

MULTIPLE CHOICE QUESTIONS

MCQ

- ✓1. Which one of the following is not a feature of monopolistic competition ?
(a) large number of buyers and sellers
(b) goods are close substitutes but slightly differentiated
(c) no free entry to or exit from the market
(d) sellers are price-makers
2. Which one does hold in the long run equilibrium under monopolistic competition?
(a) $P = LAC$ (b) $P = LMC$ (c) $P = MR$ (d) $LAC = LMC$
3. Which one is not true in the context of imperfect competition?
(a) many buyers and sellers (b) goods are slightly differentiated
(c) sellers are price makers (d) no advertisement cost
- ✓4. Which one of the following is not a feature of oligopoly ?
(a) few sellers (b) many buyers
(c) sellers act independently (d) goods are homogeneous or slightly differentiated
- ✓5. Who has given a model to explain price rigidity under oligopoly?
(a) Cournot (b) Sweezy (c) Bertrand (d) Stackelberg
6. Which one of the following models does explain price rigidity under oligopoly?
(a) Price-leadership model (b) Market-sharing model
(c) Kinked demand curve model (d) Model of joint profit maximisation
7. One example of collusive oligopoly model is
(a) Cournot model (b) Price leadership model
(c) Stackelberg model (d) Sweezy model
8. Which one is included in the category of non-collusive oligopoly?
(a) Fellner model (b) Cournot model
(c) Price-leadership model (d) Market-sharing model
9. Which one is not a model of price-leadership ?
(a) Price determination by a low-cost firm (b) Price determination by a barometric firm
(c) Pricing by large and dominant firm (d) Pricing in cartel
- ✓10. If the demand curve is kinked, what will be the shape of MR curve ?
(a) It will also be kinked (b) It will be U-shaped
(c) It will be discontinuous (d) It will be a downward sloping straight line
11. What is the parameter of action of the sellers in Cournot model ?
(a) quantity of output (b) price of output
(c) selling cost (d) all of them
12. When does disequilibrium arise in Stackelberg's oligopoly model ?
(a) when both sellers A and B are followers (b) when one is leader and other is follower
(c) when the sellers make a collusion (d) when both A and B are leaders

13. **Taking price as the parameter of action, the problem of duopoly equilibrium has been considered by**
 (a) Fellner (b) Cournot (c) Bertrand (d) all of them
14. **A market with few sellers is called**
 (a) imperfect competition (b) oligopoly
 (c) monopolistic competition (d) bilateral monopoly
15. **Point out the wrong statement.**
 (a) Monopolistic competition is a mixture of monopoly and perfect competition.
 (b) Duopoly is a market of two sellers.
 (c) Oligopoly is a market of few buyers.
 (d) There is no distinction between firm and industry under monopoly.
16. **Who is the main contributor to the theory of collusive oligopoly?**
 (a) Fellner (b) Cournot
 (c) Stackelberg (d) Hall and Hitch
17. **'In the oligopoly market, the demand curve of an oligopolist firm has a kink'. Who argued this?**
 (a) Hicks (b) Cournot
 (c) Stackelberg (d) Sweezy
18. **Which of the following is true under imperfect competition?**
 (a) single firm and close substitute goods
 (b) many firms and homogeneous product
 (c) many firms and slightly differentiated products
 (d) few firms and slightly differentiated products
- ✓19. **In which market, can AR curve be kinked?**
 (a) Perfect competition (b) Monopolistic competition
 (c) Monopoly (d) Oligopoly
20. **How much will be the amount of output of each duopolist in Cournot model with zero cost and linear demand curve?**
 (a) Half of competitive output (b) One-fourth of competitive output
 (c) One-third of competitive output (d) three-fourths of competitive output
21. **In which model of oligopoly, does the seller determine his output assuming that his rival will not change his output?**
 (a) Bertrand oligopoly model (b) Stackelberg oligopoly model
 (c) Chamberlin oligopoly model (d) Cournot oligopoly model
22. **When is $P = AC (= ATC)$ in monopolistic competition?**
 (a) In the short run (b) In the long run
 (c) In both short run and long run (d) In long run equilibrium
23. **What is the market form called if there are two sellers?**
 (a) Duopoly (b) Oligopoly (c) Monopoly (d) None of these
24. **Match the items of List I with the items of list II.**
 List I List II
 A. International market 1. cold drinks
 B. Legal monopoly 2. gold and silver
 C. Oligopoly 3. patent rights
 (a) 2, 3, 1 (b) 2, 1, 3 (c) 3, 2, 1 (d) 1, 3, 1
25. **In the case of collusive duopoly first order condition of profit maximisation is:**
 (a) $MR = MC_1 = MC_2$ (b) $MR > MC_1 > MC_2$
 (c) $MR < MC_1 < MC_2$ (d) none of these
26. **Duopoly model, taking one seller as leader and the other seller as follower, has been discussed by**
 (a) Ricardo (b) Marshall (c) Stackelberg (d) Lerner
27. **Oligopoly is a market with few sellers. Here the word 'few' implies that**
 (a) the sellers know each other (b) the market of the good is very narrow
 (c) there is interdependence among the sellers (d) none of these

