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CA FOUNDATION

Assignment

Business Economics

Meaning and Types of Markets

1. In Economics, the term 'market' refers to a:

(e) Place where buyer and seller bargain a product or service for a price

(f) Place where buyer does not bargain

(g) Place where seller does not bargain

(h) None of the above

2. Generally perishable goods like butter, eggs, milk and vegetables etc., will have

(a) Regional market

(b) Local market

(c) National market

(d) None of the above

3. Under monopoly, the degree of control over price is:

(a) None

(b) Some

(c) Very considerable

(d) None of the above

4. Under which of the following forms of market structure does a firm has no control over the price of its product

(a) Monopoly

(b) Oligopoly

(c) Monopolistic competition

(d) Perfect competition

5. Profits of the firm will be more at:

(a) MR=MC

(b) Additional revenue from extra unit equals its additional cost

(c) Both of above

(d) None

6. What should firm do when Marginal revenue is greater than marginal cost?

(a) Firm should expand output

(b) Effect should be made to make them equal

(c) Prices should be covered down

(d) All of these

7. Under monopoly price discrimination depends upon:

(a) Elasticity of demand for commodity

(b) Elasticity of supply for commodity

(c) Size of market

(d) All of above

8. Firms in a monopolistic market are price________

(a) Takers

(b) Givers

(c) Makers

(d) Acceptors

9. Market which have two firms are known as:

(a) Oligopoly

(b) Duopoly

(c) Monopsony

(d) Oligopsony

10. MR of n th unit is given by

(a) TRn/ TRn-1

(b) TRn + TRn-1

(c) TRn-TRn-1

(d) All of these

11. For a discriminating monopolist the condition for equilibrium is:

(a) MR>MC

(b) $MR_1=MR_2$

(c) $MA_a =MR_b =MC$

(d) All of the above.

12. A firm will close down in the short period, if its AR is less than:

(a) AC

(b) AVC

(c) MC

(d) None of the above

13. The market for ultimate consumer is known as:

(a) Wholesale market

(b) Regulated market

(c) Unregulated market

(d) Retail market

14. A firm will close down in the short period, if its AR is less than:

(a) AC

(b) AVC

(c) MC

(d) None of the above

15. 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

16. In a very short period:

(a) The supply is fixed

(b) The demand is fixed

(c) Demand and supply are fixed

(d) None of the above

17. In the long-run equilibrium of a competitive market, firm operate at

(a) Their efficient scale

(b) Zero economic profit

(c) The intersection of the marginal cost and marginal revenue

(d) All of these

18. Secular period is also known as:

(a) Very short period

(b) Very long period

(c) Long period

(d) Short period

19. Stock exchange market is an example of:

(a) Unregulated market

(b) Regulated market

(c) Spot market

(d) None of the above

20. The market for the ultimate consumers is known as:

(a) Wholesale market

(b) Regulated market

(c) Unregulated market

(d) Retail market

21. 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

22. Demand for a product is unitary elastic then

(a) MR=O

(b) MR>O

(c) MR<O

(d) None of the above

23. Total Revenue=

(a) Money which a Firm realizes by selling certain units of a commodity

(b) Revenue earned per unit of output

(c) Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity

(d) None of the above

24. 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

25. Price=......................

(a) Total Revenue

(b) Average Revenue

(c) Marginal Revenue

(d) Zero Revenue

26. If P =Price, and Q =Quantity sold, which of the following statements are correct?

(a) Total Revenue = P x Q

(b) Average Revenue= P x Q

(c) Marginal Revenue = P x Q

(d) Zero Revenue = P x Q

27. 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

28. If Marginal Cost= MC, and Marginal Revenue = MR, then, for achieving equilibrium output –

(a) MC Curve should cut MR Curve from above.

(b) MC Curve should cut MR Curve from below.

(c) MC Curve should not cut MR Curve at all.

(d) MC Curve should be tangent to MR Curve.

29. Average revenue curve is also known as:

(a) Profit curve

(b) Demand curve

(c) Average cost curve

(d) Indifference curve

30. Producer's equilibrium refers to stage of that output level when:

(a) Firm earns maximum profits

(b) Firm bears minimum losses

(c) Firm is not inclined to expand or contract the output

(d) All of these

31. 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

32. Given the relation MR=P (1-)if e>1, then

(a) MR > O

(b) MR < O

(c) MR= O

(d) None

33. Which of the following is true, when the firm is at equilibrium?

(a) MC < MR

(b) MC curve cuts the MR curve from below

(c) Both (a) and (b)

(d) None of the above

34. When price is Rs.40, quantity demanded is 20 units; when price is decreased by 5% the quantity demanded increases by15%, what will be the Marginal revenue?

(a) Rs. 120

(b) Rs. 60

(c) Rs. 74

(d) Rs. 20

35. According to Behavioral Principles.

(a) A firm should not produce at all if its total variable costs are not met.

(b) A firm will be making maximum profits by expanding output to the level where marginal revenue is equal to marginal cost.

