UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION

III SEMESTER

B.A ECONOMICS
(2013 ADMISSION)

CORE COURSE
Microeconomics -II EC3 B04

QUESTION BANK

1. Which market model has the least number of firms?
a) monopolistic competition
b) pure competition
c) pure monopoly
d) oligopoly

2. If the demand curve facing a firm is perfectly elastic, then:
a) its marginal revenue will equal price.
b) its marginal revenue schedule will decrease at an increasing rate.
c) its marginal revenue schedule decreases twice as fast as the demand curve.
d) it can increase its total revenue by lowering the price of its product.

3. A profit-maximizing firm in the short run will expand output:
a) until marginal cost begins to rise.
b) until total revenue equals total cost.
c) until marginal cost equals average variable cost.
d) as long as marginal revenue is greater than marginal cost.

4. Price is constant or "given" to the individual firm selling in a purely competitive market because:
a) the firm's demand curve is downward sloping.
b) there are no good substitutes for the firm's product.
c) each seller supplies a negligible fraction of total supply.
d) product differentiation is reinforced by extensive advertising.

5. In pure competition, the marginal revenue of a firm always equals:
a) product price.
b) total revenue.
c) average total cost.
d) marginal cost.

6. A firm should always continue to operate at a loss in the short run if:
a) the firm will show a profit.
b) the owner enjoys helping her customers.
c) it can cover its variable costs and some of its fixed costs.
d) the firm cannot produce any other products more profitably.

7. The purely competitive firm's supply curve:
a) is perfectly inelastic in the short run.
b) is horizontal in the long run.
c) is upward sloping when some inputs are fixed.
d) becomes less elastic in the long run.

8. Which is true of normal profits
a) They are necessary to keep a firm in the industry in the long run.
b) They are zero under pure competition in the long run.
c) They are excluded from a firm's costs of production.
d) They are greater than the opportunity cost to the firm.

9. The representative firm in a purely competitive industry:
a) will always earn a profit in the short run.
b) may earn either an economic profit or a loss in the long run.
c) will always earn an economic profit in the long run.
d) will earn an economic profit of zero in the long run.

10. Allocative efficiency occurs when the:
a) minimum of average total cost equals average revenue.
b) minimum of average total cost equals marginal revenue.
c) marginal cost equals the marginal benefit to society.
d) marginal revenue equals marginal benefit to society.

11. When a purely competitive firm is in long-run equilibrium, price is equal to:
a) marginal cost, but may be greater or less than average cost.
b) minimum average cost, and also to marginal cost.
c) minimum average cost, but may be greater or less than marginal cost.
d) marginal revenue, but may be greater or less than both average and marginal cost.

12. Under conditions of pure monopoly:
a) there are close substitutes.
b) there is no advertising.
c) the firm is a price taker.
d) entry is blocked.

13. A monopoly is most likely to emerge and be sustained when:
a) output demand is relatively elastic.
b) firms have U-shaped, average-total-cost curves.
c) fixed capital costs are small relative to total costs.
d) economies of scale are large relative to market demand.

14. Which is a barrier to entry?
a) patents
b) revenue maximization
c) profit maximization
d) elastic product demand

15. The pure monopolist who is nondiscriminating must decrease price on all units of a product sold in order to sell additional units. This explains why:
a) there are barriers to entry in pure monopoly.
b) a monopoly has a perfectly elastic demand curve.
c) marginal revenue is less than average revenue.
d) total revenues are greater than total costs at the profit maximizing level of output.

16. A nondiscriminating monopolist will find that marginal revenue:
a) exceeds average revenue or price.
b) is identical to price.
c) is sometimes greater and sometimes less than price.
d) is less than average revenue or price.

17. At the profit-maximizing level of output, a monopolist will always operate where:
a) price is greater than marginal cost.
b) price is greater than average revenue.
c) average total cost equals marginal cost.
d) total revenue is greater than total cost.

18. In the short run, a monopolist's profits:
a) may be positive, negative, or zero.
b) are positive because of the monopolist's market power.
c) are positive if the monopolist's elasticity of demand is less than 1.
d) are positive if the monopolist's selling price is above average variable cost.

