XI ECONOMICS TEST ON MARKET & PRICE DETERMINATION

TIME: 90 MINUTES **M.M.: 40**

1. What is a patent right? **1**

2. What is collusive oligopoly? **1**

3. Why is demand curve under monopolistic competition more elastic as compared to demand curve under monopoly? **2**

4. Explain the implications of **3**

a. 'freedom of entry and exit of firms' under perfect competition.

b. 'homogeneous product' feature of perfect competition.

c. 'product differentiation' feature of monopolistic competition.

5. Distinguish between perfect competition and monopolistic competition. **3**

6. Explain concept of price discrimination and in which types of market it is found. **3**

7. Distinguish between 'non-collusive' and 'collusive' oligopoly. Explain the following features of oligopoly

a. Few firms; **b.** Non-price competition. **3**

8. What is meant by prices being rigid? How can oligopoly behaviour lead to such an outcome? **3**

9. What happens to equilibrium price of a commodity if there is 'decrease' in its demand and 'increase' in its supply? **3**

10. Explain the process of price determination under perfect competition with the help of a schedule and a diagram. **3**

11. Discuss the effect on equilibrium price and equilibrium quantity, when: a. Supply is perfectly elastic and demand increases b. Demand is perfectly inelastic and supply decreases. **3**

12. There are 10,000 identical individual buyers in the market for commodity X, each with a demand function given by $Q_{dx} = 12 - 2P_x$ and 1,000 identical producers of commodity X, each with a supply function given by $Q_{sx} = 20P_x$.

a. Find the market demand function and the market supply function for commodity X.

b. Obtain the equilibrium price and equilibrium quantity.

c. Suppose the government decides to collect a sales tax of Rs 2 per unit sold from each of the 1,000 sellers of commodity X. What effect will this have on the equilibrium price and quantity of commodity X? **4**

13. Explain the effects of 'Maximum Price Ceiling' on the market of a good. Use diagram. **4**

14. How will an increase in the income of the buyers of an 'inferior good', affect its equilibrium price and equilibrium quantity? Explain with help of a diagram. **4**