# Chapter 5 – Market Equilibrium

**Question 1**

When a firm's Total Revenue=Total Cost, it cannot cover its normal profit

1. False
2. True
3. Can't say
4. None of these

**Answer:** False

**Question 2**

Product differentiation is in which market form?

**Answer:** Monopolistic Market Competition

**Question 3**

What is the normal profit?

**Answer:** The minimum number of profit which is required to hold an entrepreneur in the production process for the long run is known as normal profit.

**Question 4**

What is patent right?

**Answer:** Patent right is an exclusive license or right conferred to an organization to manufacture particular goods or services under a specific technology.

**Question 5**

Name two features of monopoly market.

**Answer:** The two important features of monopoly market are.

- There is only one seller in the market and can control the market on his own.
- The seller can make huge profits as compared to the normal profit.

**Question 6**

What is a price taker company?

**Answer:** A price taker company are those companies who have no option but to accept the price determined by the industry.

## Question 7

What is a price maker company?

**Answer:** A price maker company are those companies who can influence the price of a product on its own.

## Question 8

What is cooperative oligopoly?

Answer: A cooperative oligopoly is a situation of the market where the different companies cooperate with each other in fixing the price of goods or services.

## Question 9

What are the advertisement costs?

Answer: An advertisement cost is a cost which a company has to suffer while promoting their products and services and result in sales. Advertisement can be done through newspaper, TV, radio, magazine, etc.

## Question 10

What is meant by a normal profit?

**Answer:** A normal profit is the least amount of profit that a firm needs to keep the production going on for a long run.

## Question 11

What is unusual or abnormal profit?

**Answer:** The unusual or abnormal profits are those when the Total revenue > Total cost.

## Question 12

Define the implication of the following:

1. Interdependence between firms in Oligopoly
2. A large number of sellers in perfect competition

**Answer:** a) Oligopolies are composed of a few large companies and these companies action can affect the market condition. Therefore, the other contender company will be aware of the market actions and will respond appropriately. Mutual interdependence survives when the action of one company has a significant impact on the other company in the industry.

b) A perfectly competitive market is controlled by the existence of a large number of sellers and buyers of a product, which means no buyers or sellers whose purchase and sell is so large that it will impact the total purchase and sale in the market.