19. Monopolists are said to be allocatively inefficient because:
a) they produce where MR > MC.
b) at the profit-maximizing output price is greater than AVC.
c) they produce only the type of product they desire and do not consider the consumer.
d) at the profit-maximizing output the marginal benefit to society of additional output is greater than the marginal cost to society.

20. X-inefficiency is said to occur when a firm's:
a) average costs of producing any output are greater than the minimum possible average costs.
b) marginal costs of producing any output are greater than the minimum possible total costs.
c) total costs of producing any output are greater than the minimum possible average costs.
d) short-run costs of producing any output are greater than the long-run costs.

21. The economic incentive for price discrimination depends on:
a) prejudices of business managers.
b) differences among sellers' costs.
c) a desire to evade antitrust legislation.
d) differences among buyers' demand elasticities.

22. Which would definitely not be an example of price discrimination?
a) A theater charges children less than adults for a movie.
b) Universities charge higher tuition for out-of-state residents.
c) A doctor charges for services according to the income of patients.
d) An electric power company charges less for electricity used during off-peak hours when production costs are lower.

23. For a firm hiring labour in a perfectly competitive labour market, the marginal revenue product curve slopes downward after some point because as more of a factor is employed, which of the following declines
a) Marginal product
b) Marginal factor cost
c) Marginal cos
d) Total output

24. If firms in a perfectly competitive industry have been dumping toxic waste free of charge into a river, government action to ensure a more efficient use of resources would have which of the following effects on the industry's output and product price

	Output	Price
a)	Decrease	Decrease
b)	Decrease	Increase
c)	Increase	Decrease
d)	Increase	Increase

25. A market is clearly NOT perfectly competitive if which of the following is true in equilibrium
a) Price exceeds marginal cost.
b) Price exceeds average variable cost.
c) Price exceeds average fixed cost.
d) Price equals opportunity cost

26. If a perfectly competitive industry is in long-run equilibrium, which of the following is most likely to be true
a) Some firms can be expected to leave the industry.
b) Individual firms are not operating at the minimum points on their average total cost curves.
c) Firms are earning a return on investment that is equal to their opportunity costs.
d) Some factors are not receiving a return equal to their opportunity costs.

27. Which of the following is NOT a characteristic of a competitive market
a) It has many buyers
b) It has many sellers
c) The products traded are identical
d) Firms set the price (price makers)

28. Which of the following statements is true, regarding the revenues of a firm under perfect competition
a) The Marginal Revenue and the Average Revenue are equal to the price
b) The Marginal Revenue is greater than the Average Revenue
c) The Marginal Revenue is greater than the Total Revenue
d) The Total Revenue is less than the Average Revenue

29. A firm under perfect competition will maximize profits when its
a) Total Revenue is equal to its Total Cost
b) Marginal Revenue is equal to its Marginal Cost
c) The difference between Marginal Revenue and Marginal Cost is the greatest
d) Total Cost is greater than Total Revenue

30. The short-run supply curve of a firm in perfect competition is the segment of its:
a) marginal cost curve that lies above the minimum average total cost
b) marginal revenue curve that lies above the minimum average total cost
c) marginal cost curve that lies above the minimum average variable cost
d) marginal revenue curve that lies above the minimum average variable cost

31. In perfect competition the shutdown point is defined by
a) where price = AVC
b) where price = AC
c) where price = MC
d) when the firm starts to incur loss

32. Which of the following is an example of a barrier to entry into a monopoly market
a) New technology allows ever more firms to compete ever more fiercely in information services markets
b) The government does not allow firms to merge in an industry
c) A restaurant at the top of the hill view point possesses the only location in town with a spectacular view
d) Diseconomies of scale restrict the ability of firms to grow and remain competitive

33. The demand curve faced by a monopoly is:
a) vertical
b) horizontal
c) upward sloping
d) downward sloping

34. A monopoly is a ________
a) price taker
b) price accepter
c) price maker
d) price neutral

35. A monopoly is a ________, therefore the demand curve it faces is ________
a) price taker, downward-sloping
b) price taker, horizontal
c) price setter, downward-sloping
d) price setter, horizontal