28. **One form of price leadership model under oligopoly is**
 (a) price leadership by low cost firm
 (b) price leadership by an old, experienced firm
 (c) price leadership by a large and dominant firm
 (d) all of the above
- ✓29. **The main objective of collusive oligopoly is**
 (a) to import latest technology
 (b) to sell the product to the buyer at the minimum possible price
 (c) to reduce competition among oligopolists
 (d) all the above
30. **The first order condition of equilibrium under collusive oligopoly is**
 (a) $MR = P_1 = P_2$
 (b) $MR = AC_1 = AC_2$
 (c) $MR_1 = MR_2 = MC$
 (d) none of these
31. **The theory of imperfect competition has first been systematically discussed by**
 (a) Cournot (b) Stackelberg (c) Lerner (d) Mrs Robinson
- ✓32. **The concept of monopolistic competition has been given by**
 (a) Lerner (b) Chamberlin (c) Triffin (d) Hicks
33. **The problem of equilibrium of a firm and an industry under imperfectly competitive market has been discussed at length by**
 (a) Cournot (b) Bertrand (c) Mrs Robinson (d) none of them
34. **Different aspects of monopolistically competitive market have been discussed primarily by**
 (a) Chamberlin (b) Lerner (c) Triffin (d) none of them
- ✓35. **The combined or mixed form of perfect competition and monopoly is**
 (a) Oligopoly (b) duopoly
 (c) Monopolistic competition (d) none of these
36. **Who discussed first about the duopoly market ?**
 (a) Cournot (b) Bertrand (c) Stackelberg (d) Fellner
- ✓37. **What type of producers' organisation is OPEC ?**
 (a) Marketing board (b) Producers' co-operative
 (c) Customs union (d) Cartel
- ✓38. **Goods of different sellers in monopolistic competition are**
 (a) homogeneous (b) differentiated (c) complementary (d) none of these
39. **In an imperfectly competitive market**
 (a) AR curve is downward sloping and MR curve lies below AR curve
 (b) AR curve is horizontal and AR and MR curves coincide
 (c) AR is upward rising and MR curve lies above AR curve
 (d) AR and MR curves are inverted U shaped
40. **The discussion on imperfect competition has been done by**
 (a) Ricardo (b) Marshall (c) Samuelson (d) none of them
41. **The problem of equilibrium under monopolistic competition has been discussed by**
 (a) Smith (b) Marshall (c) Samuelson (d) none of them
- ✓42. **Each seller in monopolistic competition is**
 (a) price maker, not price taker (b) price taker, not price maker
 (c) both price taker and price maker (d) neither price taker nor price maker
43. **In monopolistic competition**
 (a) entry is free and there is no advertisement expenditure
 (b) entry is free and there is advertisement expenditure
 (c) entry is blockaded and there is no advertisement expenditure
 (d) entry is blockaded and there is advertisement expenditure
- ✓44. **Choose the correct statement.**
 (a) Monopolistic competition is a blend of perfect competition and monopoly.

