Sheth T. J. Education Society's

Sheth NKTT College of Commerce and Sheth JTT College of Arts

TYBA – Semester V

Multiple choice questions of Microeconomics – III

Module 1 - Monopoly

1. Under monopoly there is/ are ________ seller.
   a) Single
   b) Two
   c) Few
   d) Large

2. In case of __________ market entry to a new seller is completely restricted.
   a) Perfect competition
   b) Monopoly
   c) Monopolistic competition
   d) Oligopoly

3. Under monopoly there is no distinction between ____________.
   a) Demand and supply
   b) Price and output
   c) Firm and industry
   d) Consumption and production

4. Public utility services like water, electricity etc. are examples of _________ monopoly.
   a) Technical
   b) Financial
   c) Private
   d) Natural

5. Profit = Total Revenue - ____________.
   a) Total Cost
   b) Total Output
   c) Total investments
   d) Total Consumption

6. A monopolist usually produces____________.
   a. less than optimum output

b. more than optimum output
c. optimum output
d. Equal output

7. A monopolist a price __________.
   a. taker
   b. maker
   c. Price maker and taker
   d. neither

8. For a monopoly firm
   a. AR = MR
   b. AR > MR
   c. AR < MR
   d. AR + MR

9. In the long-run a monopolist earns __________
   a) excess profit
   b) normal profit
   c) sub-normal profit
   d) negative profit

10. Excess profit is earned when________.
   a) AR > AC
   b) AR = AC
   c) AR < AC
   d) AR + AC

11. Demand for a monopoly firm's product is__________.
   a) Perfectly elastic
   b) Relatively elastic
   c) Perfectly inelastic
   d) Relatively Inelastic

12. Which of the following statements is true of monopoly?
   a) A monopolist decides both the price and output to be sold
   b) monopolist poses no barrier to entry of new firms
   c) monopolist usually earns excess profit in the long run
   d) monopolist produces at minimum average cost

13. Which of the following is an example of source of monopoly power?
   a) key resource is owned by a single firm
   b) Technology

c) Legal protection
d) All the above

14. fundamental source of monopoly market power arises from
a) Perfectly elastic demand
b) Perfectly inelastic demand
c) Barriers to entry of new firms
d) All the above

15. A monopoly face __________________________
a) downward slopping demand curve and can sell as much output as he desires at the market price
b) downward slopping demand curve and can only a limited quantity of output at each price
c) horizontal demand curve and can sell as much output as he desires desire at the given market price
d) A horizontal demand curve and they can sell only a limited quantity of output at each price

16. If a profit – maximizing monopolist faces a downwards-sloping market demand curve, it's __________________.
a) Average revenue is less than the price of the product
b) Average revenue is less than marginal revenue
c) Marginal revenue is less than the price of the product
d) Marginal revenue is greater than the price of the product

17. A profit – maximizing monopolist will reduce the level of output at which ________.
a) Average revenue is equal to average total cost
b) Average revenue is equal to marginal cost
c) Marginal revenue is equal to marginal cost
d) Total revenue is equal to opportunity cost

18. For a profit-maximizing monopolist________.
a) P > MR = MC
b) P = MR = MC
c) P > MR > MC
d) MR < MC < P

19. Price discrimination refers to
a) charging different prices for different commodities
b) charging different prices for same buyers at different times

c) charging different prices for same commodity to different buyers
d) charging same price for all buyers

20. First degree price discrimination refers to

a) each customer is charged different price for the same commodity
b) each market segment is charged different price
c) different prices are charged for same commodity in different market
d) each market charged same price for different commodities

21. Price discriminations is possible when
a) a commodity is non-transferable
b) when customers do not meet each other
c) when customers are ignorant about price differentials
d) all the above

22. Price discrimination is profitable when
a) elasticity of demand is the same in different markets
b) elasticity differs in different markets
c) when demand in different markets is perfectly elastic
d) None of these

23. A price discriminating monopolist disturbs total output between the markets till the point
a) where MR in all the markets is same
b) where MR differs in different markets
c) where AR in different markets is same
d) where AR is same in all markets

24. Monopoly power of business firms leads to _________economic effects.
a) Positive
b) Negative
c) Internal
d) External

25. In India, Monopoly and Restrictive Trade Practices (MRTP) Act was came into effect in _________.
a) 1965
b) 1969
c) 1970
d) 1972