36. As output increases in a monopoly, the firm's total revenue:
a) first increases and then decreases
b) first decreases and then increases
c) increases continuously
d) decreases continuously

37. Marginal revenue in a monopoly is:
a) always greater than the price
b) always equal to the price
c) always smaller than the price
d) sometimes greater and sometimes smaller than the price

38. Which of the following statements is true regarding a profit maximizing monopoly
a) It will cause a deadweight loss
b) It will produce less than perfect competition
c) It will sell at a higher price than perfect competition
d) All of the above

39. Which of the following are government policies designed to deal with monopolies?
i. Try to make monopolized industries more competitive.
ii. Regulate the behavior of monopolies.
iii. Turn some private monopolies into public enterprises.
iv. Do nothing at all.
a) only i and ii
b) only ii and iii
c) only i, ii, and iii
d) all four policies

40. In India, which law deals with monopolies
a) FERA
b) FEMA
c) MRTP
d) MNRGEA

41. Which of the following is NOT a characteristic of monopolistic competition?
a) There are many sellers
b) There are many buyers
c) Everybody is perfectly informed
d) The goods are identical

42. The diagram depicting monopolistic competition in the short run:
a) is very similar to the short run monopoly diagram
b) is very similar to the short run perfect competition diagram
c) is very similar to the short run oligopoly diagram
d) is completely different to the diagrams of all the other types of markets

43. If the Average Total Cost curve of a firm in monopolistic competition happens to be above the demand curve, it means:
a) the firm will have to sell a lot in order to make a profit
b) the firm will have to sell at a very high price in order to make a profit
c) other firms are performing better in the market than the firm depicted in the diagram
d) that firms in that industry will be incurring losses in the short run

44. In the long run, firms in monopolistic competition will see their price:
a) become equal to their Average Variable Cost
b) become equal to their Average Total Cost
c) remain well above their Average total Cost

d) become equal to their Marginal Cost

45. If firms in monopolistic competition are enjoying positive economic profits, in the long run
a) they will continue enjoying such profits, since new firms will be unable to enter the industry
b) consumers will cease wanting to buy such expensive goods and will switch to cheaper alternatives
c) this will attract new firms into the industry, causing prices to drop and profits to disappear
d) the government will have to step in and regulate the price

46. Firms in monopolistic competition in long run equilibrium ________ than firms in perfect competition.
a) produce less
b) charge a lower price
c) have bigger profits
d) have lower costs

47. In monopolistic competition in long run equilibrium, the price will be equal to:
a) the marginal cost
b) marginal revenue
c) average variable cost
d) average total cost

48. A major critique of advertising is that
a) it provides information to consumers that they would be better off without
b) it manipulates people's tastes, leading people to make bad choices
c) it promotes excessive competition among firms in the industry
d) it is usually linked to promotions, which undermine the market's price

49. A major argument in favour of advertising is that:
a) it provides information to consumers that allows them to make better choices
b) it helps people reaffirm their tastes and preferences
c) it reduces competition among firms in the industry, leading to lower prices
d) it is usually linked to promotions, which help lower the market's price

50. Branding can be good for society because:
a) it allows people to show off the branded goods they use or wear
b) it keeps generic goods from taking over the market
c) it provides useful information to consumers about the quality of branded goods
d) it helps firms enjoy higher prices and profits

51. Which of the following statements is FALSE?
a) A monopoly is an industry with only one seller
b) An oligopoly is an industry with only a few sellers
c) Perfect competition is an industry with many sellers
d) Monopolistic competition is an industry with only a few sellers

52. Monopsony is a market with
a) one buyer
b) one seller
c) many buyers
d) one buyer and one seller

53. A bilateral monopoly is a market structure consisting of
a) one buyer
b) one seller
c) many buyers
d) one buyer and one seller

