C O I - R & U - Very Short - Info & Con

Q.1. Define market.

Ans. Market refers to the mechanism that brings buyers and sellers of a commodity in contact with each other.

Q.2. Write two means through which marketing is enhanced.

Ans. Marketing is enhanced through:

(i) electronic mails, and

(ii) telephonic communication.

Q.3. What is the emerging trend of marketing in India?

Ans. e-marketing is the emerging trend of marketing in India.

Q.4. What is e-marketing?

Ans. It refers to on-line sale and purchase of goods and services.

Oligopoly - R & U - Reason-Based Questions

Q.1. Firm's demand curve under oligopoly is indeterminate.

Ans. True. Firm's demand curve under oligopoly is indeterminate because there is high degree of interdependence among the firms in the oligopoly market. Price and output policy of one firm significantly depends upon the price and output policy of the rival firms in the market.

Q.2. Under oligopoly, firms focus on price competition.

Ans. False. Under oligopoly, firms focus on non-price competition because they tend to avoid price competition.

Q.3. In order to maximise profit, collusion is preferred to competition under oligopoly.

Ans. True. In order to maximise profit, collusion is preferred to competition, because competition often leads to a cut in price while collusion does not.

Q.4. Cartels are formed to control market supply, not price of the product.

Ans. False. Cartels are formed to control both supply as well as price of the product. In fact, price is sought to be raised by restricting the supply of the product in the market.

Q.5. Oligopoly firms always remain few in number.

Ans. True. It is because oligopoly firms are large scale firms, requiring:

- **i.** huge investment,
- **ii.** using complex technology, and
- **iii.** incurring huge advertisement costs.

All these features act as a deterrent for the new firms to enter the industry. Entry of the new firms becomes difficult also because the existing firms tend to form trusts and cartels, and often acquire patent rights of their product and technology.

Price Determination - R & U - V S - Info & Con

Q.1. Give the meaning of equilibrium price.

Or

Define equilibrium price.

Ans. The price which equates market demand of a commodity with its market supply is the equilibrium price.

Equilibrium Price: Market Demand = Market Supply

Q.2. What is meant by equilibrium quantity?

Ans. When the market demand for a commodity is equal to market supply of that commodity, the amount demanded and supplied at the equilibrium price is called equilibrium quantity.

Q.3. What is market period?

Ans. Market period is a very short period during which supply of a commodity can be increased only up to the extent of its existing stock. Increase in supply through increase in production is not possible.

Q.4. What is short period?

Ans. Short period is the period of time during which supply can be changed only by changing the application of variable factors, fixed factors remaining constant.

Q.5. What is long period?

Ans. Long period is the period of time during which the supply of a commodity can be increased by varying all factors of production. All factors are variable factors in the long run.

Q.6. What is meant by economic viability of an industry?

Ans. Economic viability of an industry refers to the situation when demand and supply curves of the industry meet at some positive level of output.

Q.7. What is meant by economic non-viability of an industry?

Ans. Economic non-viability of an industry refers to the situation when demand and supply curves do not intersect each other at any positive level of output. In such a situation, supply curve lies above the demand curve.

Q.8. Who determines price under perfect competition?

Ans. Price under perfect competition is determined by the forces of market demand and market supply.

Q.9. How is equilibrium price affected by increase in demand?

Ans. In a situation of increase in demand, other things remaining constant, commodity price must rise.

Q.10. How is equilibrium price affected by decrease in demand?

Ans. When demand decreases, equilibrium price must decrease, other things remaining unchanged.

Q.11. How is equilibrium price affected by increase in supply?

Ans. When supply increases, equilibrium price will decrease, other things being equal.

Q.12. How is equilibrium price affected by decrease in supply?

Ans. When supply decreases, equilibrium price will increase, other things remaining constant.

Q.13. How is the equilibrium price of a commodity affected when demand increases more than supply?

Ans. When demand increases more than supply, equilibrium price of the commodity must rise, other things remaining constant.

Q.14. How is equilibrium price of a commodity affected when demand increases less than supply?

Ans. When demand increases less than supply, equilibrium price of the commodity will fall, other things remaining constant.

Q.15. What will be the effect on equilibrium price and quantity if supply curve shifts rightward while demand remains constant?

Ans. The equilibrium price will reduce and equilibrium quantity will increase.