(c) Both (a) and (b)

(d) None of these

36. If Total Revenue= Rs.2,00,000 when 40,000 units are sold, then Average Revenue=

(a) Rs. 1,00,000

(b) Rs. 20,000

(c) Rs. 5

(d) Rs. 1,20,000

37. When Price= Rs. 40, quantity demanded is 18 units, and when Price= Rs. 38, quantity demanded is 20 units. What is the Marginal Revenue resulting from an increase in output from 18 units to 20 units?

(a) Rs. 20

(b) Rs. 19

(c) Rs. 40

(d) Rs. 10

38. If a seller obtains Rs.6,000 after selling 60 units and Rs. 6,200 after selling 65 units, then marginal revenue will be

(a) Rs. 59.62

(b) Rs. 40.00

(c) Rs. 60.00

(d) Rs. 50.80

39. For a firm to become profitable It expand output whenever:

(a) Marginal revenue is equal to marginal cost

(b) Marginal revenue is less than marginal cost

(c) Marginal revenue is greater than marginal cost

(d) Average revenue is greater than average cost.

40. Based on nature of transactions, a market may be classified into:

(a) Spot market and future market

(b) Regulated market and unregulated market

(c) Wholesale market and retail market

(d) Local market and national market

41. As quantity increases, Total Revenue (TR) Curve-

(a) Always increases

(b) Always decreases

(c) First increases, reaches a maximum, and then decreases

(d) First decreases, reaches a minimum, and then increases

42. If Total Revenue (TR) increases, Marginal Revenue (MR) will be –

(a) Positive

(b) Negative

(c) Zero

(d) Infinity

43. Given the relation MR = P, if $e<1$, then

(a) $MR < 0$

(b) $MR > 0$

(c) $MR = 0$

(d) None of these

44. Generally, Marginal Revenue (MR) Curve-

(a) Is parallel to X Axis

(b) Is parallel to Y Axis

(c) Slopes upward from left to right

(d) Slopes downward from left to right

45. Generally, Average Revenue (AR) Curve-

(a) Is parallel to X Axis

(b) Is parallel to Y Axis

(c) Slopes upward from left to right

(d) Slopes downward from left to right

46. Let, Marginal Revenue= MR and Average Revenue = AR. Generally, as quantity sold increases –

(a) MR falls quickly than AR

(b) MR falls slowly than AR

(c) MR and AR fall at the same rate

(d) MR and AR do not change

47. If Marginal Revenue (MR) Curve is depicted on a graph with Quantity on X axis –

(a) MR will not go below the X axis

(b) MR may go below the X axis

(c) MR cannot be depicted on the graph at all.

(d) None of the above

48. What is the relationship between AR and MR?

(a) AR and MR both are negatively sloped

(b) MR Curves always lies half-way between AR Curve and Origin

(c) AR and MR both can be zero or negative

(d) All of these

49. Average Revenue (AR) Curve denotes –

(a) Demand

(b) Supply

(c) Both (a) and (b)

(d) Neither (a) nor (b)

50. If Marginal Revenue = MR, Average Revenue = AR, and Price Elasticity of Demand= 'e' which of the following is correct?

(a) MR=AR

(b) AR=MR

(c) MR = AR

(d) AR=MR

51. If Marginal Revenue= MR, Price Elasticity of Demand= 'e', and e >1, then MR will be-

(a) Positive

(b) Negative

(c) Zero

(d) Infinity

52. If Marginal Cost= MC, and Marginal Revenue = MR, then, for achieving equilibrium output, the conditions are-

(a) MC=MR

(b) MC Curve should cut MR Curve from below

(c) Both (a) and (b)

(d) Neither (a) nor (b)

53. If Marginal Cost= MC, and Marginal Revenue= MR, and MC <MR, the Firm should-

(a) Increase its output

(b) Reduce its output

(c) Operate at the present level itself

(d) Should shut down

54. If Marginal Revenue= MR, Price Elasticity of Demand= 'e', and MR is negative (i.e. MR < 0), e will be

(a) e > 1

(b) e < 1

(c) e = 1

(d) e = zero

55. If Average Revenue (AR) = Rs.400, Price Elasticity of Demand (e) = 4, then MR will be –

(a) Rs. 105

(b) Rs. 225

(c) Rs. 300

(d) Rs. Nil

56. Suppose a Firm is producing a level of output such that MR **>** MC. What should be Firm do to maximize its profit?

(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

57. Let Marginal Cost = MC, and Marginal Revenue= MR. If MC Curve cuts MR from below, it means-

(a) MC Curve has a negative slope

(b) MC Curve has a positive slope

(c) MC Curve is parallel to X Axis

(d) MC Curve is parallel to Y Axis

58. Let Marginal Cost = MC, and Marginal Revenue= MR. If MC Curve cuts MR from below, it means-

(a) Firm is at equilibrium output

(b) Firm is below equilibrium output

(c) Firm is above equilibrium output

(d) Firm does not operate at all.

