	D	162	B	182	A	202	D	222	A
123	C	143	D	163	D	183	A	203	B	223	B
124	A	144	D	164	C	184	C	204	B	224	A
125	D	145	B	165	A	185	A	205	D	225	A
126	C	146	C	166	A	186	B	206	A	226	B
127	A	147	B	167	D	187	C	207	A	227	C
128	C	148	B	168	C	188	B	208	B	228	D
129	B	149	C	169	B	189	C	209	A	229	C
130	A	150	A	170	D	190	A	210	D	230	C
131	D	151	D	171	A	191	C	211	B	231	D
132	D	152	A	172	C	192	B	212	C	232	A
133	B	153	C	173	B	193	C	213	A	233	C
134	A	154	A	174	C	194	D	214	D	234	D
135	A	155	B	175	B	195	C	215	C	235	A
136	D	156	C	176	A	196	A	216	B	236	C
137	A	157	D	177	D	197	B	217	A	237	C
138	A	158	C	178	C	198	C	218	D	238	D
139	B	159	B	179	B	199	A	219	C	239	D
140	B	160	D	180	C	200	C	220	D	240	C

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Business Economics

Chapter 4
Price Determination in
Different Markets

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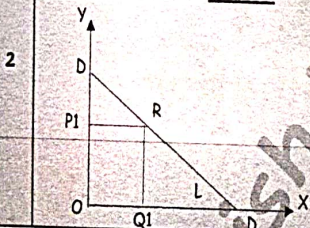
MTP Apr 24

1 Which of the following is true of an imperfect market structure?

- a) Participants in the market have little or no control over outcome in the market.
- b) Consumer surplus is maximized.
- c) The maximization of producer surplus may lead to a loss of net benefit for society.
- d) Imperfect market structures include monopolies but not cartels.

MTP Apr 24

In the below figure, if DD is the demand curve and R is the given point on it then area of shaded portion OP1 RQ1 is _____



- a) Total Revenue (TR)
- b) Marginal Revenue (MR)
- c) Total Cost (TC)
- d) None of these

MTP Apr 24

3 Marginal revenue of a firm is constant throughout under:

- a) Perfect Competition
- b) Monopolistic Competition
- c) Oligopoly
- d) All the above

4 Monopolistic constitutes: competition

- a) Single firm producing close substitutes
- b) Many firms producing close substitutes
- c) Many firms producing differentiated substitutes
- d) Few firms producing differentiated substitutes

MTP Apr 24

5 'Interdependence Between Firms' is a feature of which type of market form

- a) Oligopoly
- b) Monopolistic Competition
- c) Monopoly
- d) Perfect Competition

MTP Apr 24

6 A monopolist is able to maximize his profits when:

- a) his output is maximum
- b) he charges a high price
- c) his average cost is minimum
- d) his marginal cost is equal to marginal revenue

MTP Apr 24

7 For a Price taking firm:

- a) Marginal revenue is less than Price
- b) Marginal revenue is equal to Price
- c) The relationship between behavior marginal revenue and Price is indeterminate
- d) Marginal revenue is greater than price

MTP Apr 24

8 Price discrimination will be profitable only if the elasticity of different markets in which the total market has been divided is:

- a) Uniform
- b) Different
- c) Less
- d) zero

MTP Apr 24

9 Consumers get maximum variety of goods under:

- a) Perfect competition
- b) Monopolistic competition
- c) Monopoly
- d) None of these

PYQ Dec 23

10 In the perfect competition, an individual firm demand curve is

- a) Horizontal
- b) Vertical
- c) Downward sloping
- d) Upward sloping

PYQ Dec 23

11 A group of firms that explicitly agree (called) to coordinate their activities is called a _____

- a) Cartel
- b) Mutual group
- c) Friendship group
- d) Agreement

PYQ Dec 23

12 Electricity commission sells electricity of cheaper rate for home consumption in rural areas than for industrial consumption this is an example of

- a) Perfect competition
- b) Price discrimination
- c) Product discrimination
- d) Price taker

PYQ Dec 23

13 Which of the following is not a feature of the monopoly market.

- a) Single seller of the product
- b) Large sellers of the product
- c) No close substitutes
- d) Market power

