UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

BA ECONOMICS

III SEMESTER

CORE COURSE

(2011 Admission onwards)

MICRO ECONOMICS - II

QUESTION BANK

1. Which of the following industry is most closely approximates the perfectly competitive model.
   A. Automobiles C. Newspaper
   B. Cigarette D. Wheat farming
2. Under perfectly competitive market an individual seller is a
   A. Price taker C. Individual seller can influence the price
   B. Price maker D. None of the above
3. Uniform price is a feature of
   A. Perfect competition C. Monopolistic competition
   B. Monopoly D. Oligopoly
4. Which of the following is not a feature of a perfectly competitive market
   A. Large number of buyers and sellers C. Group behaviour
   B. Homogeneous product D. Perfect competition
5. A perfectly competitive firm gets only normal profit when
   A. MC = MR C. AC < AR
   B. AC = AR D. MC = AR
6. Which one of the following is a feature of a perfect competition
   A. Group behavior C. Homogeneous product
   B. Selling cost D. Differentiated product

7. Average revenue curve under perfect competition is
   - A. Upward sloping
   - B. Downward sloping
   - C. Horizontal straight line
   - D. Vertical straight line
8. Marginal revenue curve under perfect competition is
   - A. Upward sloping
   - B. Downward sloping
   - C. Horizontal straight line
   - D. Vertical straight line
9. Average revenue curve under imperfect competition is
   - A. Upward sloping
   - B. Downward sloping
   - C. Horizontal straight line
   - D. Vertical straight line
10. Marginal revenue curve under imperfect competition is
    - A. Upward sloping
    - B. Downward sloping
    - C. Horizontal straight line
    - D. Vertical straight line
11. Perfect competition prevails when the demand for the output of each producer is
    - A. Elastic
    - B. Perfectly elastic
    - C. Inelastic
    - D. Perfectly inelastic
12. Equilibrium price is determined under perfect competition by
    - A. The market demand
    - B. The market supply
    - C. The interaction between market demand and market supply
    - D. None of the above
13. In the market period, market supply curve is
    - A. Perfectly elastic
    - B. Perfectly inelastic
    - C. Elastic
    - D. Inelastic
14. Given the supply of a commodity, in the market period, the price of a commodity is determined by
    - A. The market demand curve alone
    - B. The market supply curve alone
    - C. The market demand curve and the market supply curve
    - D. None of the above

15. Total profit is maximum when
    A. Total revenue is equal to total cost
    B. Total revenue is greater than total cost
    C. The positive difference between total revenue and total costs is largest.
    D. All of the above
16. Total profits are maximized where
    A. TR equals TC
    B. TR curve and TC curve are parallel
    C. TR curve and TC curves are parallel and TC exceeds TR
    D. TR curve and TC curves are parallel and TR exceeds TC
17. The equality between MC and MR is
    A. A necessary condition for equilibrium of the firm under perfect condition
    B. A sufficient condition for equilibrium of the firm under perfect competition
    C. A necessary but not sufficient condition for equilibrium of the firm under perfect condition
    D. A necessary and sufficient condition for equilibrium of the firm under perfect condition
18. The condition of equilibrium of the industry under perfect competition is
    A. MC = MR
    B. MC = AC
    C. MC = MR = AR
    D. MC = AC = AR
19. In the short-run, a competitive firm can earn
    A. Normal profit
    B. Super normal profit
    C. Loss
    D. Either A or B or C depending upon the level of average cost.
20. If price is equal to average cost, in the short-run, the competitive firm can earn
    A. Only normal profit
    B. Super normal profit
    C. Loss
    D. All of the above