59. If any unit of production adds more to revenue than to cost it will result into –

(a) Increase in Profit

(b) Decrease in Profit

(c) No change

(d) Loss

Use Table to answer the following 5 questions

Q	P	TC	TVC	MC	TR	NR
0	260	90				
1	248	176				
2	236	250				
3	224	318				

4	212	386				
5	200	460				
6	188	546				
7	176	650				
8	164	778				
9	152	930				

The following table provides cost and price information for an individual firm. The first two columns represent the demand curve that the firm faces. The firm has a fixed amount of capital equipment but can change the level of other inputs such as labour and materials. Calculate the missing values in the table and use the table to answer the below questions. (Make sure you answer each question using the production level specified.)

60. When Production equals 3 units, the firm's?

(a) Fixed cost is 90 and its variable cost is 68.

(b) Fixed cost is 225 and its variable cost is 160.

(c) Fixed cost is 0 and its variable cost is 90.

(d) Fixed cost is 90 and its variable cost is 228.

61. When Production equals 6 units, the firm’s Total Revenue is:

(a) Rs. 560

(b) Rs. 1128

(c) Rs. 930

(d) Rs. 1000

62. When Production equals 7 units, the firm’s Marginal Revenue is:

(a) Rs. 104

(b) Rs. 152

(c) Rs. 128

(d) Rs. 220

63. When Production equals 7 units, the profit is:

(a) Rs. 0

(b) Rs. 652

(c) Rs. 582

(d) Rs. 336

64. To maximize its profit, the firm should

(a) 0 units

(b) 3 units.

(c) 5 units

(d) 7 units

65. A firm is able to sell more quantity of a good only by lowering the price. The marginal revenue at successive sales would be:

(a) Greater than average revenue

(b) Less than average revenue

(c) Equal to average revenue

(d) Zero

66. When price falls with rise in output, then as quantity sold increases:

(a) MR falls quickly than AR

(b) MR falls slowly than AR

(c) Both MR and AR fall at the same rate

(d) MR and AR do not change

67. A tea seller has decided that he will sell all his tea at a fixed price of Rs. 20 each. In such a case, TR curve will be:

(a) Horizontal straight line parallel to the X-axis

(b) Vertical straight line parallel to Y-axis

(c) Positively sloped straight line passing from the origin

(d) Downward sloping straight line

68. In the following table, the producer's equilibrium is at point__________

Output (Units)	1	2	3	4	5
MR(₹)	20	20	20	20	20
MC (₹)	24	20	16	20	30

(a) 2 units

(b) 3 units

(c) 4 units

(d) 5 units

69. When total revenue of a firm is constant what will be the effect on the firm's average revenue?

(a) AR will fall

(b) AR will increase

(c) AR will also be constant

(d) No effect on AR

70. When the rate of fall in MR is more than fall in AR:

(a) Price increases with increase in output

(b) Price decreases with increase in output

(c) Prince remains constant with increase in output

(d) None of these

71. Equilibrium price may be determined through:

(a) Only demand

(b) Only supply

(c) Both demand and supply

(d) None

72. If price is forced to stay below equilibrium price then consequently it can be said that:

(a) Excess supply exists

(b) Excess demand exists

(c) Either (a) or (b)

(d) Neither (a) nor (b)

73. An increase in supply with unchanged demand leads to

(a) Rise in price and fall in quantity

(b) Fall in both price and quantity

(c) Rise in both price and quantity

(d) Fall in price and rise in quantity

74. ln the long run:

(a) Only demand can change

(b) Only supply can change

(c) Both demand and supply can change

(d) None of these

75. When market demand is more than market supply, it means:

(a) Excess demand

(b) Excess supply

(c) Equilibrium level

(d) None of these

76. At a price of Rs. 10 per chocolates, the demand is 100 chocolates and the supply are 160 chocolates. What can we conclude from this situation?

(a) Excess supply by 40 chocolates

(b) Excess demand by 40 chocolates

(c) Excess supply by 60 chocolates

(d) Excess demand by 60 chocolates

77. Market equilibrium refers to:

(a) Situation where market demand is equal to market supply

(b) Situation where market supply is greater than market demand

(c) Situation where market demand is less than market supply

(d) Both (a) and (b)

78. Equilibrium quantity is where:

(a) Quantity demanded is greater than quantity supplied

(b) Quantity demanded is equal to quantity supplied

(c) Quantity demanded is lesser than quantity supplies

(d) Quantity demanded is constant with an increase only in quantity supplied

79. What will be the effect of a rightward shift of the supply curve on the equilibrium price and quantity transacted?

(a) Equilibrium price will fall, and equilibrium quantity will fall

(b) Equilibrium price will rise, and equilibrium quantity will fall

(c) Equilibrium price will fall, and equilibrium quantity will rise

(d) No change in both the quantity and price

80. Decisions of consumers and producers in the market are coordinated through free flow of prices known as ____________

(a) Equilibrium price

(b) Equilibrium Quantity

(c) Price Mechanism

(d) Excess Demand

81. From the following table, what will be equilibrium market price?

Price (₹)	Demand (Tonnes per annum)	Supply (Tonnes per annum)
1	600	300
2	550	350

3	500	600
4	450	450
5	400	500
6	350	550
7	100	600
8	250	650

(a) Rs. 2

(b) Rs. 3

(c) Rs.4

(d) Rs.5

82. When increase in demand is equal to increase in supply and equilibrium price remains constant, then what about equilibrium quantity?