Module 2 – Basics of Game Theory

1. A different approach to study of the oligopoly problem is provided by the _______ theory.
   a) Mundell – Fleming Theory
   b) Market theory
   c) Game Theory
   d) Mill's Theory

2. ________ theory has numerous applications in oligopoly market.
   a) Game Theory
   b) Monopoly theory
   c) Oligopoly theory
   d) Market theory

3. Game theory is concerned with the choice of an optimal strategy in which situation?
   a) Non-conflict
   b) Conflict
   c) Fighting
   d) Co-operative

4. Who are the decision makers in game theory?
   a) Players
   b) Consumers
   c) Producers
   d) Government

5. What are the potential choices available to the players?
   a) Alternatives
   b) Strategies
   c) Profits
   d) Competitions

6. A dominant strategy is one that produces ________ pay-off no matter what the other players in the game choose.
   a) Higher
   b) Lower
   c) Medium
   d) Minimum

7. A game is said to be in which equilibrium if each player's strategy is the best he can choose , given the other players choices.
   a) Dominant
   b) Nash
   c) Pareto
   d) Ricardo

8. Game theory is concerned with the choice of a _________strategy in conflict situations.
   a) Minimum
   b) Maximum
   c) Optimal
   d) Competitive

9. _________is the outcome of each strategy in a game theory.
   a) Output
   b) Profit
   c) Pay-offs
   d) Income

10. The first systematic attempt in the field of Game theory was given by _____.
    a) Marshall and Ricardo
    b) Smith and Johnson
    c) Keynes and Marx
    d) Neumann and Morgenstern

11. In ________game players can negotiate binding contracts that allow them to implement and enforce join strategies.
    a) Cooperative
    b) Non-cooperative
    c) Zero -sum
    d) Non-zero sum

12. In __________ game, the negotiation or enforcement of a biding contract is not possible.
    a) Cooperative
    b) Non-cooperative
    c) Zero -sum
    d) Non-zero sum

13. In ___________ game, the gain of one player comes at the expense of exactly to the loss of the other player.
    a) Cooperative
    b) Non-cooperative
    c) Zero -sum
    d) Non-zero sum

14. In _________game, the gain of one player do not comes at the expense of exactly to the loss of the other player.
    a) Cooperative
    b) Non-cooperative
    c) Zero -sum
    d) Non-zero sum

15. ___________ strategy is one that is the best for that player regardless of the action taken by the rival.
    a) Dominant
    b) Prominent
    c) Optimal
    d) Cooperative

16. ___________ helps to understand the behaviour of firms when they faced uncertainty about their rival's action.
    a) Dominant strategy
    b) Prisoner's Dilemma
    c) Nash Equilibrium
    d) Battle of sexes game

17. Any dominant strategy equilibrium is always a _________equilibrium.
    a) Prisoner's Dilemma
    b) Nash
    c) Battle of sexes game
    d) Extensive form

18. __________ is the combination of the strategies in a game in such a way, that there is no incentive for players to deviate from their choice.
    a) Dominant strategy
    b) Prisoner's Dilemma
    c) Nash Equilibrium
    d) Battle of sexes game

19. In __________ there is a game with multiple equilibrium.
    a) Dominant strategy
    b) Prisoner's Dilemma
    c) Nash Equilibrium
    d) Battle of sexes game

20. The ____________ form of a game represents a detailed and richly structured way to describe game.
    a) Intensive
    b) Extensive
    c) Internal
    d) External

21. The extensive form of a game was later refined by ____________.
    a) Smith
    b) Ricardo
    c) Keynes
    d) Kuhn

22. A ________ in the game tree is a point at which a player chooses a strategy.
   a) Branch
   b) Node
   c) Trunk
   d) Twig

23. A _________ stands for particular choice by a player in extensive game.
   a) Branch
   b) Node
   c) Trunk
   d) Twig

24. __________ is a graphical representation of a sequential game of extensive form.
   a) Demand Curve
   b) Supply Curve
   c) Game Tree
   d) Game Node

25. An initial node in game tree represents ______ decision to be made.
   a) Important
   b) Strategic
   c) First
   d) Last