54. A bilateral monopoly is a market structure consisting of both a ______and a _____
a) oligopoly and monopoly
b) monopoly and monopsony
c) oligopoly and perfect competition
d) monopoly and perfect competition

55. Monopsony is a market with ______ buyers
a) Many
b) Few
c) One
d) One hundred

56. A ___________occurs in an industry where there is only one producer of a good and only one supplier.
a) Bilateral Monopoly
b) Monopoly
c) Monopsony
d) Duopoly

57. Perfect completion means _____ rivalry
a) perfect
b) absence of
c) fierce
d) intense

58. _______ is situation in which a single company or group owns all or nearly all of the market for a given type of product or service.
a) Monopsony
b) Oligopoly
c) Perfect competition
d) Monopoly

59. _______ is situation in which a particular market is controlled by a small group of firms.
a) Monopsony
b) Oligopoly
c) Perfect competition
d) Monopoly

60. ________ is a market in which there are only a few large buyers for a product or service.
a) Monopsony
b) Oligopoly
c) Oligopsony
d) Monopoly

61. ________ is one organization created from a formal agreement between a group of producers of a good or service, to regulate supply in an effort to regulate or manipulate prices.
a) industry
b) firm
c) monopoly
d) cartel

62. Which of the following statements is true
a) Oligopolies sell more output than perfect competition
b) Oligopolies charge a higher price than monopolies
c) Oligopolies sell more output than monopolies
d) Oligopolies charge a lower price than perfect competition

63. The larger the number of firms in an oligopoly, the ________ the price and the ________ the output of the industry.
a) lower, greater
b) higher, lesser
c) higher, greater
d) lower, lesser

64. Factors of production are:
a) the coefficients in a production function
b) the characteristics of a market that determine how much is produced
c) the inputs used to produce goods and services
d) the outputs from a production function

65. The property of diminishing marginal product applies:
a) only to workers in the short run
b) applies to workers and any other variable inputs in the short run
c) only to workers in the long run
d) applies to workers and any other variable inputs in the long run

66. Which of the following statements is FALSE
a) The value of the marginal product of labour represents the benefit to the firm from hiring an additional worker
b) The value of the marginal product of labour curve represents the firm's demand for labour curve
c) The value of the marginal product of labour diminishes as more workers are hired.
d) The value of the marginal product of labour is the same thing as the marginal product of labour

67. All of the following will cause the value of the marginal product of labor to increase, EXCEPT:
a) an increase in the price of the good sold by the firm
b) a new production technology is developed and implemented by the firm
c) an increase in the number of workers employed by the firm
d) an increase in the quantity of other factors of production used by the firm

68. If the supply curve for labor is backward bending, and if the wage of a worker increases, she might choose to work:
a) fewer hours per week, since she can earn the same income working fewer hours
b) more hours per week, since she can earn the same income working fewer hours
c) fewer hours per week, since every hour of leisure is cheaper than before
d) more hours per week, since she needs to work more hours to earn the same income

69. If many students choose to study to become accountants, when all of these students eventually graduate, we can expect accountant's wages to ________, and the equilibrium number of accountants will ________
a) rise, increase
b) drop, increase
c) rise, decrease
d) drop, decrease

70. If there is a permanent increase in the demand for cars, car manufacturers will want to hire ________ workers, which will cause wages in the industry to ________.
a) more, rise
b) more, drop
c) less, rise
d) less, drop

71. As firms gradually acquire ever more technology, machinery and equipment, workers' productivity gradually ________, and workers wages gradually ________.
a) rises, decrease
b) diminishes, decrease
c) diminishes, increase
d) rises, increase

72. The price paid for any factor of production tends to be equal to:
a) the wage rate
b) the value of the marginal product of that input
c) the price of the product sold by the firm that inputs
d) the price of the product sold by the firm that buys the inputs

73. In a perfectly competitive market
a) each firm sets its own price
b) there are a few firms selling unique products
c) when one firm ceases production, the market equilibrium price tends to rise
d) None of the above. In a perfectly competitive market, firms sell homogenous products and take the market price as given