21. If price is greater than average cost, in the short-run, the competitive firm can earn

    A. Normal profit C. Loss

    B. Super normal profit D. All of the above

22. If price is less than average cost, in the short-run, the competitive firm can earn

    A. Normal profit C. Loss

    B. Super normal profit D. All of the above

23. Break-even point is a point where price is equal to

    A. AC C. AFC

    B. AVC D. MC

24. Shut-down point is a point where price is equal to

    A. AC C. AFC

    B. AVC D. MC

25. In the long run, a competitive firm can earn

    A. Normal profit C. Loss

    B. Super normal profit D. Any of the above

26. The importance of time element in price determination was firstly analyzed by

    A. Adam smith C. David Ricardo

    B. Alfred Marshall D.J M Keynes

27. In the market period, price determination in the case of a perishable commodity is influenced by its

    A. Demand C. Demand as well as the supply

    B. Supply D. None of the above

28. In the short-period,

    A. All factors are fixed

    B. Some factors are fixed and others are variable

    C. All factors are variable

    D. None of the above

29. In the long-period,

    A. All factors are fixed

    B. Some factors are fixed and others are variable

    C. All factors are variable

    D. None of the above

30. Zero economic profit arises in the long run in the case of

    A. Perfect competition
    C. Monopolistic competition
    B. Monopoly
    D. Oligopoly

31. Zero economic profit includes

    A. Zero normal profit
    C. Super normal profit
    B. Normal profit
    D. Average profit

32. Economic efficiency is achieved in the long run in the case of

    A. Perfect competition
    C. Monopolistic competition
    B. Monopoly
    D. Oligopoly

33. Consumer surplus will be maximum in the case of

    A. Perfect competition
    C. Monopolistic competition
    B. Monopoly
    D. Oligopoly

34. The optimum level of output for a perfectly competitive firm is given by the point where

    A. MR equals AC
    C. MR exceeds MC by the greatest amount
    B. MR = MC
    D. MR equals MC and MC is rising

35. At the optimum short-run level of output, the firm will be

    A. Maximizing total profit

    B. Minimizing total losses

    C. Either maximizing total profit or minimizing total losses

    D. Maximizing profit per unit

36. The short-run supply curve of a perfectly competitive firm is given by

A. Rising portion of the MC curve over and above the shut-down point

B. Rising portion of the MC curve over and above the break-even point

C. Rising portion of the MC curve over and above the AC curve

D. Rising portion of the MC curve

37. When the perfectly competitive firm and industry are both in long run equilibrium

A. P = MR = SMC = LMC

B. P = MR = SAC = LAC

C. P = MR =Lowest point on the LAC curve

D. All of the above

38. Monopolistic competition is characterized by

A. Few firms' selling differentiated products

B. Many firms selling homogeneous product

C. Few firms selling homogeneous product

D. Many firms selling differentiated products

39. The theory of monopolistic competition was popularized by

A. Marshall   B. Keynes

C. Chamberlin   D. Pigou

40. A monopolistically competitive market is distinguished from perfect competition by the fact that

A. Few sellers

B. It has few buyers

C. It deals with differentiated products

D. None of the above

41. Excess capacity is a hallmark of

A. Perfect competition

B. Monopoly

C. Oligopoly

D. Monopolistic competition

42. Monopolistically competitive firms
   A. Are small in size
   B. Have small share in the market
   C. Are large in the size
   D. Both A and B
43. Selling cost assumes paramount importance in
   A. Perfect competition
   B. Monopoly
   C. Monopolistic competition
   D. None of the above
44. Under monopolistic competition, there can be freedom of entry in the sense that there is freedom to produce
   A. Close substitutes
   B. Perfect substitutes
   C. Complements
   D. None of the above
45. A firm under monopolistic competition advertise because
   A. To compete successfully with rival
   B. To lower cost of production
   C. To increase revenue and sales
   D. Since it cannot raise price
46. In the case of monopolistic competition,
   A. Short run supply curve cannot be defined
   B. MR curve cannot be defined
   C. AR curve cannot be defined
   D. None of the above
47. Under monopolistic competition, super normal profit arise when
   A. AR=AC
   B. MR=MC
   C. AR>AC
   D. AR<AC

48. Which of the following condition are met in the long run equilibrium of the monopolistic competitor earning only normal profit

A. MC=AC

B. P=AC

C. P=MR

D. P=MC

49. The term group equilibrium is referred to

A. Duopoly

B. Monopolistic competition

C. Perfect competition

D. Oligopoly

50. Increase or decrease in the level of production by a monopolistically competitive firm have ------- impact on price and output decisions of other firms

