

CHAPTER-10 – Main Market Forms

Q 1

Solution:

A common place where Sellers and buyers meet to facilitate the exchange of goods and services for money is known as market. The entire structure of such place is defined for the commercial dealings only. Not only physical place, a market mainly defined by the community engaged in commerce.

Q 2

Solution:

Market structures in general are categorized into four basic types.

1. Perfect competition: Many firms competing among themselves on the similar kind of commodity (homogeneity).
2. Imperfect Competition: many firms competing among themselves on differentiated products.
3. Oligopoly: In this type of structure, not many (a few in number) firms compete among each other.
4. Monopolistic Competition: Entire market is dominated by a single firm

Q 3

Solution:

A perfect competition market is defined by the following features:

1. A large number of buyers and sellers trading identical goods, i.e. Homogeneity.
2. There is no restriction on the sellers to stay in the market in terms of time period and cost.
3. All the sellers which are part of the competition influence the price of the commodity strongly.
4. Market share has no influence on the prices of the goods.
5. Selling cost and transportation cost plays insignificant role.

Q 4

Solution:

The term Monopoly is used to describe the market situation, where the single giant firm controls the entire market. For example, Indian Railway enjoys the monopoly over the railway system in Indian, except this there is no other player.

Q 5

Solution:

The term Monopolistic competition is used to describe a market situation, where many firms compete with each other on acutely related but well differentiated products. For example, various food

cuisines in a food court. These cuisines are independently owned but differentiated with each other in terms of uniqueness of what they offer. they basically compete with each other for the same customer base.

Q 6

Solution:

The term oligopoly is used to describe a market situation, in which a limited number of firms sells somewhat similar or acutely differentiated product. For example,

- 1: The cement industry in India best describes oligopoly with only few players like Ultratech, Ambuja, ACC, Binani, Orient etc.
- 2: Oil sector in India is with few players like Bharat petroleum, Hindustan Petroleum, Indian oil corporation etc.

Q 7

Solution:

The term oligopoly is used to describe a market situation, in which a limited number of firms sells somewhat similar or acutely differentiated product.

Basic features of Oligopoly are:

- 1: Limited number of firms

2: Competition is not based on prices

3: All the firms act in groups and enjoy the hold over the prices of the commodity. They are certainly interdependent on each other for prices and other market fluctuations.