Q.16. What will be the effect on equilibrium price and quantity of an increase in equal proportion of demand and supply of a commodity?

Ans. Other things remaining constant, when demand and supply increase in an equal proportion, there will be no change in equilibrium price. However, the equilibrium quantity will increase.

Q.17. When demand is perfectly elastic, if supply increases, what happens to equilibrium price?

Ans. The equilibrium price will remain unchanged with perfectly elastic demand curve, as supply increases.

Q.18. How does a favourable change in taste affect the market price and quantity exchanged?

Ans. A favourable change in taste increases the market price and quantity exchanged, owing to shift in demand curve to the right.

Q.19. How does a cost saving technology affect the market price and quantity exchanged?

Ans. A cost saving technology reduces the market price and raises the quantity exchanged, owing to reduction in cost and forward shift in supply curve.

Q.20. How does an increase in excise tax rate affect the market price and quantity exchanged?

Ans. As the excise tax rate increases, supply curve will shift to the left, market price will increase and quantity exchanged will decrease.

Price Determination - Reason-Based Questions

Q.1. At market equilibrium, there is no excess demand and no excess supply.

Ans. True. Because, market equilibrium is defined as a state of the market when demand for a commodity is equal to its supply, corresponding to a particular price. Therefore, there is neither excess demand nor excess supply.

Q.2. In a situation of excess supply, market price of the commodity falls.

Ans. True. In a situation of excess supply, demand < supply. At a given price, producers are willing to sell more than what the buyers are willing to buy. Pressure of excess supply leads to reduction in market price.

Q.3. An increase in demand imply an increase in price but no change in quantity supplied.

Ans. True. With increase in demand, price increases. If quantity supplied remains unchanged, it must be a situation of perfectly inelastic supply curve. In this case, supply is perfectly inelastic.

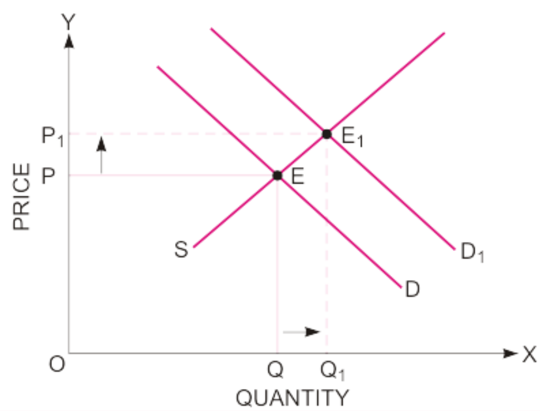
Q.4. Due to a decrease in input price equilibrium quantity falls.

Ans. False. Owing to decrease in input price, cost of production reduces. It causes a forward shift in supply curve. Accordingly, equilibrium quantity increases.

Q.5. A decrease in the price of a complementary good causes a fall in equilibrium price of the commodity.

Ans. False. A decrease in the price of a complementary good causes a rise in equilibrium price of the commodity. Because decrease in the price of a complementary good means increase in the demand for a commodity. Increase in demand implies a shift in demand curve to the right. Diagrammatically, demand curve D, as shown in **Fig. 4** shifts rightward, *i.e.*, from D to D_1 . The new equilibrium is struck at point E_1 . The equilibrium price increases from OP to OP_1 .

FIGURE 4



Price Determination - HOTS & Applications

Q.1. Why is a firm under perfect competition a price taker?

Ans. An individual firm under perfect competition is a price taker owing to the following reasons:

(i) An individual firm under perfect competition makes such a small contribution to the market supply, that total supply schedule (or industry's supply curve) virtually remains unaffected by any change in the firm's supply. Accordingly, market price remains unaffected.

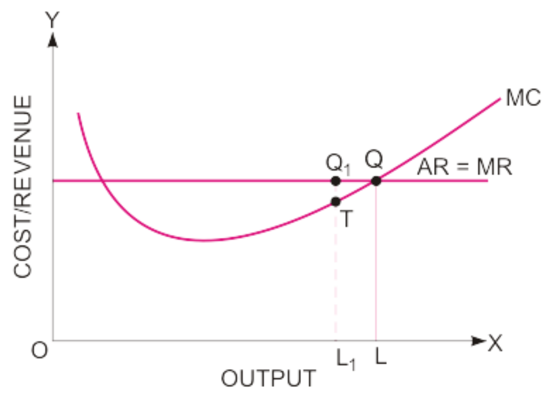
(ii) All firms in the market are selling homogeneous product. Accordingly, even partial control over price is not possible (through product differentiation).