Module 3 – Oligopoly

1. In Oligopoly market, there are _____________ sellers.
   a) One
   b) Two
   c) Few
   d) Large

2. An oligopolist is
   a) certain about his decision
   b) uncertain about his decision
   c) totally depends on other sellers
   d) Not depend on other sellers

3. An oligopolist faces_______
   a) a smooth downward sloping demand curve
   b) horizontal demand curve
   c) Kinked demand curve

d) Upward sloping curve

4. Collusive oligopoly is beneficial to
   a) Consumer
   b) Producers
   c) new entrants
   d) Both producer and consumer

5. Price leadership avoids
   a) Price war
   b) new entrants to the market
   c) promotes product differentiation
   d) product competition

6. An oligopoly is a market in which
   a) There are only a few sellers selling differentiated or homogenous products
   b) Firms are price takers
   c) Firms are not interdependent
   d) There are few sellers selling products that have no close substitutes

7. A kinked demand curve indicates
   a) Price flexibility in non-collusive oligopoly
   b) Price flexibility in collusive oligopoly
   c) Price rigidity in collusive oligopoly
   d) Price rigidity in non- collusive oligopoly

8. Which of the following is /are features of Oligopoly?
   a) Interdependence
   b) Uncertainty
   c) Indeterminateness
   d) All of the above

9. In ___________ oligopoly firms do not compete but cooperate each other.
   a) Collusive
   b) Non-collusive
   c) Pure
   d) Perfect

10. In _________ oligopoly firms compete with each other.
    a) Collusive
    b) Non-collusive
    c) Pure
    d) Perfect

11. In __________ oligopoly entry of a new seller is highly restricted.
    a) Collusive

b) Non-collusive
c) Pure
d) Perfect

12. There is no cartel formation in _________ oligopoly.
    a) Collusive
    b) Non-collusive
    c) Pure
    d) Perfect

13. The first formal model of oligopoly behaviour was put forwarded by _______.
    a) A. C. Pigou
    b) J. M. Keynes
    c) A. Cournot
    d) J. B. Say

14. Augustin Cournot developed his model of duopoly in __________.
    a) 1835
    b) 1838
    c) 1840
    d) 1845

15. In Cournot's model of duopoly, commodity produced by firms assumed as___________.
    a) Homogenous
    b) Heterogenous
    c) Close substitute
    d) Complementary

16. In Cournot's model of duopoly, cost of production is assumed as ________.
    a) Higher
    b) Lower
    c) Zero
    d) Average

17. In Cournot's model of duopoly, two producers, each one will finally produce ______ of total market output.
    a) 1/2
    b) 1/3
    c) 1/4
    d) 1/5

18. Which of the following is/are limitations of Cournot's model?
    a) Unrealistic assumptions
    b) Irrational Behaviour
    c) Closed Model

d) All of the above

19. The __________model of duopoly gave an alternative explanation to Cournot's model in 1883.
    a) Edgeworth
    b) Bertrand
    c) Kinked demand curve
    d) Pareto

20. In Bertrand's model of duopoly, marginal cost is assumed as ________.
    a) Zero
    b) Higher
    c) Lower
    d) Constant

21. In Bertrand's model of duopoly, __________adjusted instead of price.
    a) Output
    b) Income
    c) Expenditure
    d) Profit

22. Edgeworth's model of duopoly was developed in the year ________.
    a) 1890
    b) 1895
    c) 1897
    d) 1899

23. A book "The Theory of Monopolistic Competition" (1933) was written by _______
    a) Augustin Cournot
    b) E. H. Chamberlin
    c) Joseph Bertrand
    d) J. M. Keynes

24. Paul Sweezy used the kinked demand curve model to explain _________ in an oligopoly market.
    a) Price war
    b) Uncertainty
    c) Price stability
    d) Entry barriers

25. ___________ is the limitation of price leadership.
    a) Non-price competition
    b) Product differentiation
    c) Both a) and b)
    d) None of these

Module 4 – General Equilibrium and Welfare Economics

1. A fundamental feature of any economic system is the
   a) Interdependence among its constituent parts
   b) All variables do not dependent on each other
   c) Demand and supply are closely related
   d) Factor prices are indeterminate

2. The demand for factors by firms depends on the __________
   a) Fashion
   b) Weather
   c) Future expectations
   d) State of technology

