

Core course: EC02 B02 Micro economics II

B A Economics II semester

Multiple Choice Questions and Answers

1. Cost functions are derived from
 - a) demand functions,
 - b) production functions,
 - c) supply functions
2. The U shape of the average total cost curve reflects
 - a) LDMU,
 - b) The Law Of Variable Proportions,
 - c) Consumer's Surplus
3. The total fixed cost is a :
 - a) horizontal straight line
 - b) vertical
 - c) hyperbola
4. The shape of average fixed cost is
 - a) horizontal straight line
 - b) vertical
 - c) rectangular hyperbola
5. The shape of TVC and TC are:
 - a) rectangular hyperbola
 - b) inverse 'S' shape
 - c) horizontal straight line
6. The inverse 'S' shape of the TVC and TC are due to
 - a) LDMU
 - b) Law of Variable Proportions
 - c) MRS
7. The MC curve cuts the AC curve at
 - a) The maximum point
 - b) The initial Point,
 - c) The minimum Point
8. The minimum point of ATC is at position of the minimum point of AVC:
 - a) right
 - b) left
 - c) same
9. If the long run cost curve shifts down wards it is an indication of
 - a) technological progress
 - b) lower factor prices
 - c) both of these
10. The U shape of the LAC reflects

a) Law of Variable proportions b) Laws of returns to scale c) none of these

11. The long run cost curve in the traditional theory is

a) Envelops curve b) Planning curve c) Both of these

12. In the modern theory of cost, the short run average variable cost is

a) saucer shaped b) U shaped c) none of these

13. The short run average variable cost is saucer shaped because of the presence of

a) excess capacity b) reserve capacity c) none of these)

14. Price discrimination is an essential feature of

a) Perfect competition b) Oligopoly c) Duopoly d) monopoly

15. Under monopoly the slope of AR curve is:

a) Upward sloping b) downward sloping c) horizontal d) None of these

16. Monopoly market is :

a) Single seller market b) single buyer market c) single buyer and seller d) None

17. In a monopsony market there is:

a) Single seller b) single buyer c) Two sellers d) two buyers

18. Third degree price discrimination occurs when the monopolist charges different prices for the same commodity in different

a) Markets b) places c) continents d) countries

19. Price discrimination is possible:

a) Under any market form b) only under monopoly
c) Only under monopolistic completion d) Only in perfect competition

20. Monopolist maximizes profit at the point where

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

21. At the point of equilibrium of a monopolist MC cuts MR curve

- a) From below b) from above c) at point of equality of AC and AR d) None

22. A multiplant monopolist maximizes his profit at the point where:

- a) $MR = MC_1$ b) $MR = MC_2$ c) $MR_1 = MR_2$ d) $MR = MC_1 = MC_2$

23. Lerner Index is a measure of:

- a) Elasticity of demand b) Monopoly power c) Inequality d) None

24. For a firm with monopoly power

- a) Price equals MC b) Price is less than MC c) Price exceeds MC d) None

25. Railways is an example of :

- a) Simple monopoly b) differentiated monopoly
c) Natural monopoly d) Monopsony

26. A market with only one buyer and one seller is called

- a) Oligopsony b) monopsony c) Bilateral monopoly d) None

27. Bilateral monopoly is a market with

- a) Single buyer b) Single seller c) Single buyer and single seller
d) Few buyers and sellers

28. The dual pricing system of charging high price during peak time and low price during off peak time is called

- a) Double pricing b) Dual pricing c) kinked pricing d) peak load pricing

29. Selling more than one product at a single price

- a) Dumping b) Bundling c) Discounting d) Off loading

30. An international price discrimination

- a) Dumping b) Bundling c) Discounting d) Off loading

31. The market structure which has a very large number of sellers selling identical products is called
- a) Perfect competition
 - b) Monopoly
 - c) Monopolistic competition
 - d) Oligopoly
32. The market structure with perfect mobility of factors and products is called
- a) Perfect competition
 - b) Monopoly
 - c) Monopolistic competition
 - d) Oligopoly
33. The market structure with perfect knowledge is called
- a) Perfect competition
 - b) Monopoly
 - c) Monopolistic competition
 - d) Oligopoly
34. The condition of perfect competition is fulfilled when
- a) Sellers are large in number
 - b) Buyers are large in number
 - c) Commodity produced is homogenous
 - d) All the above
35. The following are conditions of perfect competition except
- a) Sellers are large in number
 - b) Buyers are large in number
 - c) Commodity produced is homogenous
 - d) Commodity produced is differentiated
36. The following are conditions of perfect competition except
- a) Strong barriers to entry
 - b) Sellers are large in number
 - c) Commodity produced is homogenous
 - d) Buyers are large in number
37. The following are conditions of perfect competition except
- a) Sellers are large in number
 - b) Single buyer
 - c) Commodity produced is homogenous
 - d) Freedom to entry and exit
38. The condition of short run equilibrium under perfect competition is
- a) $MC=MR$
 - b) $AC=MR$
 - c) $AC=AR$
 - d) $AR=\text{Selling cost}$
39. The large number of firms producing the same commodity ensure that the individual firm has no control over
- a) Price of the commodity
 - b) The quantity of the commodity
 - c) Both of the above
 - d) None of the above