(iii) If any firm tries to fix its own price it would not succeed. Higher price (than the market price) would drive the buyers to a large number of other sellers. Lower price would be an irrational decision when any amount of the commodity can be sold by a firm at the existing price.

Q.2. In a state of equilibrium, price greater than MC is ruled out for a perfectly competitive firm. Show diagrammatically.

Ans. Fig. 5 illustrates how price greater than MC is ruled out for a perfectly competitive firm in a state of equilibrium.

FIGURE 5

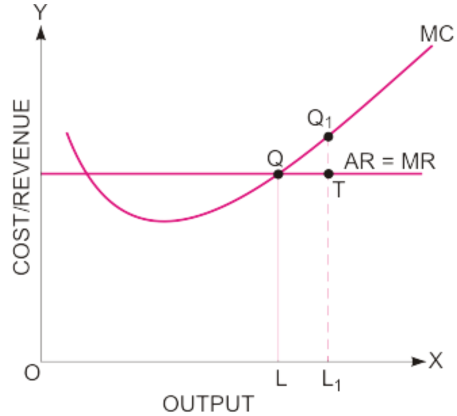


Equality between price (AR) and MC is struck at point Q where all the conditions of equilibrium are satisfied. OL is the equilibrium level of output. Suppose the firm decides to produce OL_1 output where AR (= L_1Q_1) > MC (= L_1T). As a consequence of shifting from Q to Q_1 ; loss of TR = Q_1L_1LQ, while the TC is saved to the tune of Q_1TQ. Evidently, reduction in TC (=Q_1TQ) is only a part of reduction in TR (= Q_1L_1LQ). Implying that the differential between TR and TC (*i.e.*, profit) would reduce in case the firm shifts from point Q to Q_1 . Thus, profit is maximised only at point Q where price = MC.

Q.3. In a state of equilibrium, price lesser than MC is ruled out for a perfectly competitive firm. Show diagrammatically.

Ans. Fig. 6 illustrates how price (AR) lesser than MC is ruled out for a perfectly competitive firm in a state of equilibrium.

FIGURE 6

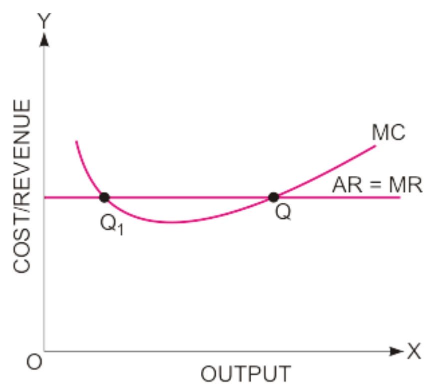


Equality between AR and MC is struck at point Q where all the conditions of equilibrium are satisfied. Suppose the firm decides to produce OL_1 output where AR (= L_1T) < MC (= L_1Q_1). As a consequence of shifting from Q to Q1 , incremental revenue (= LL_1TQ) < incremental cost (= LL_1Q_1Q). Incremental cost is greater than incremental revenue by the area QTQ_1 . Implying that the differential between TR and TC will reduce in case the firm shifts from point Q to Q_1 . Or, profit is maximised only at point Q where price = MC, not at any point where price (AR) > MC.

Q.4. MC curve cannot slope downward at the profit maximising output level. Show diagrammatically.

Ans. Fig. 7 illustrates how MC curve cannot slope downward at the profit maximising output level.

