

Roll No: \_\_\_\_\_

Jr. Supervisor Sign. \_\_\_\_\_

## Q.1 Multiple Choice Question

50 Marks.

1. Which of the following factors determine the structure of a market?

- a) Nature of commodity
- b) Number of sellers
- c) Use of selling costs
- d) All of the above

Ans: \_\_\_\_\_

2. Which of the following is not a characteristic of a perfectly competitive market?

- a) Large number of buyers and sellers
- b) Every seller is a price taker
- c) Advertising plays an important role
- d) Products are homogenous

Ans: \_\_\_\_\_

3. The long-run supply curve of a firm under perfect competition is equal to-----

- a) upward sloping AC curve
- b) entire MC curve
- c) MC curve above the lowest price of AC curve
- d) All the above

Ans: \_\_\_\_\_

4. What prevents a seller in perfect competition to influence the price?

- a) Large number of sellers
- b) Similarity of products
- c) Effective advertising by other sellers
- d) interdependence of firms

Ans: \_\_\_\_\_

5. A firm in perfect competition selling commodity X, maximizes profit. change in the price of the product, will change the firm's-----

- a) Total revenue
- b) Marginal revenue
- c) Average revenue
- d) None of the above

Ans: \_\_\_\_\_

6. Which market structure is clearly visible in the retail trade?

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

Ans: \_\_\_\_\_

7. The short-run industry supply under perfect competition is obtained by-----

- a) adding supply of all the firms
- b) adding cost of all the firms
- c) adding supply and cost of all the firms
- d) None of the above

Ans: \_\_\_\_\_

8. The concept of kinked demand curve is associated with-----

- a) Paul Sweezy
- b) Augustin Curnot
- c) Heinrich Stackellberg
- d) Edward Chamberlin

Ans: \_\_\_\_\_

9. In monopolistic firm there are -----

- a) few sellers
- b) many sellers
- c) two sellers
- d) zero sellers

Ans: \_\_\_\_\_

10. In perfect competition there are -----no. of buyers and -----no. of sellers.  
a) large  
b) few  
c) many  
d) zero sellers

Ans: \_\_\_\_\_

11. A profit maximizing monopolist will produce 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

Ans: \_\_\_\_\_

12. In Oligopoly , nature of demand curve is -----  
a) less elastic  
b) Kink in demand curve  
c) less inelastic  
d) More elastic

Ans: \_\_\_\_\_

13. The primary objective of sporadic dumping is to-----  
a) drive out international competitors  
b) gain monopoly power in the home market  
c) unload excess stock of unsold goods  
d) create an international cartel

Ans: \_\_\_\_\_

14. A firm in a monopolistic market requires to incur-----  
a) production cost  
b) selling cost  
c) both  
d) None of the above

Ans: \_\_\_\_\_

15. Demand for a monopoly firm's product-----  
a) perfectly elastic  
b) less elastic  
c) perfectly inelastic  
d) unitary elastic

Ans: \_\_\_\_\_

16. Future value may be defined as-----  
a) The discounted value of future cash flows  
b) The interest rate earned on future cash flows  
c) The compounded value of future cash flows  
d) The opportunity costs of future cash flows

Ans: \_\_\_\_\_

17. Excess profit is earned in Monopoly when-----  
a)  $AR > AC$   
b)  $AR = AC$   
c)  $AR < AC$   
d)  $AR > MR$

Ans: \_\_\_\_\_

18. In order to control monopoly pricing ,the government may impose price restriction based on-----  
a) average cost  
b) total cost  
c) full cost  
d) marginal cost

Ans: \_\_\_\_\_

19. In the long run , a firm in monopolistic competition, will earn-----  
a) Excess profit  
b) Loss  
c) Normal profit  
d) May earn any of the above

Ans: \_\_\_\_\_

20. IRR refers to the-----

- a) Rate of return that will make the present value of all future net cash flows equal to original investment
- b) Rate of interest
- c) Rate at which capital depreciates
- d) All the above

