

Name: Gopa Ghosh

Subject: Economics

Chapter: Imperfect Competition (Module I, Unit II)

1. Which of the following statements is true for both monopolistically competitive and oligopolistic industries?
 - a. It is impossible for new firms to enter the industries.
 - b. Collusion and the creation of cartels is common.
 - c. Producers cannot benefit from knowing other firms' plans.
 - d. Firms have some degree of control over prices. **Ans. (d)**

2. One difference between oligopoly and monopolistic competition is that
 - a. a monopolistically competitive industry has fewer firms.
 - b. fewer firms compete in oligopoly than in monopolistic competition.
 - c. in monopolistic competition, the products are identical.
 - d. monopolistic competition has barriers to entry. **Ans. (b)**

3. Which of the following is most likely to be observed in a monopolistically competitive market?
 - a. Standardized, homogenous products
 - b. Collusion and price-fixing between firms
 - c. Government antitrust oversight
 - d. Non-price competition, such as advertising **Ans. (d)**

4. Monopolistically competitive firms most frequently do which of the following?
 - a. Compete in pricing wars with other firms in the industry
 - b. Advertise the traits that make their product identifiable
 - c. Enjoy monopoly pricing power
 - d. Merge and consolidate into oligopolistic groupings **Ans. (b)**

5. In monopolistic competition, each firm has a demand curve with
 - a. a slope equal to zero, and there are barriers to entry into the market.
 - b. a negative slope, and there are no barriers to entry into the market.
 - c. negative slope, and there are barriers to entry into the market.
 - d. a slope equal to zero, and there is are no barriers to entry into the market. **Ans. (b)**

6. For a firm in monopolistic competition, the marginal cost curve intersects the average total cost curve
 - a. at no point.
 - b. at the minimum average total cost.
 - c. to the left of the minimum average total cost.
 - d. to the right of the minimum average total cost. **Ans. (b)**

7. If a monopolistically competitive firm's marginal cost curve shifts upward, then its level of output
 - a. will decrease.
 - b. could increase, decrease, or stay the same but more information is needed.

- c. will increase.
- d. will stay the same.

Ans. (a)

8. Which of the following best describes an oligopoly?
- a. many monopolistically competitive firms
 - b. a few firms sharing monopoly power
 - c. a former monopoly that has been broken up by the government
 - d. a government-granted franchise or monopoly

Ans. (b)

9. Collusion most frequently occurs in industries that are
- a. oligopolistic
 - b. monopolistically competitive
 - c. monopolistic
 - d. perfectly competitive

Ans. (a)

10. According to the kinked demand curve theory of oligopoly, each firm thinks that the demand curve just below the existing price is
- a. has the same slope as the curve just above the existing price.
 - b. steeper than the curve just above the existing price.
 - c. flatter than the curve just above the existing price.
 - d. None of the above, because in the kinked demand curve theory, the firms are concerned with how the kink in their supply curve affects their consumers' demands. **Ans. (b)**