PYQ Dec 23

14 When $MR = 0$; then $TR = ?$

- a) Minimum
- b) Maximum
- c) Zero
- d) Infinity

PYQ Dec 23

15 MR of nth term

- a) TR_n / TR_{n+1}
- b) $TR_n + TR_{n-1}$
- c) $TR_n - TR_{n+1}$
- d) $TR_n - TR_{n-1}$

PYQ Dec 23

16 When price is Rs. 200, quantity demanded is 10 units. Then price decreases by 3% and quantity demanded increased by 20%. The marginal revenue will be:

- a) Rs. 164
- b) Rs. 328
- c) Rs. 300
- d) Rs. 160

PYQ Dec 23

17 Telecom industry is an example of

- a) Monopoly
- b) Perfect competition
- c) Monopolistic competition
- d) Oligopoly

PYQ Dec 23
18 Grains sold in the market and paid cash immediately. Which type of market belongs to according to the nature of the transaction.
a) Spot market
b) Forward market
c) Wholesale market
d) Regulated market

PYQ Dec 23
19 A firm will earn _____ at equality between MC and MR
a) Maximum profit
b) Minimum profit
c) No (zero) profit
d) Maximum loss

PYQ Dec 23
20 Rajesh realizes Rs. 6000 while he is selling 60 units of mats and Rs. 7,200 while selling 61 units. His marginal revenue is _____
a) Rs. 118
b) Rs. 1,200
c) Rs. 6,000
d) Rs. 7,200

MTP Nov 23
21 Example of Third-Degree Price Discrimination:
a) Dumping
b) charging different prices for domestic and commercial uses
c) lower prices in railways for senior citizen
d) All of the above

MTP Nov 23
22 The market structure in which many firms sell products that are similar but not identical is:
a) Oligopoly
b) Monopoly
c) Monopolistic Competition
d) None of these

MTP Nov 23
23 In Monopoly entry of new firms:
a) is restricted at all the times
b) is possible only in the long run
c) is possible in the short run
d) Both (b) and (c)

MTP Nov 23
24 Theory of Group Behavior is related to:
a) Monopoly
b) Monopolistic Competition
c) Oligopoly
d) Perfect Competition

MTP Nov 23, RTP Sept 24
25 If the market demand curve for a commodity has a negative slope, then the market structure must be:
a) Perfect competition
b) Monopoly
c) Imperfect competition
d) The market structure cannot be determined as the information is insufficient

MTP Nov 23
26 An economic profit is earned by a perfectly competitive firm when:
a) $MR < MC$
b) $P < ATC$
c) $P > AVC$
d) $P > ATC$

MTP Nov 23
27 Agricultural goods market depict characteristic close to:
a) Oligopoly
b) Monopoly
c) Perfect Competition
d) Monopolistic Competition

MTP Nov 23
28 The efficient scale of production is the quantity of output that minimizes:
a) Average variable cost
b) Average fixed cost
c) Average total cost
d) None of these

MTP Dec 23, Aug 24
29 If the monopolist incurs losses in the short run, then in the long run:
a) the monopolist will go out of business
b) the monopolist will stay in business
c) the monopolist will break even
d) any of the above

MTP Dec 23, Aug 24
30 In monopolistic competition, we have:
a) few firms selling a differentiated product
b) many firms selling a homogeneous product
c) few firms selling a homogeneous product
d) many firms selling a differentiated product

MTP Dec 23, July 24, Aug 24
31 In both the Chamberlin and the kinked demand curve models, the oligopolists:
a) recognize their interdependence
b) do not collude
c) tend to keep prices constant
d) all of the above.

MTP Dec 23, Aug 24
32 Who gave the theory of price discrimination?
a) Marshall
b) Pigou
c) Cournot
d) Simon

MTP Dec 23, Aug 24
33 Demand curve of a firm under monopoly is:
a) Downward sloping
b) Indeterminate
c) Upward sloping
d) Perfectly elastic

MTP Dec 23, Aug 24
34 Demand curve under Oligopoly is:
a) Less elastic
b) Perfectly elastic
c) Highly elastic
d) Indeterminate

MTP Dec 23, Aug 24
35 In a commodity market, excess demand exists when:
a) market price is greater than equilibrium price
b) equilibrium price is greater than market price
c) equilibrium price is not equal to market price
d) government fixes the price

MTP Dec 23, Aug 24
36 In Oligopoly the firms may collude in order to:
a) Increase Competition
b) Prisoner dilemma for buyers
c) To raise the price of the good they offer
d) None of these

MTP Dec 23
37 Price discrimination is related to:
a) Income
b) Time
c) Size of the purchase
d) Any of the above

38 Three major smartphone manufacturers, Alpha Tech, Beta Mobile, and Gamma Gadgets, dominate the smartphone market. These companies are in constant competition for market share and innovation. Which type of the market structure has been described in this scenario?

