

Chapter 7 Test, Form A

Market Structures

DIRECTIONS: Matching Match each item with its description.

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|--|------------------------------|
| _____ 1. classification according to number and size of firm, type of product, and type of competition | A. economies of scale |
| _____ 2. market structure in which only a few large sellers dominate and have the ability to affect prices in an industry | B. externalities |
| _____ 3. market structure characterized by a single producer in a market | C. foreclosure |
| _____ 4. philosophy that government should not interfere with business activity | D. laissez-faire |
| _____ 5. condition that lacks any of the requirements for a competitive market—adequate competition, knowledge of prices and opportunities, mobility of resources, and competitive profits | E. market failure |
| _____ 6. economic products that are paid for and consumed collectively, such as highways, national defense, police and fire protection | F. market structure |
| _____ 7. economic side effects that affect an uninvolved third party | G. monopoly |
| _____ 8. illegal combinations of corporations or companies organized to suppress competition | H. oligopoly |
| _____ 9. increasingly efficient use of personnel, plant, and equipment as a firm becomes larger | I. public good |
| _____ 10. process in which a lender reclaims the property due to a lack of payment by the borrower | J. trust |

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 11. Under perfect competition, what sets the equilibrium price in the market?
- nonprice competition
 - supply and demand
 - the government
 - a monopoly

Chapter 7 Test, Form A *cont.*

Market Structures

DIRECTIONS: Essay Write a short essay in response to each item.

Figure 7.3

	Project A	Project B	Project C
<i>Benefits:</i>	\$150	\$140	\$78
<i>Costs:</i>	\$100	\$70	\$60
<i>Benefits/Costs:</i>	\$1.5	\$2.0	\$1.3

- 21.** Explain the figures in the bottom row of the table by answering the following questions: What do they represent? How were they calculated? What can you conclude from them?