- (b) The concept of industry is not applicable in monopolistic competition.
 (c) In monopolistic competition, the concept of 'group' is used instead of industry.
 (d) All are correct.
45. **The conditions of equilibrium of a firm under monopolistic competition are**
 (a) $MR = MC$ and slope of MR curve $>$ slope of MC curve
 (b) $MR = MC$ and slope of MC curve $>$ slope of MR curve
 (c) $MR > MC$ and slope of MC curve $>$ slope of MR curve
 (d) $MR < MC$ and slope of MC curve $<$ slope of MR curve
46. **In the long run equilibrium under monopolistic competition, a firm enjoys**
 (a) only normal profit
 (b) more than normal profit
 (c) less than normal profit
 (d) any one may happen
47. **In monopolistic competition, there is competition among sellers through**
 (a) price
 (b) non-price factors
 (c) advertisement expenditure
 (d) all of the above
48. **In monopolistic competition, the condition for long run equilibrium of a firm is**
 (a) $P = MR$ (b) $P = LMC$ (c) $LAC = LMC$ (d) none of these
49. **Which of the following holds under monopolistic competition ?**
 (a) few sellers
 (b) homogeneous product
 (c) sellers are price takers
 (d) there is advertisement expenditure
50. **Price rigidity under oligopoly has been explained by**
 (a) Cournot (b) Stackelberg (c) Bertrand (d) none of them
51. **The parameter of action of the sellers in Bertrand model is**
 (a) output (b) price (c) selling cost (d) all of these
52. **One example of non-collusive oligopoly is**
 (a) Market-sharing cartel
 (b) Joint profit-maximising cartel
 (c) Price leadership by low cost firm
 (d) None of these
53. **Select the correct statement.**
 (a) In Cournot model, output is the parameter of action while in Bertrand model, price is the parameter of action
 (b) In Cournot model, price is the parameter of action while in Bertrand model, output is the parameter of action
 (c) In both Cournot and Bertrand models, price is the parameter of action.
 (d) In both Cournot and Bertrand models, output is the parameter of action.
54. **Stackelberg has discussed the behaviour of two sellers in the duopoly market assuming**
 (a) both as leaders
 (b) both as followers
 (c) one as leader and the other as follower
 (d) all the three cases above
55. **In Bertrand duopoly model, it is assumed that the rival firms compete through**
 (a) price of the good
 (b) quantity of the good
 (c) selling cost
 (d) all are correct
56. **Which one of the following is not a non-collusive oligopoly model ?**
 (a) Cournot model
 (b) Price leadership model
 (c) Bertrand model
 (d) Stackelberg model
57. **One form of cartel is**
 (a) Joint profit-maximising cartel
 (b) Market-sharing through non-price competition
 (c) Market-sharing through quota agreements
 (d) All the above
58. **In the original Cournot model it is assumed that**
 (a) Product of two sellers is homogeneous and cost of production is zero
 (b) Products of two sellers are differentiated and cost of production is zero
 (c) Product of two sellers is homogeneous and cost of production is positive
 (d) Products of two sellers are differentiated and cost of production is positive

59. *In the Cournot duopoly model, it is assumed that the two sellers*
- take decision on price, not on quantities of output
 - take decision on quantities of output, not on price
 - take decision on both quantities of output and price
 - do not take decision either on quantities or on price
60. *In Cournot model, when a duopolist changes his output, he assumes that his rival*
- will increase his output
 - will decrease his output
 - will not change his output
 - any of the three
61. *In Cournot's costless duopoly model with linear demand curve the share of each seller in total market demand is*
- $\frac{1}{2}$ of competitive output
 - $\frac{1}{4}$ of competitive output
 - $\frac{1}{3}$ of competitive output
 - none of these
62. *In Cournot's costless duopoly model, the total share of output made by two sellers together is*
- $\frac{1}{2}$ of competitive output
 - $\frac{1}{3}$ of competitive output
 - $\frac{2}{3}$ of competitive output
 - $\frac{1}{4}$ of competitive output
63. *Suppose the demand function is linear and identical and production cost is zero. Then the ratio of monopoly output to competitive output will be*
- $\frac{1}{2}$
 - $\frac{1}{3}$
 - $\frac{1}{4}$
 - none of these
64. *Let the demand function be identical and linear and cost of production be zero. Then the ratio of duopoly output to competitive output is*
- $\frac{1}{2}$
 - $\frac{1}{3}$
 - $\frac{2}{3}$
 - $\frac{1}{4}$
65. *Between two sellers in the Cournot model of duopoly,*
- there is quantity competition and no price competition
 - there is price competition and no quantity competition
 - there are both quantity competition and price competition
 - there is neither quantity competition nor price competition
66. *At the equilibrium point of the Cournot model, two sellers'*
- individual profit is not maximum but joint profit is maximum
 - individual profit is maximum but joint profit is not maximum
 - both individual profit and joint profit are maximum
 - individual profit as well as joint profit are not maximum
67. *In the Cournot model, it is found that sellers*
- learn from past experience and new firms can enter the market
 - do not learn from past experience and new firms can enter the market
 - learn from past experience and new firms cannot enter the market
 - do not learn from past experience and new firms cannot enter the market
68. *It is assumed in the Cournot model that the conjectural variation in output of the rival firm is*
- zero
 - positive
 - negative
 - equal to one
69. *In Cournot's costless model, if we assume linear market demand curve and if there are n sellers in the market, then the share of output of each seller in total market demand will be*
- $\frac{1}{n}$ of competitive output
 - $\frac{1}{n+1}$ of competitive output
 - $\frac{n}{n+1}$ of competitive output
 - none of these

