CHAPTER 1

MONOPOLY

1. Which of the following features is not suited to monopoly?

A) There is no close substitute.

B) The firm is a price taker.

C) The firm cannot set both the price and output simultaneously.

D) There is no difference between firm and industry.

2. A monopolist always sets price at a portion of demand curve where

A) e =1

B) e <1

C) e >1

D) e <0

3. If the equation of the demand curve in monopoly is given by Q =120 -8P,

what will be the slope of the MR curve?

A) -8

B) -4

C) -1/4

D) -16

4. Lerner Index refers to

A) Second degree price discrimination

B) Degree of monopoly power
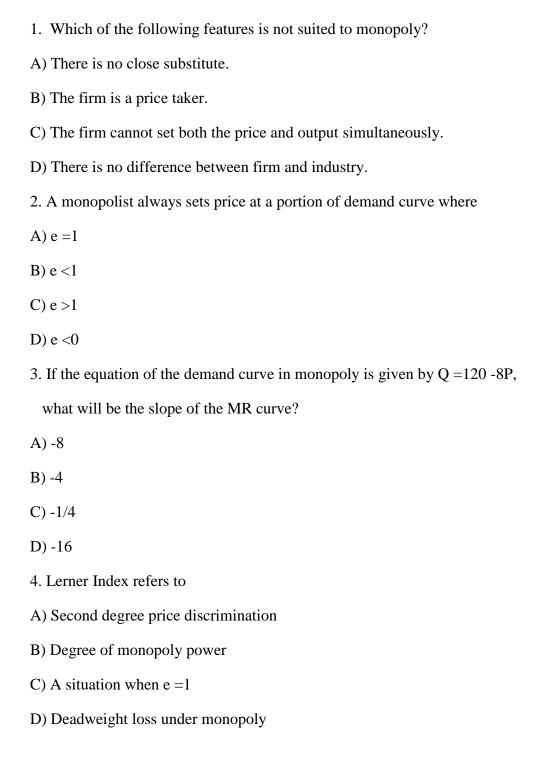
C) A situation when e =1

D) Deadweight loss under monopoly

5. What is the degree of monopoly in a perfectly competitive market?

A) 0

B) 1

C) 2

D) Infinity

6. Greater the divergence between P and MC

A) Greater will be the degree of monopoly power.

B) Lesser will be the degree of monopoly power.

C) Outcome will be uncertain.

D) There will be no impact on degree of monopoly power.

7. Monopoly market consists of

A) only one seller

B) two sellers

C) more than one seller

D) none of the above

8. The entire amount of consumer surplus can be extracted in

A) First degree price discrimination

B) Second degree price discrimination

C) Third degree price discrimination

D) All of the above

9. Which of the following can have a negative value?

A) AR

B) TR

C) MR

D) Neither

10. If Q =120-12P, then what will be the price at Q = 0?

A) 10

B) 120

C) 12

D) -12

Answer Key:

1.B), 2.C), 3.C), 4.B), 5.A), 6.A), 7.A), 8.A), 9.C), 10.A)

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SEM 4,

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