FIGURE 7

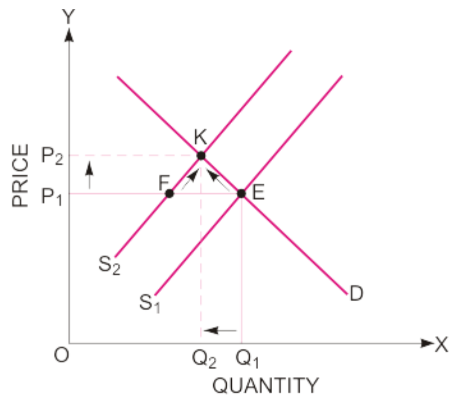


Equilibrium cannot be struck at a point like Q_1 where MC is falling. Simply because, when price is constant (as indicated by a horizontal straight line), falling MC would mean, TC should be increasing at a decreasing rate (we know MC is the rate at which TC increases, when output is expanded). Constant MR, on the other hand, would mean TR increases at a constant rate as output is expanded (we know MR is the rate of TR). Implying that, in a situation of falling MC, with the expansion of output, while TR would increase at a constant rate, TC would increase at a decreasing rate. Accordingly, so long as MC is falling (other things remaining constant), the difference between TR and TC would continue to enhance, or profit would continue to rise, or that profit will not be maximised. Profit will be maximised only when MC is not falling.

Q.5. "Erratic rainfall leads to hike in tomato prices."Use a diagram and economic theory to analyse the statement.

Ans. Erratic rainfall damages the tomato crop significantly, as a result, supply of tomato will fall. Reduction in supply of tomato leads to a shift in supply curve to the left, as in **Fig. 8**. Thus, supply curve shifts from S_1 to S_2 . Now a process sets in for a new equilibrium price as under:

FIGURE 8



In **Fig. 8**, D and S_1 are the initial demand curve and supply curve respectively. E is the initial equilibrium where supply and demand curves intersect each other. OQ_1 is the equilibrium quantity and OP_1 is the equilibrium price. Due to a decrease in supply, supply curve shifts to the left, from S_1 to S_2 . As an immediate impact of decrease in supply, there is excess demand, equal to EF (at the existing price). Because of this excess demand, price of the commodity tends to be higher than the equilibrium price. The rise in price leads to extension of supply and contraction of demand. Extension of supply occurs from point F towards point K. Contraction of demand occurs from point E towards point K. The process of extension of supply and contraction of demand continues till the excess demand is fully eliminated. K is the point of new equilibrium where the market clears itself once again. Equilibrium quantity reduces from OQ_1 to OQ_2 . The new equilibrium price is OP_2 which is higher than the old price OP_1 . Briefly, erratic rainfall leads to a cut in supplies of tomato, along with a rise in equilibrium price.

Price Determination - E & M Value

Q.1. Write your opinion on the formation of cartels in an oligopolistic market structure.

Ans. Formation of cartels is a common practice in the oligopolistic market structure. It fosters economic interest of the members, as cartels facilitate monopolistic control of the market. Avoiding competition, the member firms are able to regulate supplies of the product in a manner that leads to higher price and abnormal profits. Lesser output at higher price implies sub-optimal use of the scarce resources and therefore, the loss of social welfare. It is owing to such negativities of cartels that even in the free market economies, the states often intervene to prevent their emergence. In India, Competition Commission is assigned the task of promoting competition and preventing the formation of cartels.

Q.2. Explain the economic value of support price policy in India.

Ans. The support price policy followed in India, particularly for food grains, assures the minimum income to the farmers and stable supplies of foodgrains in the market. It also helps the government to build buffer stocks of grains. The government can use these stocks when production is low on account of natural calamities (droughts and floods). However, the cost of storing wheat can be considered as the social cost of support price, along with the minimum price that the government pays to the farmers for the purchase of their produce. The government has to bear the financial burden of support price policy. At times, the financial burden may become so enormous that the government is forced to cut its development expenditure. A cut in development expenditure hampers the process of growth.

Q.3. Despite the fact that perfect competition offers maximum output at minimum price, it is not a perfect form of the market. Do you agree?

Ans. It is true that perfect competition is not a perfect form of the market. Because, under perfect competition, resources are allocated to different uses according to the criterion of profitability, NOT according to the criterion of social welfare. Those goods are produced of which prices are relatively higher and which offer higher profits. In this process, production of socially useful goods (as well as production of goods for the poorer sections of the society) is often neglected. Thus, while perfect competition leads to maximisation of output, it fails to achieve maximisation of social welfare.

C O I - R & U - Reason-Based Questions

Q.1. Market refers to a place where goods are bought and sold.

Ans. False. Market refers to a mechanism or an arrangement that facilitates contact between the buyers and sellers for the sale and purchase of goods and services. This contact can be personal or through telephone or e-mail.