70. In Cournot's costless oligopoly with n sellers and linear market demand curve, the share of output of all sellers together will be
- (a) $\frac{1}{n}$ of competitive output
 (b) $\frac{1}{n+1}$ of competitive output
 (c) $\frac{n}{n+1}$ of competitive output
 (d) none of these
71. According to Stackelberg, equilibrium in the duopoly market will be attained if
- (a) one firm is competed out
 (b) one firm succumbs to the leadership of other
 (c) some collusion is reached between them
 (d) any one of the above happens
72. In duopoly market, on an iso-profit curve of a duopolist
- (a) cost is fixed (b) sale is fixed (c) profit is fixed (d) all are incorrect
73. At the Stackelberg disequilibrium point, due to price-war between two sellers,
- (a) one firm may leave the market
 (b) one firm may surrender to the leadership of other
 (c) some collusion may be made
 (d) any one of the above may happen
74. Which economist of the following is not the author of non-collusive oligopoly?
- (a) Fellner (b) Cournot (c) Bertrand (d) Sweezy
75. Equilibrium position in the duopoly market through price competition has been described by
- (a) Sweezy (b) Cournot (c) Chamberlin (d) none of them
76. 'Duopolist sellers do not learn from past experience.' This assumption has been made by
- (a) only Cournot (b) only Bertrand
 (c) both Cournot and Bertrand (d) neither Cournot nor Bertrand
77. In Cournot model, iso-profit curve of any seller is the locus of
- (a) combinations of outputs of two sellers (b) combinations of prices of two sellers
 (c) combinations of revenues of two sellers (d) combinations of profits of two sellers
78. In Bertrand's duopoly model, iso-profit curve of any seller is the locus of different combinations of
- (a) outputs of two sellers (b) prices of output of two sellers
 (c) profits of two sellers (d) revenues of two sellers
79. In the Cournot duopoly model, if the iso-profit curve of a seller is
- (a) farther from his output axis, higher is the amount of profit
 (b) farther from his price axis, higher is the amount of profit
 (c) farther from his output axis, lower is the amount of profit
 (d) farther from his price axis, lower is the amount of profit
80. In Bertrand's duopoly model, if the iso-profit curve of a seller is
- (a) farther from his output axis, higher is the amount of profit
 (b) farther from his price axis, higher is the amount of profit
 (c) farther from his output axis, lower is the amount of profit
 (d) farther from his price axis, lower is the amount of profit
81. Under cartel, oligopolists come to an agreement on
- (a) price of the good (b) quantity of the good
 (c) both price and quantity of the good (d) either price or quantity of the good
82. Suppose the number of members in a collusive oligopoly is two. Then the first order condition of equilibrium is
- (a) $P = MC_1 = MC_2$ (b) $P = AR_1 = AR_2$ (c) $P = AC_1 = AC_2$ (d) none of these
83. The main disadvantage of price leadership model of oligopoly is
- (a) lack of knowledge about the behaviour of the follower firm
 (b) non-price competition on the part of the follower firm
 (c) possibility of entry of new firms
 (d) all of the above