Ans: \_\_\_\_\_

21. Marginal cost pricing is followed by

- a) private manufacturing enterprises
- b) private service enterprises
- c) public undertakings
- d) the defence sector

Ans: \_\_\_\_\_

22. A fundamental source of monopoly market power arises from?

- a) Perfectly elastic demand
- b) Loss
- c) Normal profit
- d) May earn any of the above

Ans: \_\_\_\_\_

23. Due to product differentiation, a firm's demand curve takes the following shapes-----

- a) Horizontal
- b) Vertical
- c) Downward sloping
- d) None of the above

Ans: \_\_\_\_\_

24. Capital budgeting pertains to investment decision-----

- a) Regarding acquiring capital assets
- b) Balancing sources of funds and use of funds
- c) To help choose between alternatives
- d) All of the above

Ans: \_\_\_\_\_

25. While determining full cost price, the firm uses-----

- a) fully allocated average cost
- b) only average variable cost
- c) only overhead costs
- d) marginal cost

Ans: \_\_\_\_\_

26. Marginal cost pricing may be charged for which of the following reasons?

- a) Maximizing profits
- b) To control private monopoly
- c) Minimising losses
- d) Prevent shut down of the firm

Ans: \_\_\_\_\_

27. Under perfect competition, price is determined by

- a) the government
- b) the price leader
- c) market regulator
- d) market demand supply

Ans: \_\_\_\_\_

28. A profit-maximising firm will shut down in the short run when-----

- a) Price is less than average variable cost
- b) Price is less than average total cost
- c) Average revenue is greater marginal cost
- d) Average revenue is greater than average fixed cost

Ans: \_\_\_\_\_

29. Marginal cost pricing is followed by

- a) private manufacturing enterprises
- b) private service enterprises
- c) public undertakings
- d) the defence sector

Ans: \_\_\_\_\_

30. In ----- oligopoly, the commodity sold are homogenous.

- a) pure
- b) mixed
- c) impure
- d) standard

Ans: \_\_\_\_\_

31. In case of a firm under perfect competition, which of the following is true?

- a)  $AR < MR$
- b)  $AR > MR$
- c)  $AR + MR - 1$
- d)  $AR = MR$

Ans: \_\_\_\_\_

32. Monopolistic Competition concept was developed by ----- in 1933

- a) E.H. Chamberlin
- b) Joan Robinson
- c) Pigou
- d) Adam Smith

Ans: \_\_\_\_\_

33. Price discrimination refers to-----.

- a) charging different prices for different products
- b) charging the same price from different buyers
- c) charging the same price for different products
- d) charging different prices for the same product from different buyers

Ans: \_\_\_\_\_

34. Which of the following is not a characteristic of oligopoly?

- a) firms are interdependent
- b) Few firms dominate the market
- c) The demand curve of a firm is indeterminate
- d) only homogenous products are sold

Ans: \_\_\_\_\_

35. For a profit-maximising monopolist,-----

- a)  $P > MR = MC$
- b)  $P = MR = MC$
- c)  $P > MR > MC$
- d)  $MR < MC < P$

Ans: \_\_\_\_\_

36. Which of the following is an example of source of monopoly power?

- a) A key resource is owned by a single firm
- b) Technology
- c) Legal protection
- d) All the above

Ans: \_\_\_\_\_

37. Monopolistic Competition differs from perfect competition because-----

- a) There are no barriers to entry
- b) All firms can earn normal profit in the long run
- c) Each of the sellers offers a somewhat different product
- d) None of the above

Ans: \_\_\_\_\_

38. In Oligopoly, there are ----- sellers.

- a) single
- b) few
- c) many
- d) zero

Ans: \_\_\_\_\_

39. Which of the following is not a characteristic of monopolistic competition?

- a) Many number of sellers
- b) Firms are price takers
- c) There is free entry into the market
- d) Product differentiation