Q.2. Shopping plazas are the pre-requisite of electronic marketing.

Ans. False. In electronic marketing, goods and services are traded without shopping plazas.

Q.3. Volume of sale can be increased through e-media.

Ans. True. Because e-media is an important means of product-advertisement.

Perfect Competition - Very Short - Info & Con

Q.1. Define perfect competition.

Ans. Perfect competition is a form of the market with large number of buyers and sellers; homogeneous product is sold with no control over price by an individual firm.

Q.2. What is a price taker firm?

Ans. A price taker firm means that it has to accept the price as determined by the forces of market demand and market supply.

Q.3. When is a firm called 'price-taker'?

Ans. A firm is called 'price-taker' when it sells its output at the given price as determined by the market forces of supply and demand.

Q.4. What is meant by homogeneous product?

Ans. Homogeneous product refers to a product of which all units are identical with respect to size, quality, shape, colour, weight, etc.

Q.5. What is meant by abnormal profits?

Ans. Profits are said to be abnormal when: $TR > TC$ or $AR > AC$.

Q.6. What is meant by abnormal losses?

Ans. Abnormal losses occur when: $TR < TC$ or $AR < AC$.

Q.7. What is the shape of firm's demand curve under perfect competition?

Ans. Firm's demand curve under perfect competition is a horizontal straight line parallel to X-axis.

Q.8. What is the shape of AR and MR curves under perfect competition?

Ans. Both AR and MR curves are indicated by the same line. And, it is a horizontal straight line parallel to X-axis.

Q.9. Why are AR and MR equal under perfect competition?

Ans. Under perfect competition, AR is constant for a firm. Hence, $AR = MR$

Q.10. If the firms are earning abnormal profits, how will the number of firms in the industry change?

Ans. If the firms are making abnormal profits, the number of firms in the industry will tend to increase.

Q.11. If the firms are making abnormal losses, how will the number of firms in the industry change?

Ans. If the firms are making abnormal losses, the number of firms in the industry will tend to decrease in the long run.

Q.12. In which market form demand curve of a firm is perfectly elastic?

Ans. In perfect competition, demand curve of a firm is perfectly elastic.

Q.13. In which market form can a firm not influence the price of the product?

Ans. Under perfect competition, a firm cannot influence the price of the product.

Perfect Competition - Reason-Based Questions

Q.1. Perfect competition means best competition in the market.

Ans. False. Perfect competition simply means that an individual firm or an individual buyer has no control over price of the commodity which is determined by the forces of market demand and market supply.

Q.2. A firm under perfect competition earns super normal profits in the long run.

Ans. False. Because of free entry and exit, a firm under perfect competition earns only normal profits in the long run.

Q.3. Producers under perfect competition can charge different prices from different buyers.

Ans. False. Under perfect competition, a producer is a price taker. He cannot influence/change the market price. He can sell any quantity at the prevailing price. If a producer/firm tries to sell his product at a price higher than the prevailing price, he will lose all its customers. Because there are so many other firms in the market, selling the same product at the prevailing price.

Q.4. Demand curve of the firm under perfect competition is perfectly elastic.

Ans. True. Demand curve of the firm under perfect competition is perfectly elastic (Ed = ¥) because an individual firm can sell any amount of the commodity at the existing price and even the slightest rise in price would mean zero demand for its commodity.

Q.5. A firm under perfect competition is a price maker.

Ans. False. The firm under perfect competition is a price taker and not a price maker. It means that the price is determined by the industry so that the firm has to sell its product at the price determined by the industry. It is due to the fact that:

- **i.** The number of the firms under perfect competition is so large that no firm can influence the market supply.
- **ii.** Moreover all the firms in a perfectly competitive industry produce homogeneous product. So no firm can charge a price higher than the market price.

iii. Similarly, a firm can sell any amount at the prevailing price, so there is no point in selling at a lower price.

Monopoly - R & U - Very Short - Info & Con

Q.1. What is meant by monopoly?

Ans. Monopoly is a market form with a single seller and many buyers of a commodity; with no close substitutes.

Q.2. Define a price maker firm.

Ans. A price maker firm refers to a monopoly firm which has complete control over price of the product in the market.

Q.3. When is a firm called 'price maker'?

Ans. A firm is called a 'price maker' when it can fix own price for its product.

