

2. **What are the two conditions of monopoly equilibrium ?**  
 (a)  $P = MC$  and slope of MC curve is positive  
 (b)  $P = AC$  and slope of AC curve  $>$  slope of  $P (= AR)$  curve  
 (c)  $AC = MC$  and slope of MC curve  $>$  slope of AC curve  
 (d)  $MR = MC$  and slope of MC curve  $>$  slope of MR curve
3. **Which of the following does always hold under monopoly equilibrium ?**  
 (a)  $P > MC$  (b)  $P = MC$  (c)  $P = MR$  (d)  $P = AC$
4. **What is the amount of profit in short run monopoly equilibrium ?**  
 (a) only normal profit  
 (b) excess profit  
 (c) loss but the amount of loss is less than TFC  
 (d) any one of the above
5. **What is the amount of profit of the monopolist in the long run ?**  
 (a) excess profit (b) normal profit  
 (c) abnormal loss  $<$  TFC (d) either (a) or (b)
6. **Which one is not true in monopoly ?**  
 (a)  $P = MR$  (b)  $P > MR$   
 (c) In equilibrium,  $MR = MC$  (d) In equilibrium,  $P > MC$
7. **Which one is correct in monopoly equilibrium ?**  
 (a)  $|e| \geq 1$  (b)  $|e| < 1$  (c)  $|e| = 1$  (d)  $|e| = \infty$
8. **Which one cannot hold under monopoly equilibrium ?**  
 (a)  $|e| < 1$  (b)  $MR = MC$  (c)  $P > MC$  (d)  $P > MR$
9. **Which one is the correct statement in the context of monopoly market?**  
 (a) If MC is falling, equilibrium never occurs.  
 (b) If MC is falling, there may or may not be any equilibrium.  
 (c) If MC is horizontal, equilibrium is not attained.  
 (d) At equilibrium, MC curve cuts the AC curve from above.
10. **Point out Lerner's index of monopoly power.**  
 (a)  $\frac{P - MC}{MC}$  (b)  $\frac{P - AC}{P}$  (c)  $\frac{P - AC}{MC}$  (d)  $\frac{P - MC}{P}$
11. **Which one is Lerner's index of monopoly power in terms of price elasticity of demand ?**  
 (a)  $\frac{1}{|e| - 1}$  (b)  $\frac{|e|}{|e| - 1}$  (c)  $\frac{1}{|e|}$  (d)  $\frac{1 - |e|}{|e|}$
12. **Choose the correct statement :**  
 (a) Under perfect competition,  $P = MR$  but under monopoly,  $P > MR$ .  
 (b) In competitive equilibrium,  $P > MC$  but in monopoly equilibrium  $P = MC$ .  
 (c) In perfect competition, firm is a price maker, but monopolist firm is a price-taker.  
 (d) (a) and (b) are correct but (c) is wrong.
13. **Which one is correct under price discriminating monopoly ?**  
 (a) If  $|e_1| > |e_2|$ , then  $P_1 > P_2$   
 (b) If  $|e_1| < |e_2|$ , then  $P_1 < P_2$   
 (c) If  $|e_1| < |e_2|$ , then  $P_1 > P_2$   
 (d) All are correct
14. **What is the first order condition of equilibrium under price discrimination ?**  
 (a)  $P_1 = P_2 = MC$  (b)  $AC_1 = AC_2 = MC$   
 (c)  $P_1 = P_2 = AC$  (d)  $MR_1 = MR_2 = MC$
15. **Who has classified price discrimination according to its degree ?**  
 (a) Pigou (b) Cournot (c) Stackelberg (d) Bertrand

Correct Answer Key

- 2. — d
- 3. — a
- 4. — d
- 5. — d
- 6. — a
- 7. — a
- 8. — a
- 9. — b
- 10. — d
- 11. — c
- 12. — a
- 13. — c
- 14. — d
- 15. — a

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