1. Which characteristic best describes this market structure?
A. Differentiated products and price-setting firms
B. Homogeneous products with perfect price knowledge
C. Few buyers and sellers with barriers to entry
D. Government-fixed prices with limited information (B)

Explanation : The market is defined by homogeneous products, perfect knowledge of price, many buyers and sellers, and free entry and exit.

2. How is total revenue (TR) defined for a firm?
A. TR = AC × q B. TR = p × q
C. TR = p ÷ q
D. TR = MC × q (B)

Explanation : Total revenue equals the market price of the good multiplied by the firm's output.

3. A producer sells 5 jackets at ₹500 each. What is TR?
A. ₹500 B. ₹1,000
C. ₹2,500 D. ₹5,000 (C)

Explanation : TR = p × q = 500 × 5 = 2,500.

4. A seller earns ₹2,500 from 10 units sold. What is average revenue (AR)?
A. ₹25 B. ₹100
C. ₹250 D. ₹2,500 (C)

Explanation : AR = TR ÷ q = 2,500 ÷ 10 = 250.

5. Which expression gives marginal revenue (MR)?
A. MR = TR ÷ q B. MR = ΔTR ÷ Δq
C. MR = p × q
D. MR = AR × q (B)

Explanation : Marginal revenue is the change in total revenue resulting from a one-unit change in output.

6. TR increases from ₹20 at 2 units to ₹30 at 3 units. What is MR at the 3rd unit?
A. ₹5 B. ₹10
C. ₹15 D. ₹30 (B)

Explanation : MR = ΔTR ÷ Δq = (30 − 20) ÷ (3 − 2) = 10.

7. How is profit (π) defined?
A. π = TR − AC B. π = AR − MC
C. π = TR − TC D. π = p − q (C)

Explanation : Profit equals total revenue minus total cost.

8. At the profit-maximizing output for a perfectly competitive firm, which condition holds?
A. p = AC B. p = MC
C. AR = AC
D. MC = AC (B)

Explanation : In perfect competition MR = p; profit is maximized where MR = MC, so p = MC at the optimal output.

9. For the MR = MC point to yield maximum profit, what must be true about MC at that output?
A. MC is falling B. MC is constant
C. MC is rising (non-decreasing)
D. MC is negative (C)

Explanation : A rising MC at the intersection ensures a stable profit-maximizing point; if MC were falling, producing more would increase profit.

10. In the short run, when does a firm continue to produce?
A. When p < AVC B. When p ≥ AVC
C. When p ≤ AC
D. When p = AR (B)

Explanation : Short-run production continues only if price covers average variable cost; otherwise, shutting down avoids variable losses.