Q.4. What is price discrimination?

Ans. Selling the same good at different prices to different buyers is known as price discrimination.

Q.5. What is patent right?

Ans. Patent right is the official recognition of the originators/innovators of a new product or technology. No one else can use their product or technology without obtaining a license.

Q.6. What is cartel?

Ans. Cartel refers to collective decision making by a group of firms with a view to avoiding competition and securing monopoly control of the market.

Q.7. What is the nature of demand curve under monopoly?

Ans. Monopoly demand curve is downward sloping, showing that more can be sold only at a lower price.

Q.8. What is the shape of average revenue curve in monopoly?

Ans. Average revenue (AR) curve under monopoly is downward sloping.

Q.9. What is the shape of marginal revenue curve in monopoly?

Ans. In monopoly, marginal revenue (MR) curve slopes downward and is below the AR curve.

Q.10. What is the relationship between AR curve and demand curve in a monopoly market?

Ans. AR curve is the demand curve in a monopoly market.

Q.11. What is the basic profit maximising condition for a monopoly firm?

Ans. The basic profit maximising condition for a monopoly firm is that: MR = MC.

Q.12. What is the relationship between price and marginal cost in case of monopoly equilibrium?

Ans. In case of monopoly equilibrium, price (AR) exceeds marginal cost (MC).

Q.13. How do the monopoly equilibrium output and price compare with the equilibrium price and output under perfect competition?

Ans. Monopoly equilibrium output is less as compared to competitive output while monopoly price is higher in comparison to competitive price.

Q.14. Under which market form a firm is a price maker?

Ans. Under monopoly, a firm is a price maker.

Q.15. How many firms are there in the monopoly market?

Ans. There is only one firm in the monopoly market.

Q.16. Price discrimination is a characteristic feature of which market form?

Ans. Price discrimination is a characteristic feature of monopoly form of the market.

Q.17. Give two examples of the power of a monopolist to practice price discrimination.

Ans. Two examples of the power of a monopolist to practice price discrimination are as these:

(i) The only surgeon in an area may charge lower fee from the poor patients compared to the rich ones.

(ii) For the same travel facilities, Indian Railways are charging lower fare from the senior citizens than the others.

Monopoly - R & U - Reason-Based Questions

Q.1. A monopolist is a price maker.

Ans. True. Because he can fix own price for his product. There is no challenge to his price decisions as there are no competitive firms in the market and there are no close substitutes of his product. Barriers to the entry of new firms further strengthens his position as a price maker.

Q.2. Difference between firm and industry disappears in case of monopoly.

Ans. True. Because monopoly means that there is only one producer of a commodity in the market.

Q.3. A monopolist has full control over price.

Ans. True. This happen because:

(i) monopolist is the only producer of a commodity in the market,

(ii) there are no close substitutes of the monopoly product, and

(iii) there are legal, natural and technical barriers to the entry of new firms in the monopoly market.

Q.4. Abnormal profits are possible in the long run for a monopoly firm.

Ans. True. Abnormal profits are possible in the long run for a monopoly firm because even in the long run monopolist continues to have full control over price of the product, there is no possibility for the new firms to enter the market.

Q.5. Demand curve under monopoly slopes upward from left to right.

Ans. False. Demand curve under monopoly is downward sloping from left to right. Implying that more of the product can be sold only by lowering the price.

Q.6. Total revenue curve in monopoly is inverse U-shaped.

Ans. True. In monopoly, total revenue (TR) curve is inverse U-shaped because initially, it rises at a diminishing rate when MR is diminishing; it reaches its peak (maximum) when MR = 0, and finally, starts sloping downward when MR is negative.

M C - R & U - Very Short - Info & Con

Q.1. Define monopolistic competition.

Ans. Monopolistic competition is a form of the market with many buyers and sellers, where differentiated product is sold with a partial control over price.

Q.2. What is product differentiation?

Ans. Product differentiation is a situation when different producers in the market try to differentiate their product (with respect to size, weight, packing, etc.) with a view to attracting the buyers and exercising partial control over price.

Q.3. What is the shape of demand curve under monopolistic competition?

Ans. Demand curve under monopolistic competition is downward sloping.

Q.4. What can you say about the number of buyers and sellers under monopolistic competition?

