	INDIAN SCHOOL NIZWA **ECONOMICS WORKSHEET**
Class : XIB	**FORMS OF MARKET – PERFECT COMPETITION**

1.In case of perfect competition, price is determined at;
(a) Equilibrium price of the firm (b) Equilibrium price of the industry
(c) Equality between MR and MC (d) Equality between MR and AR

2. In a perfectly competitive market:
(a) Firm is a price maker and industry is a price taker
(b) Firm is a price taker and industry is a price maker
(c) Both are price makers
(d) Both are price takers

3. Under perfect competition, the firm earns normal profit in the long- run because of:
(a) Large number of buyers and sellers (b) Absence of selling cost
(c) Free entry and exit (d) Homogeneous product

4. How much selling costs are incurred in case of a perfect competition?
(a) Very High (b) very less (c) Negligible (d) Zero

5. The implication of perfect knowledge among buyers and sellers in case of perfect competition is:
(a) Uniform cost structure of all firms (b) Equal access of technology to each firm
(c) Uniform Profits for each firm (d) All of the Above.

6. STATEMENT BASED QUESTIONS:
Read the following statements carefully and choose the correct alternative from the following:
Alternatives: a. Both the statements are true.
b. Both the statements are false.
c. Statement 1 is true and Statement 2 is false
d. Statement 2 is true and Statement 1 is false
Statement 1: In Perfect competition selling costs are very high.
Statement 2: Selling cost refers to cost of advertisement of the product.

7. **Statement 1:** In case of perfect competition, price is determined by a particular firm and not by the industry.
Statement 2: Freedom of entry and exit ensures absence of abnormal profits or abnormal losses in the long run.

8. **ASSERTION AND REASON QUESTION**: Read the statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

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 and 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
Assertion (A): Price ceiling is generally imposed on essential items and is fixed below the market determined price,
Reason (R): The reason is that equilibrium price is too high for the common people to afford.

Question 9. What are the Characteristics of a perfectly competitive market?

Question 10. What is meant by the term 'price – taker ' in the context of a firm?

Question 11. Explain feature of homogeneous product.
Or
Explain the implication of: homogeneous product.

Question 12. Explain briefly why a firm under perfect competition is a price taker not a price maker?

Question 13. What happens when the government fixes the maximum price or (Price Ceiling) lower than the market equilibrium for the commodity? Explain with the help of a diagram.

<u>14.CASE BASED QUESTION</u>

The rice industry in a country operates under perfect competition. There are numerous wheat farmers, and no single producer has control over the market price. The price of rice is determined by demand and supply in the market. Farmers are price takers, meaning they sell their rice at the prevailing market price. The cost of production varies for different farmers based on factors such as land quality and efficiency. However, in the long run, firms earn only normal profit as new firms enter the market when supernormal profits exist, and firms exit when losses persist.

Questions:

1.What does it mean when we say that a farmer in a perfectly competitive market is a price taker?

2.How is the price of rice determined in a perfectly competitive market?

3.Why do firms earn only normal profit in the long run under perfect competition?

4.If a farmer tries to sell rice at a higher price than the market price, what is likely to happen?

5.What are the key characteristics of a perfectly competitive market?