74. Price takers
a) are firms that take the market price as given, as they sell such a small proportion of the total market they have no influence on price
b) are consumers that take the market price as given and so receive no consumer surplus
c) are firms that must sell their products at below the market price in order to increase their sales volume
d) Both 1 and 2

75. The three primary characteristics of a perfectly competitive market are
a) the firms' products are unique, they set their own price and can freely enter and exit the market
b) the firms' products are homogenous, the firms are price takers and can freely enter and exit the market
c) the firms' products are homogenous, the firms are price takers and there are barriers to entry into the market
d) the firms' products are unique, they are price takers and there are no barriers to entry in the market

76. Microeconomic theory assumes that all firms maximize profits because
a) it has been observed that managers always align their goals with investors and seek to maximize short and long run profits
b) profit is likely to dominate almost all decisions for smaller firms
c) if managers deviate from profit maximization decisions for too long shareholders or the board of directors will replace them
d) Both (b) and (c)

77. Profits are maximized when the firm
a) captures the largest market share in its market
b) produces at an output level where marginal revenue exceeds marginal cost
c) produces at the output level where marginal revenue equals marginal cost
d) produces at the output level where total revenue is maximized

78. The demand curve for a perfectly competitive firm
a) slopes downward as the quantity demanded increases as the firm lowers price
b) is a horizontal, perfectly elastic demand curve at the market price
c) is a straight, downward sloping curve that is price elastic at higher prices and price inelastic as price falls and approaches zero
d) Both (b) and (c)

79. Profit maximization for a perfectly competitive firm is at the quantity where
a) price equals marginal revenue
b) the difference between price and marginal cost is the greatest
c) price equals marginal cost
d) marginal cost is at a minimum

80. A firm may decide to shut down in the short run
a) if profit maximization occurs at an output level where price is less than average variable cost
b) if profit maximization occurs at an output level where price is less than average total cost

c) profit maximization occurs at an output level where price is less than average total cost but greater than average variable cost
d) if profit maximization occurs at an output level where price is equal to average total cost and the firm does not foresee changes to the market price in the future

81. If a perfectly competitive firm finds that the profit maximizing output level occurs where price is equal to marginal cost but is less than average variable cost
a) the firm will continue to operate in the short run since total revenue exceeds total variable cost but will exit the industry in the long run
b) the firm will continue to operate in the short run since it has to pay the total fixed cost whether or not it continues to operate
c) the firm will increase its selling price to raise revenue in order to be able to continue to operate profitably in the short run
d) the firm will shut down in the short run and exit the industry in the long run if it does not foresee market conditions changing

82. In the long run, a perfectly competitive firm earning zero economic profits
a) will exit the market in search of more profitable use of its resources
b) is earning a normal rate of return on its investments
c) signifies that the firm is performing poorly and so should exit the market
d) will break even

83. In the long run, a constant cost industry
a) has an upward sloping supply curve as the quantity supplied increases with increases in demand
b) expands in response to an increase in demand despite rising input costs, and so the long run supply curve is horizontal
c) can expand in response to an increase in demand without input costs changing, and so the long run supply curve is horizontal
d) does not expand in response to an increase in demand and so the long run supply curve is horizontal

84. Market power is defined as
a) the ability of a firm to charge any price it wants
b) produce and sell as large a quantity as possible at high prices
c) the ability of a seller or buyer to affect the market price of a good or service
d) sell large a quantity at high prices

85. The price a monopolist charges
a) is much higher than the value the buyer places on the good
b) must be paid by consumers as they have no alternative firm from which they can purchase the good or service
c) is determined by the quantity produced and the market demand curve
d) is a competitive price

86. Marginal revenue for a monopolist is equal to
a) the increased revenue from the sale of an additional unit less the loss of revenue from selling previous units at a lower price
b) the change in revenue resulting from a one unit change in output
c) the change in revenue divided by the change in output
d) all of the above are applicable

87. For a monopolist, marginal revenue is always less than price because
a) as output increases, the price of all units must fall to sell the additional unit
b) because at lower prices, profit margins fall
c) in order to sell additional quantities, the additional units much be sold at a lower price
d) because monopolist is a price maker

