



INDIAN SCHOOL AL WADI AL KABIR

Class: XI	Department: Commerce
Worksheet: 1	Topic: PERFECT COMPETITION AND MARKET EQUILIBRIUM

- Which of the following factors is not a characteristic of perfect competition?
 - A large number of buyers and sellers
 - Well-informed buyers and sellers about product prices
 - Individual firms spend a considerable amount on advertising
 - No restrictions on entry into or exit from the industry
 - Which of the following is true about a price-taking firm?
 - It is in contact with rival firms to fix the best price that all of them can charge
 - It is unable to influence the price of the product that it sells
 - It is asking the government to set a fixed price for its product
 - It can set the price of a product at any level that it wants
 - In which market $MR = Price$
 - Monopoly
 - Perfect Competition
 - Monopolistic Market
 - Oligopoly
 - In which market, there exists no restrictions on entry of new firms?
 - Perfect Competition
 - Monopolistic competition
 - Monopoly
 - Oligopoly
 - Which of the following is an example of perfect competition?
 - Agriculture
 - Banking sector
 - Car manufacturing
 - Railways
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12. What is price line?
- The demand curve
 - The AR curve
 - The MR curve
 - The TR curves
13. In a perfect competition, the firm will be in equilibrium when _____.
- $MC = MR$
 - MC curve should cut MR curve from below.
 - Either a or b
 - Both a or b
14. When the quantity demanded is not equal to the quantity supplied, we say the market is _
- Collapsing
 - In stable equilibrium
 - In equilibrium
 - In disequilibrium
15. The price at which Quantity Demanded = Quantity Supplied is
- Market Price
 - Equilibrium Price
 - Consumer's Price
 - Supply Price
16. What will be the effect on equilibrium price if there is an increase in equal proportion of demand and supply of a commodity?
- There will be no change in equilibrium price.
 - Equilibrium price will increase.
 - Equilibrium price will decrease.
 - None of the above
17. Government fixes the minimum prices of food grains above the equilibrium price. This is known as:
- Price ceiling
 - Price flooring
 - Black marketing
 - Minimum wage.
18. In a situation of excess demand:
- Market Demand = Market Supply
 - Market Supply > Market Demand
 - Market Demand > Market Supply
 - None of these
19. Government controls the price of a product. But the product is illegally sold at a price higher than the one fixed by the Government. It is a situation of
- Rationing.
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- b. Minimum support price
- c. Black Marketing.
- d. None of these

20. Buffer stock is a tool of _____

- a. Black Marketing
- b. Rationing
- c. Price flooring
- d. None of these

21. When demand and supply increase in the same proportion,

- a. Price Increases
- b. Price is same
- c. Price decreases
- d. No constant value of price

22. Which of these is true about Price Ceiling

- a. There is no rationing
- b. Price ceiling is set below equilibrium price
- c. Price ceiling is used for goods like Gold, Luxury Cars
- d. It mainly benefits higher income groups

23. ____ is a system of distribution of a specified quantity of a product at price fixed by the government

- a. Black Market
- b. Allocation by Seller's Preference
- c. Rationing
- d. First come, first serve

24. What is floor price also known as

- a. Minimum Support Price
- b. Minimum Price Legislation
- c. None of the above
- d. Both a and b

Assertion n Reasoning Questions:

Alternatives:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is true, but Reason (R) is false.
- d. Assertion (A) is false, but Reason (R) is true.

1. Assertion (A)- Price ceiling refers to the maximum price of a commodity at a level lower than the equilibrium price.

Reason (R)- Price ceiling is also known as a maximum price ceiling.

2. Assertion (A): Perfect competition prevails when the demand for the output of each producer is perfectly elastic.
Reasoning (R): A single uniform price prevails under perfect competition which is determined by the interaction of demand and supply.
3. Assertion (A): In Perfect competition price is determined by the forces of demand & supply.
Reasoning (R): The number of buyers and sellers are so large that one person cannot influence the market price.
4. Assertion (A)- The black market is any market in which the commodities are sold at a higher price than the maximum price fixed by the government.
Reason (R)- The black market is a consequence of the price floor.
5. Assertion (A): In perfect competition, there is no restriction on the entry and exit of firms.
Reasoning (R): Perfect competition is characterized by the sellers being price takers and not price makers.

CASE STUDY:1

Read the following case study and answer the question on the basis of the same.

Based on the recommendation of the Commission for Agriculture Costs and Prices (CACP), the Department of Agriculture and Co-operation, Government of India, declares Minimum Support Price (MSP) The MSP System was started in 1966-67 for Wheat and was expanded further to include other essential food crops, which was then sold to the poor under subsidized rates under PDS. The Production Cost is one of the main factors to determine the MSP and the CACP considers all the cost in comprehensive manner.

- i. On which agency's recommendation minimum support price is declared?
- ii. State the term for "Selling essential food items to poor at subsidized price".
- iii. Under which policy, does minimum support price fall?

CASE STUDY:2

Read the following case study and answer the question on the basis of the same.

Under perfect competition, there are a large number of sellers selling homogenous product. Each seller sells quite an insignificant portion of total price in the market. Both buyers and sellers do not have any trade union or association. The price of the commodity under perfect competition is determined by the forces of demand and supply of the product. Every seller accepts the price as determined by the market. No individual firm can influence this price. It has to decide how much quantity of the commodity it wants to sell. It is because of this, that the seller under perfect competition is a price taker.

- i. Explain the implications of freedom of entry and exit of firms under perfect completions.
 - ii. A perfectly competitive firm is a price taker and industry the price maker. Comment.
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