A. Very significant

B. Significant

C. Small

D. Negligible

51. Monopolistic competitive firm fixes the price of its product

A. Independent of the price of close substitutes

B. Close to the prices of close substitutes

C. At a very high level

D. None of the above

52. Under monopolistic competition, an increase in the number of firms producing close substitutes will make the demand curve of each firm

A. Inelastic

B. Elastic

C. Downward sloping

D. Perfectly inelastic

53. The demand curve faced by the a monopolistically competitive firm is very elastic if the degree of product differentiation is

A. Very low

B. Very high

C. Zero

D. Moderate

54. Which one of the following is not a feature of monopolistic competition

A. Homogeneous products

B. Differentiated products

C. Selling cost

D. No uniform prices

55. The book "The theory of Monopolistic Competition" is written by

A. Alfred Marshal

B. E H Chamberlin

C. Joan Robinson

D. J M Keynes

56. The book "The Economics of Imperfect Competition" is written by

A. Alfred Marshal

B. E H Chamberlin

C. Joan Robinson

D. J M Keynes

57. It is assumed that the cost curves of all the firms in the monopolistic competition are

A. Different due to product differentiation

B. Never considered in equilibrium

C. Never formulated

D. Same in spite of product differentiation

58. Free entry into monopolistically competitive market ensures that all firms will produce at the lowest point of LAC

A. Always

B. Sometimes

C. Never

D. Cannot say

59. Under monopolistic competition, the long run equilibrium of the firm is established at the

A. Minimum point of LAC

B. Point where LAC is still falling

C. Point where LAC is rising

D. Minimum point of LMC

60. In short run a firms in monopolistic competition

A. Always earns profit

B. Incurs loss

C. Earns normal profit only

D. May earn normal profit, abnormal profit or incur losses

61. In long run all the firms in the monopolistic competition

A. Always earns profit

B. Incurs loss

C. Earns normal profit only

D. May earn normal profit, abnormal profit or incur losses

62. The short run equilibrium level of output of the monopolistic competitor is given by

A. Price = MC

B. Price= AC

C. MC=MR

D. P=MR

63. When a group of monopolistic competition attains the equilibrium, the firms in the group

A. Charge different prices, but produce identical outputs

B. Produce different output, but charge the same price

C. Charge different price and produce different output

D. None of the above

64. The elasticity of average revenue curve of the monopolistic competitor, depends on

A. The extent of product differentiation

B. The number of firms

C. Number of buyers

D. Both A & B

65. Under monopolistic competition, the demand curve of the product of an individual firm depends on the nature and prices of close substitutes

A. True

B. False

C. Not always

D. Depends on the nature of the product

66. When demand curve is elastic, MR is

A. 1

B. 0

C. Positive

D. Negative

67. The best or optimum level of output for the pure monopolist

A. MR=MC

B. P=MC

C. P=AC

D. Highest P

68. Which type of competition leads to maximum exploitation of consumer

A. Perfect competition

B. Monopoly

C. Monopolistic competition

D. Oligopoly

69. In the short run, the monopolist
    A. Breaks even
    B. Incurs loss
    C. Makes profit
    D. Any of the above
70. The demand for the product of a monopoly firm is
    A. Inelastic
    B. Elastic
    C. Unitary elastic
    D. Perfectly inelastic
71. If the monopolist incurs loss in the short run, then in the long run
    A. The monopolist go out of business
    B. The monopolist will stay in the business
    C. The monopolist break even
    D. Any of the above
72. Which of the form of monopoly regulation is the most advantages to the consumer
    A. Price control
    B. Lump sum tax
    C. Per unit tax
    D. All of the above
73. The monopolist who is in
    A. Short run equilibrium will also be in long run equilibrium
    B. Long run equilibrium will also be in short run equilibrium
    C. Long run equilibrium may or may not be in short run equilibrium
    D. None of the above
74. In long run the monopolist can earn abnormal profit because of
    A. Blocked entry
    B. High selling price
    C. Low cost
    D. Economies of scale

