ECO 404 FINALTERM SOLVED MCQS 100% SURE

Solved by mb120400120@vu.edu.pk

DR ABDUL SABOOR

1. \Which of the following is not a type of market structure?
   - a. Competitive monopoly
   - b. Oligopoly
   - c. Perfect competition
   - d. All of the above are types of market structures.

2. If the market demand curve for a commodity has a negative slope then the market structure must be
   - a. perfect competition.
   - b. monopoly.
   - c. imperfect competition.
   - d. The market structure cannot be determined from the information given.

Solved by mb120400120@vu.edu.pk

3. If a firm sells its output on a market that is characterized by many sellers and buyers, a homogeneous product, unlimited long-run resource mobility, and perfect knowledge, then the firm is a
   - a. a monopolist.
   - b. an oligopolist.
   - c. a perfect competitor.
   - d. a monopolistic competitor.

www.vchowk.com

4. If a firm sells its output on a market that is characterized by a single seller and many buyers of a homogeneous product for which there are no close substitutes and barriers to long-run resource mobility, then the firm is

   - a. a monopolist.
   - b. an oligopolist.
   - c. a perfect competitor.
   - d. a monopolistic competitor.

5. If a firm sells its output on a market that is characterized by many sellers and buyers, a differentiated product, and unlimited long-run resource mobility, then the firm is

   - a. a monopolist.
   - b. an oligopolist.
   - c. a perfect competitor.
   - d. a monopolistic competitor.

6. If a firm sells its output on a market that is characterized by few sellers and many buyers and limited long-run resource mobility, then the firm is

   - a. a monopolist.
   - b. an oligopolist.
   - c. a perfect competitor.
   - d. a monopolistic competitor.

7. If one perfectly competitive firm increases its level of output, market supply

   - a. will increase and market price will fall.
   - b. will increase and market price will rise.
   - c. and market price will both remain constant.
   - d. will decrease and market price will rise.

8. Which of the following markets comes close to satisfying the assumptions of a perfectly competitive market structure?

- a. The stock market.
- b. The market for agricultural commodities such as wheat or corn.
- c. The market for petroleum and natural gas.
- d. All of the above come close to satisfying the assumptions of perfect competition.

9. A perfectly competitive firm should reduce output or shut down in the short run if market price is equal to marginal cost and price is

- a. greater than average total cost.
- b. less than average total cost.
- c. greater than average variable cost.
- d. less than average variable cost.

10. The market demand curve for a perfectly competitive industry is QD = 12 - 2P. The market supply curve is QS = 3 + P. The market will be in equilibrium if

- a. P = 6 and Q = 9.
- b. P = 5 and Q = 2.
- c. P = 4 and Q = 4.
- d. P = 3 and Q = 6.

11. Which of the following is a barrier to entry that typically results in monopoly?

- a. The firm controls the entire supply of a raw material.
- b. Production of the industry's product is subject to economies of scale over a broad range of output.
- c. Production of the industry's product requires a large initial capital investment.
- d. The firm holds an exclusive government franchise.

12. In the short run, a monopolist will shut down if it is producing a level of output where marginal revenue is equal to short-run marginal cost and price is

- a. greater than average total cost.
- b. less than average total cost.
- c. greater than average variable cost.
- d. less than average variable cost.

13. A **natural monopoly** refers to a monopoly that is defended from direct competition by

- a. economies of scale over a broad range of output.
- b. a government franchise.
- c. control over a vital input.
- d. a patent or copyright.

14. When a perfectly competitive industry is in long-run equilibrium, all firms in the industry

- a. earn zero economic profits.
- b. produce a level of output where short-run marginal cost is equal to short-run average total cost.
- c. produce a level of output where long-run marginal cost is equal to long-run average cost.
- d. All of the above are correct.

15. The short-run supply curve of a perfectly competitive firm

- a. is equal to that portion of the short-run marginal cost curve that is above the average variable cost curve.
- b. is equal to that portion of the short-run marginal cost curve that is above the average total cost curve.
- c. is equal to that portion of the short-run average total cost curve that is above the average variable cost curve.
- d. None of the above is correct.