Ans: \_\_\_\_\_

40. A firm in monopolistic competition, faces a demand curve that is-----

- a) Negatively sloping and relatively elastic
- b) Negatively sloping and relatively inelastic
- c) Negatively sloping and unitary elastic
- d) None of the above

Ans: \_\_\_\_\_

41. Sellers will have little reason to charge less than the going market price because-----

- a) There will be few buyers in the market
- b) There will be few sellers in the market
- c) Buyers will have greater advantage
- d) Goods sold are homogenous

Ans: \_\_\_\_\_

42. The foundation of the NPV method of capital budgeting lies on -----

- a) the time value of money
- b) the time to recover the cost of a project
- c) the market rate of interest
- d) the total supply of money

Ans: \_\_\_\_\_

43. In case of dumping, the demand curve faced by a seller in the international market is-----

- a) perfectly elastic
- b) perfectly inelastic
- c) relatively elastic
- d) relatively inelastic

Ans: \_\_\_\_\_

44. In case of dumping, price charged in the home market-----

- a) will be lower than in the international market
- b) will be the same as in the international market
- c) will be higher than in the international market
- d) may be higher or lower than in the international market

Ans: \_\_\_\_\_

45. Which of the following is not a feature of full cost pricing method ?

- a) Avoids frequent price changes
- b) Most popular pricing method
- c) Based on marginal cost
- d) An idea which most firms aim at

Ans: \_\_\_\_\_

46. Capital expenditure decisions are often irreversible because-----

- a) There is little or no market for many types of second hand capital
- b) Rate of interest keeps fluctuating
- c) It is difficult to estimate profitability of capital assets
- d) None of the above

Ans: \_\_\_\_\_

47. Suppose a firm in a perfectly competitive market sells 2000 units and earn total revenue of Rs.50000, What is marginal revenue of the firm?

- a) Rs.50
- b) Rs.25
- c) Less than Rs.25
- d) None of the above

Ans: \_\_\_\_\_

48. Which of the following is not a characteristic of capital expenditure?

- a) It is a current outlay of funds with future expectations
- b) It may be sourced through borrowed funds
- c) It is a scarce
- d) It is incurred only by private sector

Ans: \_\_\_\_\_

49. Capital budgeting pertains to investment decision

- a) Regarding acquiring capital assets
- c) To help choose between alternatives

- b) Balancing sources of funds and use of funds
- d) All the above

Ans: \_\_\_\_\_

50. Which market structure is clearly visible in the retail market?

- a) Monoplistic competition
- c) Oligopoly

- b) Perfect competition
- d) Monopoly

Ans: \_\_\_\_\_

C2E522

Class - FURCOM Sem-2  
Exam - Reg/ARF - May-22  
Sub - Bus. Eco  
Date - 06/05/22

Duration: 3 hour & 15 Minutes.

Marks: 100

Note:-1) All questions are compulsory

2) Figures to the right indicate full marks

**Q.1 Multiple Choice Question (Separate Sheet Attached)**

50

**Q.2 Answer any one Question.**

10

- A. What are the factors that determine market structures?
- B. What are the factors that determine price in perfect competition?
- C. Explain the long run equilibrium of a firm and industry?

10

**Q.3 Answer any one Question.**

- A. What is monopoly and what are its features?
- B. What is selling cost?
- C. What is price leadership? Explain the types and limitations of price leadership

10

**Q.4 Answer any one Question.**

- A. What is price discrimination? Explain three degrees of it.
- B. Explain the required conditions for price discriminations.
- C. Define transfer pricing and explain how it affects a firm's profits

10

**Q.5 Answer any one Question.**

- A. Discuss the meaning and importance of capital budgeting
- B. Explain NPV and IRR methods.
- C. Explain Pay-back period and NPV methods.

10

**Q.6 Short Notes (Any 2)**

- A. Types of market structures
- B. Distinguish between Perfect competition and Monopoly
- C. Features of Oligopoly
- D. Role of Advertising