75. Price discrimination under monopoly is of

A. One

B. Two

C. Three

D. Four

76. The market in which there is a single seller is called

A. Oligopoly

B. Monopsony

C. Monopoly

D. Nine of the above

77. Monopsony refers to

A. Single seller

B. A few sellers

C. Single buyer

D. A few buyers

78. Discriminating monopoly is possible if two markets have

A. Differing elasticity of demand

B. Differing average cost

C. Same elasticity

D. Different average cost

79. Monopolist can fix

A. Both price and output

B. Neither price and output

C. Either price and output

D. None of the above

80. A discrimination monopolist charges in a market

A. Lower prices if it has lower elasticity

B. Higher prices if it has lower elasticity

C. Lower prices if it has higher elasticity

D. Cannot say

81. A firm practicing price discrimination will be
    A. Changing qualities of the product
    B. Buying from the cheapest market
    C. Buying from firms
    D. Charging different prices in different markets
82. The best level of output for the monopolist is
    A. AC is minimum
    B. TC=TR
    C. TR and TC are parallel
    D. TR is maximum
83. If the monopolist faces identical demand for his commodity in the two separate markets, by practicing third degree price discrimination
    A. Will increase his TR and total profit
    B. Can increase his TR and profit
    C. Cannot increase his TR and profit
    D. Will charge different prices in different market
84. Under pure monopoly, there will be
    A. No distinction between firm and industry
    B. One firm no industry
    C. No firm one industry
    D. Very few firms
85. Monopolist will not produce that portion of demand curve where the elasticity of demand
    A. Equal to unity
    B. Less than unity
    C. Greater than zero
    D. None of the above
86. Under monopoly, the equilibrium price is

A. Equal to MC
B. Less than MC
C. More than MC
D. Equal to AC

87. The cross elasticity of demand for the monopolist product is

A. Very low

B. Moderate

C. High

D. Very high

88. Which of the following is known as the perfect price discrimination

A. First degree price discrimination

B. Second degree price discrimination

C. Third degree price discrimination

D. Nine of the above

89. A monopolist usually earns

A. Economic profit

B. Only normal profit

C. Losses

D. Profit and losses, which are uncertain

90. Price discrimination is possible

A. Under any market form

B. Only under monopoly

C. Only under monopolistic competition

D. Only in perfect competition

91. Who introduced various types of price discrimination

A. Alfred Marshall

B. Adam Smith

C. A C Pigou

D. J B Say

92. Oligopoly is a market situation characterized by

A. Large number of buyers and sellers

B. A single seller

C. Fairly large number of buyers and sellers

D. A few sellers

93. 'Indeterminateness of demand curve' is a feature of

A. Perfect competition
C. Monopolistic competition
B. Monopoly
D. Oligopoly

94. Selling cost is maximum in the case of

A. Monopoly
C. Perfect competition
B. Oligopoly
D. Monopolistic competition

95. The concept of 'Kinked demand curve' is related to

A. Monopoly
C. Perfect competition
B. Monopolistic competition
D. Oligopoly

96. The concept of 'Kinked demand curve' was developed by

A. Alfred Marshal
C. P M Sweezy
B. J R Hicks
D. A.K Sen

97. 'Group behavior' is a feature of

A. Monopoly
C. Perfect competition
B. Oligopoly
D. Monopolistic competition

98. Advertising can become 'a life and death matter' in

A. Perfect competition
C. Monopolistic competition
B. Monopoly
D. Oligopoly

99. Classical oligopoly models are related to

A. Collusive oligopoly
C. Price leadership model
B. Non-collusive oligopoly
D. None of the above

100. Price leadership can be in the form of

A. Price leadership by a low cost firm
B. Price leadership by a dominant firm
C. A barometric price leadership
D. All of the above

101. 'Cartels' are example for

A. Collusive oligopoly
C. Monopsony
B. Non-collusive oligopoly
D. None of the above

102. Assertion (A) Many oligopolistic industries exhibit an appreciable degree of Price rigidity or stability

Reason (R) Oligopolists face a demand curve that is highly elastic for price increases and less elastic for price reductions

A. (A) is true but (R) is false.

B. Both (A) and (R) are false

C. Both (A) and (R) are true and (R) is the correct explanation of (A)

D. Both (A) and (R) are true but (R) is not the correct explanation of (A)

103. Match the following

A	B
(i). Demand for inputs	Hall and Hitch
(ii). Oligopoly	Single buyer
(iii). Kinked demand theory	Cartels
(iv). Monopsony	Derived demand Codes;