88. The profit maximizing output level for a monopolist is

a) the output level where price elasticity of demand is −1 and total revenue is maximized
b) the output level where price elasticity of demand is +1 and total revenue is maximized
c) the output level where marginal revenue equals marginal cost
d) where the difference between price and average total cost is the largest

89. The supply curve for the monopolist
a) does not exist
b) is represented by the marginal cost curve above the average total cost curve
c) is represented by the marginal cost curve above the average variable cost curve
d) is represented by the marginal cost curve above the average cost curve

90. The Lerner Index is a measure of __________
a) Perfect Competition
b) Monopoly Power
c) Competition
d) Market

91. For the monopolist, at the profit maximizing level of output
a) price is greater than marginal cost (P > MC)
b) price is equal to marginal cost (P=MC)
c) price may be greater than or equal to marginal cost,
d) price is less than marginal cost (P <MC)

92. A major source of monopoly power in a market is
a) a low market elasticity of demand
b) a high market price elasticity of demand
c) aggressive rivalry between firms in a market
d) the presence of many firms in a market

93. According to economic pricing theory, the basic objective of every pricing strategy
a) is to reduce prices in order to increase consumer surplus and the quantity sold
b) to raise prices in order to reduce consumer surplus
c) sell at a price and quantity where total revenue is maximized
d) to capture consumer surplus and convert it to additional profit for the firm

94. The practice of charging different prices to different consumers for the same goods or services is known as _____
a) product differentiation
b) marketing
c) aggressive selling
d) price discrimination

95. Which of the following statements about industries that are oligopolies is false
a) Firms in these industries may attempt to cooperate
b) Firms in these industries are interdependent
c) The fact that there is more than one firm in an oligopoly means that there are no barriers to entry
d) An oligopoly with two firms is called a duopoly

96. The price rigidity in an oligopolistic market is explained by _______
a) price discrimination
b) product differentiation
c) bundling
d) kinked demand curve

97. Product differentiation is seen in
a) perfect competition
b) monopoly
c) monopolistic competition
d) pure competition

98. Price discrimination is a strategy in
a) monopoly
b) perfect competition
c) monopolistic competition
d) pure competition

99. Suppose a competitive firm produces 100 units of X for a price of Rs.10 a unit. The firm is employing labour and capital such that the marginal physical product of labour and capital is 20 and 5 and the prices paid to labour and capital are Rs. 60 and Rs. 40 respectively. How would you characterize the firm
a) The firm is in long-run equilibrium
b) The firm is earning excess profits
c) The firm should expand production
d) The firm should contract production

100. That the perfectly competitive firm will pick a combination of inputs where the ratio of each input's marginal product to its price is equal follows from
a) the need to use inputs in fixed proportions
b) the backward bending supply curve of labour
c) cost minimization
d) the attempt to achieve a target rate of return

101. If an additional worker costs you Rs. 15 per hour, and that person can add 25 units of output to the firm, you should hire that person as long as
a) 25 remains above Rs.15
b) 25/Rs.15 is greater than zero
c) Rs.15/25 is great than zero
d) the value of the marginal product is above Rs.15

....

