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EGU Ch 4 Multiple choice review questions

1. Which of the following conditions are not consistent with a market that is perfectly competitive?

- a) businesses sell homogeneous or identical products
- b) there is a high degree of mobility of businesses
- c) few buyers and sellers
- d) no individual seller can influence the market price

2. Which of the following is likely to exist in a perfectly competitive market?

- a) A small number of buyers and sellers
- b) High set up costs

- c) Homogenous products
- d) High barriers to entry and exit

3. A large barrier to entry associated with entering the oil industry would be:

- a) The fact that oil produced by different companies is not easily differentiated
- b) The higher interest rates in the economy
- c) Large expenditure on capital equipment is required to establish an oil company
- d) The high taxes paid to the government

4. Which of the following policies would make Australia's financial sector more competitive?

- a) Banning exit or switching fees that are charged to customers wishing to transfer their loan to a rival Institution
- b) A government guarantee of deposits in banks, but not other financial institutions
- c) Increasing the regulation on financial institutions Making it more difficult to obtain a banking license from the government

5. Which of the following market structures is likely to result in the lowest prices?

- a) Monopoly
- b) Perfect competition
- c) Monopolistic competition
- d) Oligopoly

6. Which of the following is unlikely to result from a more competitive environment?

- a) Business closures are likely to be lower
- b) Businesses will compete on price and only 'normal' profits are likely to be earned
- c) Productivity within the industry is likely to be higher
- d) It will be relatively easy for new start-up businesses to enter the market

7. Which of the following market structures should result in the least pressure on businesses to be efficient?

- a) Perfect competition
- b) Oligopoly
- c) Monopoly
- d) Duopoly

8. Which of the following industries is unlikely to have an oligopolistic market structure?

- a) Mining
- b) Airlines
- c) Tourism
- d) Petroleum

9. Which of the following companies is most likely to have a monopoly in Australia?

- a) Telstra
- b) Australia Post
- c) The Commonwealth Bank
- d) McDonald's

10. Which of the following markets is most likely to be concentrated, resulting in the business earning large profits?

- a) Fast Food
- b) Airport parking
- c) Fruit and vegetables
- d) Cleaning services