(a) Increases

(b) Decreases

(c) Remains Constant

(d) None of the above

83. What will be the effect of increase in price of raw materials on the equilibrium price and equilibrium quantity?______

(a) Equilibrium price will rise, and equilibrium quantity will fall

(b) Both equilibrium price and quantity will fall

(c) Equilibrium price will fall, and equilibrium quantity will rise

(d) Both equilibrium price and quantity will remain same

84. In case of ___________, an increase in demand will lead to rise in equilibrium quantity, but no change in equilibrium price.

(a) Perfectly elastic supply

(b) Perfectly inelastic supply

(c) Highly elastic supply

(d) Less elastic supply

85. Both equilibrium price and quantity rise when:

(a) Increase in demand>Increase in supply

(b) Decrease in supply when the demand is perfectly inelastic

(c) Increase in supply when the supply is perfectly elastic

(d) Decrease in demand< increase in supply

86. What would happen to be the market equilibrium of a good, if decrease in demand is equal to increase in supply.

(a) Equilibrium quantity rises

(b) Equilibrium price rises

(c) Equilibrium quantity remains same

(d) Equilibrium price remains same

87. Equilibrium price remains the same when:

(a) Increase in demand= increase in supply

(b) Increase in demand>decrease in supply

(c) Decrease in demand> increase in supply

(d) Increase in demand=decrease in supply

88. What will be the effect on equilibrium price and equilibrium quantity when income decreases in case of a normal good?

(a) Both equilibrium price and quantity falls

(b) Both equilibrium price and quantity rise

(c) Equilibrium price rises and equilibrium quantity falls

(d) Equilibrium price falls and equilibrium quantity rises

89. How does usage of an obsolete technology affect the equilibrium price and equilibrium quantity?

(a) Equilibrium price will fall, and equilibrium quantity will fall

(b) Equilibrium price will rise, and equilibrium quantity will fall

(c) Both equilibrium price and quantity will fall

(d) Equilibrium price falls and equilibrium quantity rises

90. If decrease in demand is greater than the decrease in supply, then the equilibrium price:

(a) Decreases

(b) Increases

(c) Does not change at all

(d) Cannot be determined

91. Which of the following situations 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 proportionately equal increase in demand

(c) A decrease in supply without a change in demand

(d) An increase in supply accompanied by proportionately equal decrease in demand

92. Suppose consumer taste shifts in favour of mangoes. As a result, equilibrium quantity will _____ and equilibrium price will ________

(a) Increase, decrease

(b) Decrease, increase

(c) Increase, increase

(d) Decrease, decrease

93. If the price of a commodity is below the equilibrium price, then quantity supplied is ________ than the quantity demanded. However, if the price is above the equilibrium price, then quantity supplied is _____ than the quantity demanded.

(a) Less, more

(b) Less, less

(c) More, less

(d) More, more

D1 and S1 are the original demand and supply curves. D2, D3, S2 and S3 are possible new demand and supply curves. Starting from initial equilibrium point (A), what point on the graph is most likely to result from each change given in Questions 384 to 387

94. Assume Z is a normal good. Holding everything else constant, assume that income rises and the price of a factor of production also increases. What point in the figure above is most likely to be the new equilibrium price and quantity?

(a) The new demand and supply of Z will meet at a point C

(b) The new demand and supply of Z will meet at a point B

(c) The new demand and supply of Z will meet at a point I

(d) The new demand and supply of Z will meet at a point D

95. Assume We are analysing the market for good X. The price of a complement good, good Y, declines. At the same time, there is technological advancement in the production of good X. What point the figure above is most likely to be the new equilibrium price and quantity?

(a) The new demand and supply of X will meet at a point A

(b) The new demand and supply of X will meet at a point F

(c) The new demand and supply of X will meet at a point G

(d) The new demand and supply of X will meet at a point H

96. Heavy rains in West Bengal during cyclone. Amphan caused havoc with the rice crop. What point in the figure above is most likely to be the new equilibrium price and quantity.

(a) Supply of rice falls; demand for rice falls; new equilibrium point will be D

(b) Supply of rice falls; no change in demand; new equilibrium point will be C

(c) Supply of rice increases; demand for rice falls; new equilibrium point will be H

(d) Supply of rice falls; demand for rice increases; new equilibrium point will be B

97. Assume that consumers expect the prices of electrical appliances to significantly increase next year. What point in the figure above is most likely to be the new equilibrium price and quantity?