Ans. The number of buyers and sellers of a commodity is very large under monopolistic competition.

Q.5. What will you call the market which has characteristics both of monopoly and perfect competition?

Ans. Monopolistic competition.

Q.6. Under which market form product differentiation is widely practiced?

Ans. Product differentiation is widely practiced under monopolistic competition.

Q.7. Name the basic characteristic which makes monopolistic competition different from perfect competition.

Ans. Product differentiation is the basic characteristic which makes monopolistic competition different from perfect competition.

Q.8. Give two examples of monopolistically competitive market.

Ans.

- **i.** Market for toothpastes in India.

ii. Market for soaps in India.

M C - R & U - Reason-Based Questions

Q.1. A seller under monopolistically competitive market has full control over price.

Ans. False. Under monopolistically competitive market, a seller has a partial control over price through product differentiation. However, full control over price is not possible owing to the fact that there is a large number of close substitutes in the market.

Q.2. Demand curve facing a monopolistically competitive firm is likely to be very elastic.

Ans. True. Because, the products produced by the monopolistically competitive firms are close substitutes to each other. If products are close substitutes to each other, the elasticity of demand is high.

Q.3. Under monopolistic competition, elasticity of demand for the product is greater than under monopoly.

Ans. True. Under monopolistic competition, elasticity of demand for the product is greater than under monopoly. Because under monopoly, there are no close substitutes of the monopoly product while under monopolistic competition, there is a large number of close substitutes.

Q.4. In the long run with free entry and exit, firms under monopolistic competition earn zero abnormal profits.

Ans. True. In the long run, all firms under monopolistic competition earn only normal profits (or zero abnormal profits). The reason is as under:

(i) If firms earn abnormal profits, new firms will be attracted to the industry. As a result, total supply will increase, market price will reduce and abnormal profits will vanish.

(ii) New firms will lower the price to create more demand for their product. Consequently, old firms too have to lower the price of their products. Thus, there will be fall in price of both old and new firms and ultimately, they will get only normal profits.

(iii) When new firms join the industry, demand for factors of production increases. This should push up factor cost and consequently, the average cost of production. Accordingly, abnormal profits would disappear.

Q.5. A firm under monopolistic competition enjoys complete monopoly power in the market.

Ans. False. A firm under monopolistic competition does not enjoy complete monopoly power in the market. It only enjoys partial monopoly power. Complete monopoly power arises when a firm has full control over price of the product. It does not happen under monopolistic competition. A firm under monopolistic competition exercises only partial control over price through product differentiation. Accordingly, it does not enjoy complete monopoly power, but only some degree of it.

Oligopoly - R & U - Very Short - Info & Con

Q.1. What is meant by oligopoly?

Ans. Oligopoly is a form of the market in which there is a large number of buyers, but only a few big sellers of a commodity. **Example:** Auto market in India.

Q.2. State one characteristics of oligopoly.

Ans. There are only a few big sellers of a commodity and a large number of buyers in the oligopoly market.

Q.3. What is interdependence in the context of oligopoly?

Ans. It refers to a situation in which price and output policy of one firm significantly depends upon the price and output policy of rival firms in the market.

Q.4. Why is firm's demand curve indeterminate under oligopoly?

Ans. It is because of high degree of interdependence among rival firms in the market.

Q.5. What is collusive oligopoly?

Ans. Collusive oligopoly (also called cooperative oligopoly) is a form of the market in which there are few firms in the market and all decide to avoid competition through a formal agreement.

Q.6. What is non-collusive oligopoly?

Ans. Non-collusive oligopoly (also called non-cooperative oligopoly) is a form of the market in which there are few firms in the market, and each firm pursues its price and output policy independent of the rival firms.

Q.7. Define perfect oligopoly.

Ans. Perfect oligopoly is that market situation in which all the firms produce homogeneous product.

Q.8. Define imperfect oligopoly.

Ans. Imperfect oligopoly is that market situation in which all firms produce differentiated products.

Q.9. What is meant by non-price competition?

Ans. It is a market strategy adopted by a firm to increase its market share not by lowering the product price, but by way of advertisement focusing on merits of the product.

Q.10. Give two examples of oligopolistic competitive market.

Ans.

- **i.** Car producers in the Indian auto market.
- **ii.** Cell phone companies in India.