3. In two sector circular flow model, all production takes place in ________ sector.
   a) Household
   b) Business
   c) Government
   d) Foreign

4. In two sector circular flow model, ________flow shows exchange of goods for the services of factors of production.
   a) Real
   b) Monetary
   c) Internal
   d) External

5. The consumers receive income payments from the firms for offering their ________ services.
   a) Real
   b) Money
   c) Product
   d) Factor

6. A ____________ equilibrium is defined as a state in which all markets and all decision-making units are in simultaneous equilibrium.
   a) Money market
   b) Capital market
   c) Effective
   d) General

7. __________ economics as the branch of economics which deals with normative issue.
   a) Welfare
   b) Social
   c) Industrial

d) Labour

8. According to _________ criterion of efficiency, any change that makes at least one individual better-off without making any other worse-off is an improvement in social welfare.
   a) Marshall's
   b) Ricardo's
   c) Pareto
   d) Keynes

9. General equilibrium theory is explained with the help of ________box diagram.
   a) Keynes
   b) Edgeworth's
   c) Smith's
   d) Pigou's

10. In general equilibrium theory, efficiency in exchange is explained with the help of ___________.
    a) Indifference curve
    b) Isoquants
    c) Demand curve
    d) Supply curve

11. In general equilibrium theory, efficiency in production is explained with the help of ___________.
    a) Indifference curve
    b) Isoquants
    c) Demand curve
    d) Supply curve

12. General equilibrium in consumption is attained at point where _________.
    a) MRSx = MRSy
    b) MRS = MRTS
    c) MRSa = MRSb
    d) MRS^A x, y = MRS^B x, y

13. General equilibrium in production is attained at point where _________.
    a) $MRS^x{}_{L, K}$ = $MRS^y{}_{L, K}$
    b) MRTSa = MRTSb
    c) MRSa = MRSb
    d) MRS = MRTs

14. General equilibrium in production and exchange is attained at a point where _______.
    a) MRS^A x, y = MRS^B x, y
    b) MRS $^x{}_{L, K}$ = MRS $^y{}_{L, K}$
    c) MRPT $_{X, Y}$ = MRS^A x, y = MRS^B x, y

d) MRS = MRTS

15. __________ is an ideal market which insures the attainment of Pareto optimality or maximum social welfare.
    a) Perfect competition
    b) Monopoly
    c) Monopolistic competition
    d) Oligopoly

16. The Pareto efficiency in exchange requires that the marginal rate of substitution between two goods (X&Y) must be ________ for any pair of consumers (A & B).
    a) Higher
    b) Lower
    c) Equal
    d) Unequal

17. The Pareto efficiency in production requires that the __________ between labour and capital must be same for the production of any pair of products.
    a) Marginal Rate of substitution
    b) Marginal Rate of Transformation
    c) Marginal Rate of Productivity
    d) Marginal Rate of Technical Substitution

18. The _________ ensures the fulfillment of three marginal conditions which is required for Pareto optimality.
    a) Perfect competition
    b) Monopoly
    c) Monopolistic competition
    d) Oligopoly

19. Maximization of social welfare can be explained with the help of ___________ and social welfare function.
    a) Utility function
    b) Indifference curve
    c) Isoquants
    d) Utility possibility frontier

20. The utility possibility frontier shows the various combinations of ________ received by individuals A and B when the simple economy is in general equilibrium.
    a) Satisfaction
    b) Profit
    c) Utility
    d) Income

21. The Kaldor- Hicks criterion evaluates alternative situation on the basis of __________ valuations of different persons.

a) Real
b) Mental
c) Physical
d) Monetary

22. Which of the following is not limitation of Kaldor-Hicks Criterion?
    a) It ignores income distribution
    b) Commodities are homogenous
    c) No universal validity
    d) Compensation not feasible

23. Arrow has listed _____ conditions that he believes must hold for a social welfare function to reflect individual preferences.
    a) 3
    b) 4
    c) 5
    d) 6

24. According to Arrow, Social welfare choices must be _______________
    a) Transitive
    b) Unanimous
    c) Both a) and b)
    d) None of these

25. When society cannot derive a social welfare by democratic voting even if individual preferences are consistent, this situation is called as _________.
    a) Voting Paradox
    b) Voting Exploitation
    c) Voting Collusion
    d) Voting illustration