Module -2 Pricing and output decisions under imperfect competition

All the statements given below are true.

Monopolistic Competition

1 A monopolist puts artificial barriers to the entry of new firms.

2. A monopolist earns supernormal profits in the long run

3. Two models of monopolistic competitive market are given by Chamberlin and Mrs J Robinson

6. In a monopolistic competitive market, a producer enjoy some degree of monopoly due to product differentiation.

7. There exist a selling cost under monopolistic competitive market.

8. Many sellers, close substitutes, existence of selling costs, free entry and exit

9. In a monopolistic competitive market P=AR>SAC which means TR>Tc and he firm is having excess profit

10. When TR<TVC, the firm stops operating.

11 In the long run a firm in monopolistic competitive market cannot continue to operate with loss and a firm which cannot cover all the cost will leave the market.

12. A group under monopolistic competition constitutes those products which are close substitutes both in the technical and economic sense of the term.

13. Under the uniformity assumptions the demand and cost curves for all the products are the same.

14. The objective of selling costs is to promote sales.

15. The average selling cost is the difference between the average production cost and average cost, this is represented by the distance between APC and AC curves.

16. The nature of demand curve under monopolistic competition is more elastic.

17. A monopolistic competitive firm produces less than optimum.

18. Excess capacity is one of the characteristic of a monopolistic competitive firm.

19. Increase in the selling costs increases the demand for the product of the firm under monopolistic competitive market.

20. Greater degree of product differentiation implies less elastic demand curve.

Oligopoly

1. In an oligopoly market there are few sellers..

2. The products can be homogeneous or differentiated.

3. If the commodities are homogeneous , it is called pure oligopoly.

4. Entry in an oligopoly market is allowed but very difficult.

5. The firms are interdependent.

6. There is uncertainty and indeterminateness in the price decisions.

7. In non-collusive oligopoly firms use advertising and marketing to compete with each others on factors other than price.

8. Collusive oligopoly is made to reduce uncertainty in the market.

9.. The rigid price in oligopoly leading to a kink in demand curve which was given by Sweezy

10. The upper part of a kinked demand curve is more elastic and the lower part is less elastic.

11. The kink shows the rigidity in the price.

12. The MR curve has a discontinuous portion due to the kink.

13. The discontinuity in MR curve depends on the degree of kink which in turn depends on the relative elasticities of two segments of the demand curve

14. If the difference in elasticities is large, longer is the discontinuous part.

15. Cartels are formed under collusive oligopoly.

16. Cartels can be overt (explicit) or tacit (implicit).

17. OPEC is an example of and explicit oligopoly.

18. A dominant firm leadership is when the leader firm is a dominant i.e. producing a large proportion of total output.

19. In a barometric price leadership the leader firm is an experienced firm.

16. An oligopoly firm can not take the decisions on price and output on its own.

17. An oligopoly firm does not have a determinate demand curve.

18. Collusive oligopoly is beneficial to producers.

19. Price leadership avoids price war.

20. Oligopoly is defined as competition among the few.