(a) Demand shifts to right; supply remains constant; new equilibrium point will be E

(b) Demand shifts to left; supply remains constant; new equilibrium point will be C

(c) Demand shifts to left; supply shifts to right; new equilibrium point will be I

(d) Demand shifts to right; supply shifts to right; new equilibrium point will be G

Suppose the demand and supply curves of commodity X are given as below:

Answer question# 388 and 389 using the given information. Qd = 1000-P

Qs = 700+2P

98. What is the equilibrium price and quantity?

(a) Equilibrium Price = Rs. 50 and Equilibrium Quantity = 500 units

(b) Equilibrium Price = Rs.100 and Equilibrium Quantity = 900 units

(c) Equilibrium Price = Rs.150 and Equilibrium Quantity = 600 units

(d) Equilibrium Price = Rs.200 and Equilibrium Quantity = 800 units

99. What will be the new equilibrium price and equilibrium quantity, if the new supply curve is given as: Qs = 400+2P?

(a) Equilibrium Price = Rs. 250 and Equilibrium Quantity = 900 units

(b) Equilibrium Price = Rs. 100 and Equilibrium Quantity = 600 units

(c) Equilibrium Price = Rs. 200 and Equilibrium Quantity = 800 units

(d) Equilibrium Price = Rs. 350 and Equilibrium Quantity = 700 units

100. If the price of substitute, say coffee increases, what impact will it have on the equilibrium price and quantity of tea?

(a) Increase in both equilibrium price and equilibrium quantity

(b) Decease in both equilibrium price and equilibrium quantity

(c) Increase in equilibrium price and decrease in equilibrium quantity

(d) Decrease in equilibrium price and increase in equilibrium quantity.

101. Which of these is a condition for shutdown of a Firm?

(a) $AR > AVC$

(b) $AR > AC$

(c) $AR < AC$

(d) $AR < AVC$

102. At which of the following points, does the Marginal Cost Curve meet the Average Variable Cost Curve?

(a) Shut Down Point

(b) Break Even Point

(c) Equilibrium Point

(d) Profit Maximization Point

103. Long-Run Normal Prices is that which is likely to prevail –

(a) All the times

(b) In market period

(c) In short-run period

(d) In long-run period

104. In the long run, there is enough time for the Firm to cover its Losses and earn Normal Profits. This is because in the long run, all inputs are –

(a) Identical

(b) Homogeneous

(c) Variable

(d) Fixed

105. The structure of jewellery industry in India is best described as :

(a) Perfectly competitive

(b) Monopolistic

(c) Monopolistically competitive

(d) Oligopolistic

106. Under Monopolistic competition the cross elasticity of demand for the product of a single firm would be

(a) Infinite

(b) Highly elastic

(c) Highly inelastic

(d) Zero

107. When AR= Rs. 20 and AC = Rs.16 the firm makes_____

(a) normal profit

(b) net profit

(c) gross profit

(d) supernormal profit

108. Kinked demand curve hypothesis is given by:

(a) Alfred Marshall

(b) ACPigou

(c) Sweezy

(d) Hicks &Alen

109. Supernormal profits occur, when

(a) Total revenue is equal to total cost

(b) Total revenue is equal to variable cost

(c) Average revenue is more than average cost

(d) Average revenue is equal to average cost

110. The MR curve cuts the horizontal line between Y axis and demand curve into:

(a) Two unequal parts

(b) Two equal parts

(c) May be equal or unequal parts

(d) None of these

111. For a monopolist, the necessary condition for equilibrium is:

(a) P=MC

(b) P=MR=AR

(c) MR=MC

(d) None of these

112. A firm will shut down in the short run if:

(a) It is suffering a loss

(b) Fixed costs exceed revenue

(c) Variable costs exceed revenues

(d) Total costs exceed revenues

113. OPEC is an example of

(a) Monopolistic competition

(b) Monopoly

(c) Oligopoly

(d) Duopoly

114. ________is an ideal market.

(a) Monopoly

(b) Monopolistic

(c) Perfect Competition

(d) Oligopoly

115. Which market have characteristic of product differentiation?

(a) Perfect Competition

(b) Monopoly

(c) Monopolistic Competition

(d) Oligopoly

116. The demand curve of the firm and industry will be same in which form of market:

(a) Monopolistic Competition

(b) Perfect Competition

(c) Monopoly

(d) Oligopoly

117. Oligopoly having identical products is:

(a) Pure oligopoly

(b) Imperfect oligopoly

(c) Price leadership

(d) Collusion

118. In monopolistic competition excess capacity in the firm_________

(a) Always exists

(b) Sometimes exists

(c) Never exists

(d) None of the above

119. In the ‘kinked-demand’ curve model, the upper portion of the demand curve is:

(a) Elastic

(b) Inelastic

(c) Perfectly Elastic

(d) Unitary Elastic

120. For price discrimination to be successful, the elasticity of demand for the commodity in the two markets should be:

(a) Same

(b) Different

(c) Constant

(d) Zero

121. When the industry is dominated by one large firm which is considered as the leader of the group, the market is described as:

(a) Open oligopoly

(b) Perfect oligopoly

(c) Partial oligopoly

(d) Organized oligopoly

122. Condition for equilibrium of firm

(a) MR=MC

(b) AR=AC

(c) MC curve cuts MR curve from below

(d) Both (a) and (c)