Answers

1. (c) pure monopoly
2. (a) its marginal revenue will equal price
3. (d) as long as marginal revenue is greater than marginal cost
4. (c) each seller supplies a negligible fraction of total supply
5. (a) product price
6. (c) it can cover its variable costs and some of its fixed costs
7. (c) is upward sloping when some inputs are fixed
8. (a) They are necessary to keep a firm in the industry in the long run
9. (d) will earn an economic profit of zero in the long run
10. (c) marginal cost equals the marginal benefit to society
11. (b) minimum average cost, and also to marginal cost
12. (d) entry is blocked
13. (d) economies of scale are large relative to market demand
14. (a) patents
15. (c) marginal revenue is less than average revenue
16. (d) is less than average revenue or price
17. (a) price is greater than marginal cost
18. (a) may be positive, negative, or zero
19. (d) at the profit-maximizing output the marginal benefit to society of additional output is greater than the marginal cost to society
20. (a) average costs of producing any output are greater than the minimum possible average costs
21. (d) differences among buyers' demand elasticities
22. (d) An electric power company charges less for electricity used during off-peak hours when production costs are lower
23. (a) Marginal product
24. (b) Decrease, Increase
25. (a) Price exceeds marginal cost
26. (c) Firms are earning a return on investment that is equal to their opportunity costs
27. (d) Firms set the price (price makers)
28. (a) The Marginal Revenue and the Average Revenue are equal to the price
29. (b) Marginal Revenue is equal to its Marginal Cost
30. (c) marginal cost curve that lies above the minimum average variable cost
31. (a) where price = AVC
32. (c) A restaurant at the top of the hill view point possesses the only location in town with a spectacular view
33. (d) downward sloping
34. (c) price maker
35. (c) price setter, downward-sloping
36. (a) first increases and then decreases
37. (c) always smaller than the price
38. (d) All of the above
39. (d) all four policies
40. (c) MRTP
41. (d) The goods are identical
42. (a) is very similar to the short run monopoly diagram
43. (d) that firms in that industry will be incurring losses in the short run
44. (b) become equal to their Average Total Cost
45. (c) this will attract new firms into the industry, causing prices to drop and profits to disappear
46. (a) produce less
47. (d) average total cost
48. (b) it manipulates people's tastes, leading people to make bad choices
49. (a) it provides information to consumers that allows them to make better choices
50. (c) it provides useful information to consumers about the quality of branded goods
51. (d) Monopolistic competition is an industry with only a few sellers
52. (a) one buyer

53. (d) one buyer and one seller
54. (b) monopoly and monopsony
55. (c) One
56. (a) Bilateral Monopoly
57. (b) absence of
58. (d) Monopoly
59. (b) Oligopoly
60. (c) Oligopsony
61. (d) cartel
62. (c) Oligopolies sell more output than monopolies
63. (a) lower, greater
64. (c) the inputs used to produce goods and services
65. (b) applies to workers and any other variable inputs in the short run
66. (d) The value of the marginal product of labour is the same thing as the marginal product of labour
67. (c) an increase in the number of workers employed by the firm
68. (a) fewer hours per week, since she can earn the same income working fewer hours
69. (b) drop, increase
70. (a) more, rise
71. (d) rises, increase
72. (b) the value of the marginal product of that input
73. (d) None of the above. In a perfectly competitive market, firms sell homogenous products and take the market price as given
74. (a) are firms that take the market price as given, as they sell such a small proportion of the total market they have no influence on price
75. (b) the firms' products are homogenous, the firms are price takers and can freely enter and exit the market
76. (d) Both (b) and (c)
77. (c) produces at the output level where marginal revenue equals marginal cost
78. (b) is a horizontal, perfectly elastic demand curve at the market price
79. (c) price equals marginal cost
80. (a) if profit maximization occurs at an output level where price is less than average variable cost
81. (d) the firm will shut down in the short run and exit the industry in the long run if it does not foresee market conditions changing
82. (b) is earning a normal rate of return on its investments
83. (c) can expand in response to an increase in demand without input costs changing, and so the long run supply curve is horizontal
84. (c) the ability of a seller or buyer to affect the market price of a good or service
85. (c) is determined by the quantity produced and the market demand curve
86. (d) all of the above are applicable
87. (a) as output increases, the price of all units must fall to sell the additional unit
88. (c) the output level where marginal revenue equals marginal cost
89. (a) does not exist
90. (b) Monopoly Power
91. (a) price is greater than marginal cost ($P > MC$)
92. (a) a low market elasticity of demand
93. (d) to capture consumer surplus and convert it to additional profit for the firm
94. (d) price discrimination
95. (c) The fact that there is more than one firm in an oligopoly means that there are no barriers to entry
96. (d) kinked demand curve
97. (c) monopolistic competition
98. (a) monopoly
99. (c) The firm should expand production
100. (c) cost minimization
101. (d) the value of the marginal product is above Rs.15