16. The long-run supply curve of a perfectly competitive firm

- a. is equal to that portion of the long-run marginal cost curve that is above the relevant short-run average variable cost curve.
- b. is equal to that portion of the long-run marginal cost curve that is above the relevant short-run average total cost curve.
- c. is equal to that portion of the long-run average total cost curve that is above the relevant short-run average variable cost curve.
- d. None of the above is correct.

17. A depreciation of the U.S. dollar relative to foreign currencies will make

- a. foreign imports less expensive in the United States.
- b. U.S. exports less expensive in foreign countries.
- c. the demand for U.S. exports decrease.
- d. All of the above are correct.

18. The value of the U.S. dollar on the foreign exchange market will tend to

- a. increase if there is an increase in the demand for U.S. exports by foreign countries.
- b. decrease if there is an increase in the demand for foreign imports by the United States.
- c. decrease if monetary authorities intervene on the foreign exchange market by selling U.S. dollars for foreign currencies.
- d. All of the above are correct.

19. A monopolized market is in long-run equilibrium when

- a. zero economic profit is earned by the monopolist.
- b. production takes place where price is equal to long-run marginal cost and long-run average cost.

- c. production takes place where long-run marginal cost is equal to marginal revenue and price is not below long-run average cost.
- d. All of the above are correct.

20. A monopolist produces 14,000 units of output and charges $14 per unit. Its marginal revenue is $8, its marginal cost is $7 and rising, its average total cost is $10, and its average variable cost is $9. The monopolist should

- a. increase output, which will result in an increase in the firm's positive economic profit.
- b. increase output, which will reduce the firm's economic losses.
- c. shut down, which will reduce the firm's economic losses.
- d. decrease output, which will result in an increase in the firm's positive economic profit.

21. Which of the following types of firms is likely to be a monopolistic competitor?

- a. A local telephone company.
- b. An automobile manufacturer.
- c. A restaurant.
- d. All of the above are likely to be monopolistic competitors.

22. Which of the following is a differentiated product?

- a. A hamburger.
- b. A shirt.
- c. An automobile.
- d. All of the above are differentiated products.

23. Which of the following is a characteristic of monopolistic competition?

- a. Few sellers.
- b. A differentiated product.
- c. Easy entry into and exit from the industry.
- d. All of the above are characteristics of monopolistic competition.

24. The demand curve faced by a monopolistically competitive firm is

- a. perfectly elastic.
- b. elastic.
- c. unit elastic.
- d. inelastic.

25. If an imperfectly competitive firm is producing a level of output where marginal cost is equal to marginal revenue, marginal revenue is below average variable cost, and price is equal to average total cost, then the firm

- a. should shut down.
- b. should decrease output, but should not shut down.
- c. should increase output.
- d. None of the above is correct.

26. If an imperfectly competitive firm is producing a level of output where marginal cost is equal to marginal revenue, marginal revenue is below average variable cost, and price is equal to average total cost, then the firm is

- a. in long-run equilibrium.
- b. in short-run equilibrium.
- c. minimizing short-run average total cost.
- d. breaking even.

27. Product variation refers to

- a. an activity undertaken by a firm to increase demand.
- b. a problem with quality control that tends to decrease demand.
- c. an activity undertaken by a firm to make demand more price inelastic.
- d. None of the above is correct.

28. Which of the following is a criticism of the theory of monopolistic competition?

- a. It is difficult to define a monopolistically competitive market and to determine the firms and products that comprise it.
- b. When product differentiation is slight, each firm's demand curve is nearly horizontal so the perfectly competitive solution provides an adequate approximation to the monopolistically competitive solution.
- c. When there are strong brand preferences and few producers of many differentiated products, or when there are many producers but only a few compete as rivals for any given consumer, then the oligopoly solution provides an adequate approximation to the monopolistically competitive solution.
- d. All of the above are correct.

29. Which of the following industries is most likely to be monopolistically competitive?

- a. The automobile industry
- b. The steel industry
- c. The car repair industry
- d. The electrical generating industry

30. Marginal revenue is equal to price for which one of the following types of market structure?

- a. Monopoly
- b. Perfect competition
- c. Monopolistic competition
- d. Oligopoly

Evaluate Quiz