123. In long run equilibrium under perfect competition is/are satisfied by which condition

(a) MC=MR

(b) AC=AR

(c) LMC=LAC=P

(d) All of the above

124. Market form in which there is only one buyer and one seller is:

(a) Oligopoly

(b) Duopoly

(c) Bilateral Monopoly

(d) Monopsony

125. Price leadership is the characteristic of

(a) Oligopoly

(b) Monopoly

(c) Perfect competition

(d) Discriminating Monopoly

126. 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

127. For having economic losses, the condition is ....at the point when MC = MR (MC cutting from below)

(a) AR>AC

(b) AR=AC

(c) AR<AC

(d) None of the above

128. If any unit of production adds more to cost than to revenue it will result into –

(a) Increase in Profit

(b) Decrease in Profit

(c) No change

(d) Loss

129. Average Revenue (AR) Curve denotes –

(a) Demand

(b) Supply

(c) Both (a) and (b)

(d) Neither (a) nor (b)

130. If Total Revenue (TR) decreases, Marginal Revenue (MR) will be –

(a) Positive

(b) Negative

(c) Zero

(d) Infinity

131. Which of the following statements is incorrect?

(a) Under monopoly there is no difference between a firm and an industry

(b) A monopolist may restrict the output and raise the price

(c) Commodities offered for sale under a perfect competition will be heterogeneous

(d) Product differentiation is peculiar to monopolistic competition.

132. Which of the following markets would closely satisfy the requirements for a perfectly competitive market?

(a) Automobiles

(b) Steel

(c) Cola

(d) Milk

133. Which of the following is not a characteristic of a competitive market?

(a) There are many buyers and sellers in the market

(b) The goods offered for sales are largely the same

(c) Firms generate small but positive supernormal profits in the long run

(d) Firms can freely enter and exit the market

134. When an oligopolist individually chooses its level of maximize its profits, it charges price that is:

(a) More than the price charged by either monopoly or a competitive market

(b) Less than the price charged by either monopoly or a competitive market

(c) More than the price charged by a monopoly and less than the price charged by a competitive market

(d) Less than the price charged by a monopoly and more than the price charged by a competitive market

135. Identify the correct statement that is not related to an oligopolistic industry

(a) Horizontal demand curve

(b) Too much importance to non-price competition

(c) Price leadership

(d) A small number of firms in the industry

136. 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

137. 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

138. It is assumed in economic theory that:

(a) Decision making within the firm is usually undertaken by mangers, but never by the owners

(b) The ultimate goal of the firm is to maximize profits, regardless of form size or type of business organization

(c) As the firm's size increases, so do its goals

(d) The basic decision-making unit of any firm is its owners

139. When the monopolist divides the consumers into separate sub-markets and charges different prices in different sub-markets it is known as:

(a) Second degree of price discrimination

(b) First degree of price discrimination

(c) Third degree of price discrimination

(d) None of the above

140. If oligopolist 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 a monopolistic firm

(c) The same as if it were served by a perfectly competitive firm

(d) Efficient because cooperation improves efficiency

141. Let Average Cost= AC, and Average Revenue = AR. If AR > AC, it means that the Firm-

(a) Is earning Super-Normal Profits

(b) Is earning Normal Profits

(c) Is making Losses

(d) Has to shut-down

142. Let Marginal Cost= MC, and Marginal Revenue= MR. If MC Curve cuts MR from above, it means-

(a) Firm is at equilibrium output level

(b) Firm is below equilibrium output level

(c) Firm is above equilibrium output level

(d) Firm does not operate at all.

143. In the short run, as the prices are fixed Firms can maximize their profit when they operate at

(a) MC=MR

(b) MC>MR

(c) MC<MR

(d) MC=AC

144. Let, Marginal Revenue= MR and Average Revenue = AR. Generally, as quantity sold increases-

(a) AR falls quickly than MR

(b) AR falls slowly than MR

(c) AR and MR fall at the same rate

(d) AR and MR do not change

145. For having economic losses, the condition is ....at the point when MC = MR (MC cutting from below)

(a) AR>AC

(b) AR=AC

(c) AR < AC

(d) None of the above

146. Which of the following statement is incorrect?

(a) If Marginal Revenue exceeds Marginal Cost, the Firm should increase output

(b) If Marginal Cost exceeds Marginal Revenue, the Firm should decrease output.

(c) Economic Profits are maximized when Total Costs are equal to Total Revenue.

(d) Profits are maximized when Marginal Revenue equals Marginal Cost.

147. Suppose that a Sole Proprietorship Firm is earning Total Revenues of Rs. 1,30,000 and is incurring Explicit Costs of Rs. 80,000. If the Owner could work for another Company for Rs.70,000 a year, we would conclude that –

(a) The Firm is incurring an Economic Loss

(b) Implicit Costs are Rs. 70,000

(c) The total Economic Costs are Rs. 1,30,000

(d) The Individual is earning an Economic Profit of Rs. 50,000

148. If the Total Product Cost for manufacturing of a commodity is Rs. 3, 00,000. Out of this, Implicit Cost is Rs. 1,10,000 and Normal Profit is Rs. 40,000, what will be Explicit Cost?

(a) Rs. 95,000

(b) Rs. 1,50,000

(c) Rs. 1,10,000

(d) Rs. 1,70,000

149. If AR < AVC and the Firm stops production, then-

(a) There is no profit no loss

(b) There is a Loss equivalent to Fixed Costs

(c) There is a Profit

(d) None of the above

150. A Firm encounters its "Shut-Down Point" when-

(a) Average Total Cost equals price at the profit-maximizing level of output

(b) Average Variable Cost equals Price at the profit-maximizing level of output

(c) Average Fixed Cost equals price at the profit-maximizing level of output

(d) Marginal Cost equals price at the profit- maximizing level of output

151. 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

152. Price taker firms ___________

(a) Do not advertise their product because it misleads the, customers.