- a) Monopoly
- b) Oligopoly
- c) Perfect Competition
- d) Monopolistic Competition

PYQ Sep 2024

39 If Marginal Revenue (MR) for Unit 1 is ₹10, for Unit 2 is 5, & for Unit 3 is 3 then what will be amount of Total Revenue (TR)?

- a) Rs. 15
- b) Rs. 10
- c) Rs. 8
- d) Rs. 18

PYQ Sep 2024

40 Which market covers a wider area such as few adjacent cities, parts of states, or a cluster of states?

- a) Regional Market
- b) National Market
- c) International Market
- d) Local Market

PYQ Sep 2024

41 When should a competitive firm consider shutting down its operations?

- a) When the price is above Total Variable Costs (TVC)
- b) When the price is below Average Variable Costs (AVC)
- c) When the price is equal to Total Revenue (TR)
- d) When the price is constant.

PYQ Sep 2024

42 In case of demand decreasing & supply increasing, what is expected impact on equilibrium price?

- a) Equilibrium price rises
- b) Equilibrium price falls
- c) Equilibrium price remains constant
- d) Equilibrium price remains uncertain

43 In Ricardo's view, what does "Exchange Value" represent?

- a) The cost of production of a commodity
- b) The subjective preferences of individuals
- c) Power in exchange over purchasable commodities in general
- d) The quantity of labour embodied in a commodity

PYQ Sep 2024

44 Talcum powder market is an example of which of the following market?

- a) Collusive Oligopoly
- b) Imperfect Oligopoly
- c) Open Oligopoly
- d) Close Oligopoly

PYQ Sep 2024

45 A software company engages in price discrimination for its product. The company identifies different market segments and charges different prices based on perceived differences in willingness to pay. This is possible under which situation?

- a) Monopolistic competition
- b) A Monopoly
- c) Perfect competition
- d) Oligopoly competition

PYQ Sep 2024

46 What happens to the equilibrium price when there is a decrease in supply with no change in demand?

- a) Equilibrium price goes down.
- b) Equilibrium price remains constant.
- c) Equilibrium price goes up.
- d) Equilibrium quantity increases.

PYQ Sep 2024

47 According to the Kinked demand curve hypothesis, why does the demand curve facing an oligopolist have a 'Kink' at the prevailing price level?

- a) To create confusion among competitors
- b) To make the demand curve visually interesting
- c) The segment above price is highly elastic, and below it is inelastic
- d) It is a graphical error in the representation

PYQ June 2024

48 When the Marginal revenue = 0, then total revenue is ____ if the slope of TR is 0

- a) Maximum
- b) Minimum
- c) Increasing
- d) Decreasing

PYQ June 2024

49 Increase in demand and decrease in supply causes ____

- a) Equilibrium Price uncertain, Equilibrium quantity falls
- b) Equilibrium Price rises, Equilibrium quantity falls
- c) Equilibrium Price rises, Equilibrium quantity uncertain
- d) Equilibrium Price falls, Equilibrium quantity uncertain

PYQ June 2024

50 Find the marginal revenue (MR) of markets A & B respectively. Where the AR in both the market is 21 and elasticities of demand in market A and B are 3 AND 7 respectively

- a) 13.9; 17.9
- b) 14.9; 18.9
- c) 17, 18
- d) 12, 18

(51-53) D & S are original demand and supply curve, D', D', S', S' are possible new demand and supply curves. Starting for eq point (1), what is the new eq for each change.