A. (i) (ii) (iii) (iv) B. (i) (iii) (ii) (iv)

C. (iv) (iii) (ii) (i) D. (iv) (iii) (i) (ii)

104. If the hourly wage is Rs.10, and the firm produces 5 additional units of the commodity with an additional hour of labour time, then marginal cost is

A. 0.5 B. 2

C. 5 D. 10

105. The equilibrium level of output for a perfectly competitive market is

A. MC = AC B. MC = MR

C. TC = TR D. None of the above

106. The term 'monopsony' refers to

A. a single seller B. a single buyer

C. a single buyer and a single seller D. None of the above

107. The demand curve for labour under perfectly competitive market is

A. Downward sloping
B. Horizontal straight line
C. Upward sloping
D. None of the above

108. The supply curve of the input that a firm faces under a perfectly competitive market is

A. Downward sloping
B. Horizontal supply curve
C. Upward sloping
D. None of the above

109. The supply curve of an input that a firm faces under an imperfectly competitive market is

A. Downward sloping
B. Horizontal supply curve
C. Upward sloping
D. None of the above

110. Let labour is the only variable input, a monopsonist maximizes his or her profit when

A. $MP_L = ME_L$
B. $MP_L < MP_L$
C. $MP_L > MP_L$
D. None of the above

111. A profit maximizing firm under a perfectly competitive market employs more and more variable input labour until

A. $MRP_L < ME_L = w$
B. $MRP_L > ME_L = w$
C. $MRP_L = ME_L = w$
D. None of the above

112. To minimize cost of production at any level of output the monopsonist should continue to substitute labour and capital until

A. $ME_L . MP_L = ME_K . MP_K$
B. $ME_L / MP_L = ME_K / MP_K$
C. $ME_L . MP_L > ME_K . MP_K$
D. $ME_L / MP_L > ME_K / MP_K$

113. In Chamberlin and Kinked demand curve model, the oligoposist

A. Recognize their interdependence
B. Do not collude
C. Tend to keep prices constant
D. All of the above

114. In the case of price leadership by the dominant firm all the firms in the purely oligopolistic industry will produce their best level of output

A. Always
B. Never
C. Some times
D. Often

115. If an oligopolist incurs losses in the short run, then in the long run

A. The oligopolist will go out of business
B. The oligopolist will stay in business
C. The oligopolist will break-even
D. Any of the above

