



ECONOMICS

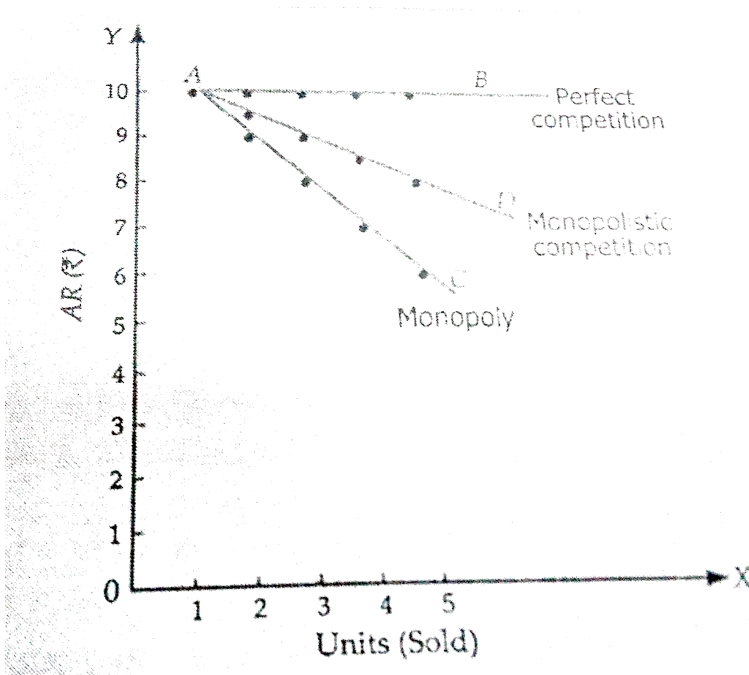
BOOKS - RADHA BHUGANA ECONOMICS (HINGLISH)

FORMS OF MARKET AND PRICE DETERMINATION UNDER PERFECT COMPETITION WITH SIMPLE APPLICATIONS

Let Us Pecapitulate

1. Using the following data on Price structure of three market forms, Perfect competition, monopoly and monopolistic competition, draw the AR curves in the same diagram and compare their price elasticity of demand

Output (Units)	Price in perfect competition (₹)	Price in monopoly	Price in monopolistic competition
1	10	10	10
2	10	9	9.5
3	10	8	9
4	10	7	8.5
5	10	6	8
6	10	5	7.5



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2. Classify the following in their form of market :

1. In India, automobiles are produced by 3 companies Ford, Hyundai

and Renault.

2. Soap industry in India includes many markers such as Lux, Dove, Pears, Lifebuoy nad the like.

3. India Railways is the only long distance mode of transportation on land.

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3. No selling costs are required in

A. monopolistic competition

B. Perfect competition

C. Oligopoly

D. Monopoly

Answer: B

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4. AR and MR curves are downward sloping in

- A. perfect competition
- B. oligopoly
- C. monopoly
- D. none of these.

Answer: C



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5. The forms of market in imperfect competition are

- A. monopoly
- B. oligopoly

C. monopolistic competition

D. all of these.

Answer: D



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6. If the firms under oligopoly produce a differentiated product, the industry is called

A. pure oligopoly

B. imperfect oligopoly

C. cooperative oligopoly

D. non-cooperative oligopoly.

Answer: B



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7. Example of goods produced in a monopolistic form of market

- A. Samsung T.V.
- B. Aata tea
- C. L.G. refrigerator
- D. all of these.

Answer: D

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8. There is no difference between a firm and an industry in :

- A. perfect competition
- B. monopoly

C. monopolistic competition

D. oligopoly.

Answer: D

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9. Ar curve coincides with MR curve in :

A. monopoly

B. oligopoly

C. perfect competition

D. all of these.

Answer: C

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10. Nature of demand curve under oligopoly :

- A. perfectly elastic
- B. perfectly inelastic
- C. less elastic
- D. Indeterminate

Answer: D



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11. Freedom of entry and exit takes place in

- A. short run
- B. very short run
- C. long run

D. all of these.

Answer: C

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12. ____ curve is a horizontal straight line parallel to X-axis in perfect competition.

A. AR

B. MR

C. botha (a) and (b)

D. neiter (a) nor (b)

Answer: C

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13. A seller cannot influence the market price under:

- A. perfect competition
- B. monopoly
- C. monopolistic competition
- D. all of the above

Answer: A

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14. There are only a few sellers under :

- A. perfect competition
- B. oligopoly
- C. monopoly

D. monopolistic competition

Answer: D

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Objective Type Questions

1. Define perfect competition.

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2. Define Monopoly market.

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3. Define monopolistic competition.



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4. What is oligopoly ?



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Conceptual Questions

1. "In a hypothetical market of mobile phones, the brand AWAAZ was leading the market share. Its nearest competitor VAARTA suddenly changed its strategy by bringing in a new model of the mobile phone at a relatively lesser price in response, AWAAZ to slashed its price. "

Based on the above information, identify the form of market represented and discuss any one feature of the market.

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2. Discuss the primary reason for 'indeterminateness of demand curve' under the oligopoly form of market.

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3. Define market.

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4. What is the basis for classifying a market ?

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5. What are the features of perfect competition?

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6. What are the fetures of monopoly ?

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7. What are the features of monopolistic competition ?

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8. What are the features of oligopoly ?

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1. Explain product differentiation.

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2. Draw the AR curve of a firm under (i) Monopoly and (ii) Perfect competition. Explain the difference in these curves, if any.

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3. Explain the feature 'large number of buyers and sellers' of a perfectly competitive market.

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4. Explain the concept of 'selling cost' under monopolistic competition.

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5. Explain the kinds of advertisements.

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6. Explain why the demand curve facing a firm under monopolistic competition is negatively sloped ?

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7. Explain implications of Perfect competition.

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8. "How does a Monopoly Structure Arise" ?

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Value Based Questions

1. The government has granted license of production of a particular commodity to one production unit leading to emergence of monopoly. Thought monopoly leads to concentration of power in few hands as per conventional belief, how in your opinion monopoly is good for us ?

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2. Suppose there exist only four in a market. Each wants to maximise its market share and increase profits. An incompetent economic analyst advises one of the firms to reduce price to increase its sales. Would this be a correct measure to increase market share ? What alternative ways would you suggest to the firm to increase sales ?

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3. Firms under monopolistic competition spend huge amount on advertisement. It is left desirable by the firms to make people aware of the new products available and also to create brand image in the mind of consumers. Is it justified ?

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1. What are the characteristics of a perfectly competitive market ?



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2. At what level of price for the firms in a perfectly competitive market supply when free entry and exit is allowed in the market ?

How is equilibrium quantity determined in such a market ?



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3. Will the monopolist firm continue to produce in the short run if a loss is incurred at the best short run level of output ?



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4. Explain why the demand curve facing a firm under monopolistic competition is negatively sloped.

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5. What is the reason for the long run equilibrium of a firm in monopolistic competition to be associated with zero profit ?

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6. List the different ways in which oligopoly firms may behave.

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7. What is mean by price being rigid ? How can oligopoly behaviour lead to such an outcome ?



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Very Short Answer Type Questions 1 Mark

1. Differentiated product is a characteristic of

- (a) Monopolistic competition only (b) Oligopoly only
(c) Both oligopoly and monopolistic competition (d) Monopoly



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2. Demand curve of a firm is perfectly elastic under

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



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Others

1. A firm is a price taker under :

- A. perfect competition
- B. oligopoly
- C. monopolistic competition
- D. monopoly

Answer: A



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