PYQ June 2024

51 P visited supermarket & purchasing Jam, Income of P. Price of factor what is new eq price.

- a) 7
- b) 2
- c) 4
- d) 9

PYQ June 2024

52 Heavy storm in Tamil Nadu caused damage to crops. What is new eq price & quantity.

- a) 4
- b) 3
- c) 2
- d) 6

PYQ June 2024

53 Edward expects a rise in price of motorcycles in next year. What is new eq price.

- a) 5
- b) 4
- c) 6
- d) 9

PYQ June 2024

54 In which market price elasticity of demand is infinity?

- a) Perfect competition
- b) Monopolistic competition
- c) Oligopoly
- d) Monopoly

PYQ June 2024	
55	Relation between AR and MR in a monopoly is stated as
a) AR can be zero, MR can be zero or negative b) AR and MR both are upward sloping c) AR curve lies halfway between MR and y-axis d) slope of MR is twice that of AR	

PYQ June 2024	
56	In which form of market, patents and copyrights given by the government to protect intellectual property rights?
a) Perfect competition b) Monopoly c) Monopolistic competition d) Oligopoly	

PYQ June 2024	
57	Which feature of monopolistic of competition differ from perfect competition?
a) Larger number of sellers b) Freedom of entry and exist c) Product discrimination d) No super normal profits in long run.	

PYQ June 2024	
58	If electricity department is charging Rs. 3 per unit to farmers and Rs. 7 per unit to industries, it is described as
a) Product differentiation b) Price discrimination c) Monopoly d) Differentiation activity	

PYQ June 2024	
59	When few firms of the oligopolistic market come to common understanding with each other in fixing price and output, it is called _____
a) Syndicate oligopoly b) Collusive oligopoly c) Perfect oligopoly d) Open oligopoly	

MTP May 2024	
60	If supply increases while demand decreases:
a) the equilibrium price will definitely increase. b) the equilibrium quantity will definitely increase. c) the equilibrium price will definitely decrease. d) the equilibrium quantity will definitely decrease.	

MTP May 2024	
61	Which type of market structure does not typically have a negatively sloped market demand curve?
a) Monopoly b) Perfect competition c) Oligopoly d) All of the above typically have negatively sloped market demand curves.	

MTP May 2024	
62	The restaurant industry has a market structure that comes closest to:
a) monopolistic competition. b) oligopoly. c) perfect competition. d) monopoly.	

MTP May 2024	
63	Which of the following markets comes close to satisfying the assumptions of a perfectly competitive market structure?
a) The stock market b) The market for agricultural commodities such as wheat or corn c) The market for petroleum and natural gas d) All of the above come close to satisfying the assumptions of perfect competition.	

MTP May 2024	
64	Which of the following industries is most likely to be monopolistically competitive?
a) The automobile industry b) The steel industry c) The car repair industry d) The electrical generating industry	

MTP May 2024	
65	Some economists have suggested that oligopolists tend to maintain stable prices when there are changes in the demand for their products or in their costs of production. Which of the following models provides an explanation for this type of behavior?
a) Price leadership b) Centralized cartel c) Prisoners' dilemma d) Kinked demand curve	

MTP May 2024	
66	A seller cannot influence the market price under:
a) Perfect Competition b) Monopoly c) Monopolistic Competition d) All of the above	

MTP May 2024	
67	Railways is an example of:
a) Perfect Competition b) Monopolistic Competition c) Monopoly d) Oligopoly	

MTP May 2024	
68	Demand curve in case of Monopolistic competition is more elastic as compared to demand curve under Monopoly due to:
a) Huge Selling Costs b) Freedom of Entry and Exit c) Presence of Close Substitutes d) Large Number of Firms	

MTP May 2024	
69	On the basis of volume of Business the market can be classified as:
a) Wholesale Market b) Retail Market c) Both a & b d) None of these	

MTP June 2024	
70	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.	

Answer Key – Economics Chapter 4 – MTP & PYQ MCQs

1	A	11	A	21	D	31	D	41	B	51	B	61	D
2	A	12	B	22	C	32	B	42	B	52	B	62	A
3	A	13	B	23	A	33	A	43	C	53	C	63	D
4	C	14	B	24	C	34	D	44	B	54	A	64	C
5	A	15	D	25	D	35	B	45	B	55	D	65	D
6	D	16	B	26	D	36	C	46	C	56	B	66	A
7	B	17	D	27	C	37	D	47	C	57	C	67	C
8	B	18	A	28	C	38	B	48	A	58	B	68	C
9	B	19	A	29	D	39	D	49	C	59	B	69	C
10	A	20	B	30	B	40	A	50	A	60	C	70	D

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