40. Individual firm has no control on the price of the commodity in the market is a condition of
- a) Perfect competition
 - b) Monopoly
 - c) Monopolistic competition
 - d) Bilateral monopoly
41. In a Perfect competitive market
- a) Firm is the price giver and the industry is a price taker
 - b) Firm is the price taker and the industry is a price giver
 - c) Both are price makers
 - d) Both are price takers
42. One of the essential conditions of perfect competition is
- a) Product Differentiation
 - b) Multiplicity of prices for identical product at any one time
 - c) Many sellers and few buyers
 - d) Only one price for identical goods at any one time
43. Under perfect market conditions the individual firm in the industry has ----- control over the price of the product.
- a) Some
 - b) Full
 - c) No
 - d) None of the above
44. The condition of short run equilibrium under perfect competition is
- a) $MC=MR$
 - b) MC cuts MR from below
 - c) MC is rising when it cuts AR
 - d) All the above
45. The market structure which has large number of sellers selling differentiated product is called
- a) Perfect competition
 - b) Monopoly
 - c) Monopolistic competition
 - d) Oligopoly
46. The market structure in which number of sellers is small with interdependence is called
- a) Perfect competition
 - b) Monopoly
 - c) Monopolistic competition
 - d) Oligopoly
47. The cost incurred to alter the position or slope of demand curve is known as
- a) Marginal cost
 - b) Selling cost
 - c) Alternate cost
 - d) Additional cost
48. The condition of short run equilibrium under monopolistic competition is
- a) $MC=MR$

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

49. Kinked demand curve explain which of the following features of oligopoly

- a) Selling cost
- b) Price rigidity
- c) Non price competition
- d) Product differentiation

50. Demand curve of a firm under monopolistic competition is

- a) Parallel to X axis
- b) Parallel to Y axis
- c) Downward sloping
- d) Upward sloping

51. Which of the following is not a feature of monopolistic competition?

- a) Homogenous product
- b) Large number of firms
- c) Freedom to entry and exit
- d) Differentiated product

52. In the short run, a monopolistically competitive firm can have

- a) Abnormal profit
- b) loss
- c) Normal profit
- d) Any of the above are possible

53. Selling cost is a feature of

- a) Monopolistic competition
- b) Perfect competition
- c) Monopoly
- d) Bilateral monopoly

54. Refrigerator company is an example of

- a) Oligopoly
- b) Perfect competition
- c) Monopoly
- d) Bilateral monopoly

55. Which of the following is a form collusive oligopoly

- a) Bilateral monopoly
- b) Monopoly
- c) cartel
- d) Kinked Oligopoly

56. OPEC is an example of

- a) Bilateral monopoly

- b) Monopoly
 - c) cartel
 - d) Kinked Oligopoly
57. In the long run, which of the following is applicable to a firm under monopolistic competition
- a) $AR = AC$
 - b) $AR > AC$
 - c) $AR < AC$
 - d) $AR = MC$
58. A discriminating monopolist will charge a higher price from which group of customers?
- a. Group with more elastic
 - b. Group with less elastic
 - c. Group with Unitary Elastic
 - d. Group with Infinitely Elastic
59. Perfect price discrimination means that every customer _____
- a. buys the same amount
 - b. pays the same price
 - c. contributes the same revenue
 - d. pays what she thinks the product is worth
60. Supernormal profit refers to
- a) High proportion of net profit
 - b) Minimum necessary profit to induce an entrepreneur to remain in business
 - c) Unexpectedly high Profit
 - d) Residual surplus

Answers:

- 1) a 2) b 3) a 4) c 5) b 6) b 7) c 8) a 9) c
 10) b
- 11) c 12) a 13) c 14) d 15) b 16) a 17) b 18)
 a 19) b 20) b
- 21) a 22) d 23) b 24) c 25) c 26) c 27) c 28)
 d 29) b 30) a
- 31) a 32) a 33) a 34) d 35) d 36) a 37) b
 38) a 39) c 40) a

41) d 42) d 43) c 44) d 45) c 46) d 47) b 48)
a 49) b 50) c

51) a 52) d 53) a 54) a 55) c 56) c 57) a
58) b 59) d 60) a