Chapter 4 – The Theory of Firm Under Perfect Competition

Question 1

The condition for producer equilibrium is

1. TR=TVC
2. MC=MR
3. TC=TSC
4. None of this above

Answer: MC=MR

Question 2

What is the condition for the long-run equilibrium of the competitive firm?

1. P=MR
2. LMC=LAC=P
3. SMC=SAC=LMC
4. All of the above

Answer: LMC=LAC=P

Question 3

Globalization has made the Indian market as?

1. Buyer Market
2. Seller Market
3. Monopoly Market
4. All of the above

Answer: Buyer Market

Question 4

What is the break-even price?

Answer: The break-even price is the cost at which a company earns a normal profit (Price=AC). In the long run, the break-even price can be described as P=AR=MC.

Question 5

When AR=Rs.10 and AC=Rs. 8, the firm makes?

1. Gross Profit
2. Normal Profit
3. Net Profit

4. Supernormal Profit

Answer: Supernormal Profit

Question 6

What features of the monopolistic competition are monopolistic in nature?

Answer: The features of the monopolistic competition that are monopolistic in nature are mentioned below.

- Product Differentiation
- Price Control
- The decrease in the demand curve

Question 7

Define perfect competition.

Answer:

Perfect competition is a market where a large number of buyers and sellers, sells a similar product in the same price

Question 8

What is a Monopoly in economics?

Answer: Monopoly is a condition where only one seller dominates the whole market space and has control over the price of a product

Question 9

Which is an ideal market?

1. Monopolistic Competition
2. Oligopoly
3. Monopoly
4. Perfect Competition

Answer: Perfect Competition

Question 10

In which market the demand curve is linear and parallel to X-axis?

1. Monopoly
2. Perfect Competition
3. Oligopoly
4. Mono [polistic Competition

Answer: Perfect Competition

Question 11

What is Oligopoly?

Answer: Oligopoly refers to a market structure where a few large sellers sell the same or different product.

Question 12

What is the shape of the marginal revenue curve under monopoly?

Answer: The shape of the marginal revenue curve under monopoly slopes downwards from left to right and it lies below the average revenue curve.

Question 13

Explain the implication of free entry and free exit of a firm in the perfect competition market.

Answer: The implication of free entry and free exit of a firm in the perfect competition market is that in this market structure no company earn an unusual profit. Each company just earns a normal profit.

Question 14

What is product differentiation?

Answer: Product differentiation means the substitute produced by different manufacturers to show their product are different from other product available in the market. The product differentiation can be in colour, shape, brand name, packaging, etc.

Question 15

Under perfect competition, the cost lies below the average cost curve, the company would

1. Incur losses
2. Make an unusual profit
3. Make normal profits
4. Profit cannot be determined

Answer: Incur losses