84. **The main demerit of joint profit-maximising collusive oligopoly is**
 (a) complexity in the calculation of market demand
 (b) complexity in the determination of cost curves of member firms
 (c) apprehension of government intervention and entry of new firms
 (d) all the above
85. **One form of market-sharing cartel is**
 (a) joint profit-maximising cartel
 (b) market-sharing on the basis of non-price competition
 (c) price leadership of a large and dominant firm
 (d) none of these
86. **Select the correct statement.**
 (a) Under perfect competition, resources of a firm are optimally utilised in the long run
 (b) Under monopoly, resources may or may not be fully utilised
 (c) Under monopolistic competition, there is generally excess capacity in a firm
 (d) all are correct
87. **Which pair is correct ?**
 (a) Perfect competition : $P = MR$
 (b) Monopoly : $P > MR$
 (c) Monopolistic competition : $P > MR$
 (d) All are correct
88. **One form of market-sharing cartel is**
 (a) market-sharing on the basis of quota
 (b) joint profit-maximising cartel
 (c) Cournot's costless duopoly
 (d) Stackelberg's leadership model
89. **Select the correct statement :**
 (a) In perfect competition, the industry is formed of all firms producing a homogeneous product.
 (b) In monopoly, the single firm forms the industry.
 (c) In monopolistic competition, the concept of group is used instead of industry.
 (d) All are correct.
90. **Which of the following pairs is wrong in equilibrium ?**
 (a) Perfect competition : $P = MC$
 (b) Monopoly : $P > MC$
 (c) Monopoly : $MR > MC$
 (d) Monopolistic competition : $P > MR$
91. **The theory of monopolistic competition has been discussed by**
 (a) Smith
 (b) Marshall
 (c) Ricardo
 (d) none of them
92. **A modified form of Sweezy's kinked demand curve model has been given by**
 (a) Fellner
 (b) Chamberlin
 (c) Hall and Hitch
 (d) Lerner
93. **The model of kinked demand curve of Sweezy is a**
 (a) non-collusive oligopoly model
 (b) collusive oligopoly model
 (c) price-leadership model
 (d) model of cartel
94. **The kinked-demand curve model of oligopoly has been given by**
 (a) Chamberlin
 (b) Cournot
 (c) Fellner
 (d) none of them
95. **Which of the following economists is not a contributor to the theory of duopoly?**
 (a) Chamberlin
 (b) Stackelberg
 (c) Cournot
 (d) Bertrand
96. **The number of sellers in duopoly is**
 (a) many
 (b) few
 (c) one
 (d) none of these
97. **Who is the author of the book "Competition Among the Few"?**
 (a) Samuelson
 (b) Lerner
 (c) Fellner
 (d) Cournot
98. **The model which explains price rigidity under oligopoly is**
 (a) Cournot model
 (b) Stackelberg model
 (c) Bertrand model
 (d) none of these
99. **According to Chamberlin, excess capacity in monopolistic competition can arise if**
 (a) there is non-price competition
 (b) there is free entry of firms
 (c) conditions (a) and (b) are fulfilled
 (d) the product is homogeneous

IMPERFECT COMPETITION

100. **The model explaining price rigidity under oligopoly is**
 (a) Price leadership model (b) Market-sharing model
 (c) Joint profit-maximising cartel (d) none of these
101. **The full form of OPEC is**
 (a) Organisation of Petrol Exporting Countries
 (b) Organisation of Petroleum Exporting Countries
 (c) Organisation of Petro-product Exporting Countries
 (d) None of these
102. **Who has discussed leadership model under non-collusive oligopoly ?**
 (a) Cournot (b) Stackelberg (c) Fellner (d) none of them
- ✓ 103. **OPEC is**
 (a) an economic union (b) a customs union
 (c) an international cartel (d) none of these
104. **In which year was OPEC established ?**
 (a) 1960 (b) 1961 (c) 1962 (d) none of these
105. **Which country did take major initiative to establish OPEC ?**
 (a) Indonesia (b) Qatar (c) Venezuela (d) United Arab Emirates
106. **Which country of the following is not the founder member of OPEC ?**
 (a) Iraq (b) Iran (c) Kuwait (d) Qatar
107. **Who did formulate leader-follower model under non-collusive oligopoly ?**
 (a) Fellner (b) Sweezy (c) Bertrand (d) none of them
- ✓ 108. **In monopolistic competition, instead of using the term industry we use the term**
 (a) Organisation (b) Association (c) Group (d) Board
109. **Between two sellers in Bertrand's model of duopoly**
 (a) there is output competition and no price competition
 (b) there is price competition and no output competition
 (c) there are both output competition and price competition
 (d) there is neither output competition nor price competition
110. **At the equilibrium point of the Bertrand's duopoly model, two sellers'**
 (a) individual profit is maximum, but joint profit is not.
 (b) individual profit is not maximum, but joint profit is.
 (c) both individual profit and joint profit are maximum.
 (d) neither individual profit nor joint profit is maximum.