(b) Advertise their products to boost the level of demand.

(c) Do not advertise but give gifts along with the sold items to attract Customers.

(d) Do not advertise because they can sell as much as they wish at the prevailing price.

153. When elasticity of demand is Equal to one in monopoly, marginal Revenue will be _______

(a) Equal to one

(b) Greater than one

(c) Less than one

(d) Zero

154. Which one of the following statements is incorrect?

(a) Competitive firms are price takers and not price makers.

(b) Price discrimination is possible in monopoly only

(c) Duopoly may lead to monopoly

(d) Competitive firm always seeks to discriminate prices.

155. In a competitive market, if price exceeds Average Variable Cost (AVC) but remains less than Average Cost (AC) at the equilibrium, the firm is.

(a) Making a profit

(b) Planning to quit

(c) Experiencing loss but should continue Production

(d) Experiencing loss but should discontinue production.

156. Under monopoly, which of the following is correct:

(a) AR and MR both are downward sloping

(b) MR less halfway between AR and Y-axis

(c) MR can be zero or even negative

(d) All of the above

157. Let Average Variable Cost = AVC, and Average Revenue= AR. If AR < AVC, it means that the Firm

(a) Is earning Super-Normal Profits

(b) Is earning Normal Profits

(c) Is making Losses but need not shut-down

(d) Has to shut-down

158. A firm having kinked demand curve indicates that:

(i) If the firm increases the price, competitive firms do not increase the price

(ii) If the firm increases the price, competitive firms also increases the price

(iii) If the firm reduces the price, competitive firms do not reduce the price

(iv) If the firm increases the price, competitive firms do not increase the price

(a) Only (i) above

(b) Both(i) and (iv) above

(c) Both (ii) and (iv) above

(d) Both (ii) and (iii) above

159. "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 minimize losses.

(a) Rational, if the firm is covering variable cost

(b) Rational, if the firm is covering fixed cost

(c) Irrational, since plant closing is necessary to eliminate losses

(d) Irrational, since fixed costs are eliminated if a firm shut down

160. Comparing a Monopoly and Competitive firm the Monopolist will:

(a) Produce less and sell at a lower price

(b) Produce more and sell at a lower price

(c) Produce less and sell at a higher price

(d) Produce zero and sell at a lower price

161. If a firm under monopoly wants to sell more, its average revenue curve will be a _____ line

(a) Horizontal line

(b) Vertical

(c) Downward sloping

(d) Upward sloping

162. Which of the following is incorrect?

(a) Even monopolistic can earn losses.

(b) Firms in perfect competitive market is price taker.

(c) It is always beneficial for a firm in a perfectly competitive market to discriminative prices

(d) Kinked demand curve is related to an oligopolistic market

163. Price discrimination is profitable only when:

(a) Different markets are kept separate

(b) Distance between the consumer and the market is more

(c) Elasticity of demand in different markets is different

(d) The consumers are segregated on the basis of their purpose of use of the commodity.

164. Which of the following statement is not correct?

(a) Under monopoly there is no difference between a firm and industry

(b) A monopolist may restrict the output and raise the price,

(c) Commodities offered for sale under a perfect competition will be heterogeneous

(d) Product differentiation is peculiar to monopolistic competition.

165. A discriminating monopolist to reach equilibrium position, his decision on total output depends upon

(a) How much total output should be produce?

(b) How the total output should be distributed between the two sub market?

(c) Both (a) and (b)

(d) None

166. In the long-run, if the Firm is unable to cover the Average Total Cost then it-

(a) Decreases the Selling Price

(b) Increases the Labour to increase production

(c) Decreases the Labour to decrease production

(d) Moves out of the business

167. 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

168. In the long-run, 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

A Competitive Firm sells as much as of its product as it chooses at a Market Price of Rs. 200 per unit. Its Fixed Costs are Rs. 600 and its Variable Costs for different levels of production are shown in the following table. Use the following table and answer the next 14 questions.

Quantity	TVC	TFC	TC	AVC	AFC	AC	MC
0	0						
5	500						
10	940						
15	1400						
20	1960						
25	2700						
30	3700						
35	5040						
40	6800						
45	9060						
50	11900						