116. Existence of large number of buyers and sellers and homogenous product is a feature of :

A. Monopoly
B. Duopoly
C. Perfect Competition
D. Oligopoly

117. Product differentiation is a characteristic of:

A. Monopoly
B. Perfect Competition
C. Monopolistic Competition
D. Oligopoly

118. A firm under Perfect Competition is a:

A. Price maker
B. Price taker
C. Monopolist
D. None of these

119. Selling cost is a feature of :

A. Perfect Competition
B. Monopoly
C. Monopolistic Competition
D. Oligopoly

120. Oligopoly is characterized by:

A. A few Sellers
B. One seller
C. Large Sellers
D. All of these

121. When there are only two sellers, the market is called as:

A. Oligopoly
B. Monopsony
C. Duopoly
D. Bilateral monopoly

122. Perfect competition is a market situation under which a commodity is sold at:

A. Uniform price
B. Different price
C. Higher price
D. Lower price

123. The demand curve of a firm under perfect competition is :

A. Inelastic

B. Perfectly inelastic

C. Infinitely elastic

D. Unitary elastic

124. The price of a commodity under the perfect competition is determined by:

A. Buyer

B. Seller

C. Firm

D. Market forces

125. Equilibrium literally means:

A. Balance

B. Imbalance

C. Change

D. None of these

126. The price at which the demand and supply are equal is called:

A. Normal price

B. Support price

C. Equilibrium price

D. Fair price

127. Cost of advertisement and salesmanship is called:

A. Sales cost

B. Selling cost

C. Dual price

D. None of these

128. Price leadership is a feature of:

A. Monopoly

B. Oligopoly

C. Duopoly

D. Monopolistic Competition

129. The market situation characterized by one buyer is:

A. Monopsony

B. Monopoly

C. Bilateral monopoly

D. Oligopsony

130. Under the Perfect competition, products are:

A. Heterogeneous

B. Homogenous

C. Semi-homogeneous

D. All of these

131. The demand curve of Monopoly firm is ----------slopped.

A. Downward

B. Upward

C. Positively

D. None of these

132. The payment given to the factor labour is known as:

A. Rent

B. Wage

C. Interest

D. profit

133. The demand for a factor of production is:

A. Derived
C. Indirect
B. Direct
D. None of these

134. Monopoly is:

A. Presence of competition
C. Both A & B
B. Absence of competition
D. None of these

135. The firm under perfect competition determines:

A. Output only
C. Both Output and price
B. Price only
D. None of these

136. A monopolist is a:

A. Price taker
C. Policy maker
B. Price maker
D. All of these

137. Long run equilibrium price is also called:

A. Normal price
C. Market price
B. Abnormal price
D. Just price

138. Under perfect competition:

A. AR and MR are identical
C. MR is lower than AR
B. AR is greater than MR
D. None of these

139. Firm and industry are the same under:

A. Perfect competition
C. Monopoly
B. Oligopoly
D. Duopoly

140. Kinked demand curve is found under:

A. Monopoly
C. Perfect competition
B. Oligopoly
D. Duopoly

141. The point at which the firm covers its variable cost is called:

A. Point of Inflexion
C. Shut down
B. Equilibrium
D. None of these

142. The equilibrium price in the short period is called:

A. Normal price
C. Market price
B. Abnormal price
D. Bogus price

143. Cartel is one form of:

A. Monopoly
B. Duopoly
C. Collusive oligopoly
D. Non-collusive oligopoly

144. Competition “among the few” is often called as:

A. Duopoly
B. Perfect competition
C. Bilateral monopoly
D. Oligopoly

145. The equilibrium point in game theory is called:

A. Prisoner’s dilemma
B. Break-even point
C. Saddle point
D. Shut down point

146. Equilibrium in the Cournot Model of Duopoly is:

A. Unstable
B. Stable
C. Undefinable
D. None of these

147. The book ‘Theory of Monopolistic Competition’ is written by:

A. J.Robinson
B. J.M. Keynes
C. Adam Smith
D. E. Chamberlin

148. ‘ The Economics of Imperfect Competition’ is written by;

A. J.Robinson
B. J.M. Keynes
C. Adam Smith
D. E. Chamberlin

149. The Theory of Glut is the contribution of:

A. Ricardo
B. Malthus
C. J.S. Mill
D. Adam Smith

150. ‘Production of commodities by means of commodities’ is related to:

A. Karl Marx
B. Kaldor
C. Steedman
D. Piero Sraffa

ANSWER KEY

1	D	41	D	81	D	121	C
2	A	42	D	82	C	122	A
3	A	43	C	83	C	123	C
4	C	44	A	84	A	124	D
5	B	45	C	85	B	125	A
6	C	46	A	86	C	126	C
7	C	47	C	87	A	127	B
8	C	48	B	88	A	128	B
9	D	49	B	89	A	129	A
10	D	50	D	90	B	130	B
11	D	51	B	91	C	131	A
12	C	52	B	92	D	132	B
13	B	53	B	93	D	133	A.
14	A	54	A	94	B	134	B
15	C	55	B	95	D	135	A
16	D	56	C	96	C	136	B
17	C	57	D	97	B	137	A
18	D	58	C	98	D	138	A
19	D	59	B	99	B	139	C
20	A	60	D	100	D	140	B
21	B	61	C	101	A	141	C
22	C	62	C	102	C	142	C
23	A	63	B	103	D	143	C
24	B	64	D	104	B	144	D
25	A	65	A	105	B	145	C
26	B	66	C	106	B	146	B
27	A	67	A	107	A	147	D
28	B	68	B	108	B	148	A
29	C	69	D	109	C	149	B
30	A	70	B	110	A	150	D
31	B	71	D	111	C		
32	A	72	A	112	B		
33	A	73	B	113	D		
34	D	74	A	114	A		
35	C	75	C	115	D		
36	A	76	C	116	C		
37	D	77	C	117	C		
38	D	78	A	118	B		
39	C	79	C	119	C		
40	C	80	A	120	A		