169. When Production is10 units, AVC will be-

(a) Rs. 100.00

(b) Rs. 94.00

(c) Rs. 106.67

(d) Rs. 109.00

170. When Production is 10 units, AC will be-

(a) Rs. 150.00

(b) Rs. 197.00

(c) Rs. 154.00

(d) Rs. 210.00

171. When Production is 20 units, AVC will be-

(a) Rs. 150.00

(b) Rs. 147.00

(c) Rs. 156.67

(d) Rs. 98.00

172. When Production is 20 units, AC will be –

(a) Rs. 150.00

(b) Rs. 128.00

(c) Rs. 177.00

(d) Rs. 188.00

173. When Production is 30 units, AVC will be-

(a) Rs. 156.67

(b) Rs. 123.33

(c) Rs. 146.67

(d) Rs. 166.67

174. When Production is 30 units, AC will be-

(a) Rs. 166.67

(b) Rs. 143.33

(c) Rs. 156.67

(d) Rs. 176.67

175. When Production is 40 units, AVC will be –

(a) Rs. 170.00

(b) Rs. 182.50

(c) Rs. 192.50

(d) Rs. 195.00

176. When Production is 40 units, AC will be-

(a) Rs. 189.00

(b) Rs. 182.50

(c) Rs. 185.00

(d) Rs. 195.00

177. When Production is 50 units, AVC will be –

(a) Rs. 200.00

(b) Rs. 210.00

(c) Rs. 238.00

(d) Rs. 225.00

178. When Production is 50 units, AC will be-

(a) Rs. 200.00

(b) Rs. 210.00

(c) Rs. 219.00

(d) Rs. 250.00

179. AC is Minimum when output is –

(a) 10 units

(b) 20 units

(c) 30 units

(d) 40 units

180. MC Curve will cut AC Curve when output IS-

(a) 10 units

(b) 20 units

(c) 30 units

(d) 40 units

181. To maximize Profit, the Firm should produce-

(a) 15 units

(b) 30 units

(c) 35 units

(d) 50 units

182. If the Market Price drops from Rs. 200 to Rs. 112, 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

183. If firms in the automobile industry have the following market shares, which market structure would best describe the industry?

Market Share	% of market
Maruti Suzuki	50.20
Hyundai	18.49
Mahindra	7.52
Toyota	4.86
Tata Motors	4.75

Honda	4.60
Ford	2.69
Renault	2.67
Volkswagen	1.10

(a) Perfect competition

(b) Monopolistic competition

(c) Oligopoly

(d) Monopoly

184. When _________________there will be allocative efficiency meaning thereby that the cost of the last unit is exactly equal to the price consumers are willing to pay for it and so that the right goods are being sold to the right people at the right price.

(a) MC=MR

(b) MC=AC

(c) MC=AR

(d) AR=MR

185. 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 the above

186. Under _____________the monopolist will fix a price which will take away the entire consumers' surplus.

(a) Second degree of price discrimination

(b) First degree of price discrimination

(c) Third degree of price discrimination

(d) None of the above

187. 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

188. Price discrimination is related to

(a) Time

(b) Size of the purchase

(c) Income

(d) Any of the above

189. Suppose that, at the profit-maximizing level of output, a firm finds that marl price is less than average total cost, l greater than average variable cost. Which of the following statements is correct:

(a) The firm should shut down in orde1 minimize its losses

(b) The firm should raise its price enough to cover its losses

(c) The firm should move its resources another industry

(d) The firm should continue to operate in the short run in order to minimize its losses

190. 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

ANSWER KEY

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

16.	C
17.	D
18.	B
19.	B
20.	D
21.	C
22.	A
23.	A
24.	C
25.	B
26.	A
27.	B
28.	B
29.	B
30.	D

31.	D
32.	A
33.	B
34.	C
35.	C
36.	C
37.	C
38.	B
39.	C
40.	A
41.	C
42.	A
43.	A
44.	D
45.	D

46.	A
47.	B
48.	A
49.	A
50.	A
51.	A
52.	C
53.	A
54.	B
55.	C
56.	D
57.	B
58.	A
59.	A
60.	D
61.	B
62.	A

63.	C
64.	D
65.	B
66.	A
67.	C
68.	D
69.	A
70.	B
71.	C
72.	B
73.	D
74.	C
75.	A
76.	C
77.	A
78.	B
79.	C

80.	C
81.	C
82.	A
83.	A
84.	A
85.	A
86.	C
87.	A
88.	A
89.	B
90.	A
91.	D
92.	C
93.	A
94.	B
95.	C
96.	B

97.	A	114.	C	131.	C
98.	B	115.	C	132.	D
99.	C	116.	A	133.	C
100.	A	117.	A	134.	D
101.	D	118.	A	135.	A
102.	D	119.	A	136.	B
103.	C	120.	B	137.	D
104.	C	121.	C	138.	B
105.	B	122.	D	139.	C
106.	B	123.	D	140.	A
107.	D	124.	C	141.	A
108.	C	125.	A	142.	B
109.	C	126.	B	143.	A
110.	B	127.	C	144.	B
111.	C	128.	B	145.	C
112.	C	129.	A	146.	C
113.	C	130.	B	147.	A

148.	B
149.	B
150.	B
151.	A
152.	D
153.	D
154.	D
155.	C
156.	D
157.	D
158.	B
159.	A
160.	C
161.	C
162.	C

163.	C
164.	C
165.	C
166.	A
167.	C
168.	B
169.	B
170.	C
171.	D
172.	B
173.	B
174.	B
175.	A
176.	A
177.	A

178.	D
179.	B
180.	B
181.	B
182.	C
183.	C
184.	C
185.	D
186.	B
187.	D
188.	D
189.	D
190.	D