NAME ____________________ CLASS __________ DATE __________

CHAPTER 7

Section 1: Quiz

Perfect Competition

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

____ **1.** expenses a new business must pay before the first product reaches the customer

____ **2.** factors that make it difficult for new firms to enter a market

____ **3.** a product that is considered the same regardless of who makes or sells it

____ **4.** a market with many well-informed buyers and sellers, identical products, and free entry and exit

Column II

a. perfect competition

b. barriers to entry

c. start-up costs

d. commodity

B. Main Ideas

Write the letter of the correct answer in the blank provided.

____ **5.** Why does a perfectly competitive market require many participants as both buyers and sellers?
- **a.** because the merchandise must be uniform
- **b.** so that no individual can control the price
- **c.** in order to maintain quality over the goods
- **d.** so that both buyer and seller have the same information

____ **6.** Milk is considered a commodity because it is which of the following?
- **a.** an inexpensive product
- **b.** a product that can be bought in many different ways
- **c.** the same product regardless of who sells it
- **d.** an agricultural product

____ **7.** What is the relationship between start-up costs and a competitive market?
- **a.** Markets with high start-up costs are less likely to be perfectly competitive.
- **b.** Markets with high start-up costs are more likely to be perfectly competitive.
- **c.** Low start-up costs are likely to make a market less competitive.
- **d.** There is no consistent relationship between start-up costs and the competitiveness of a market.

____ **8.** Which of the following is characteristic of a competitive market?
- **a.** high costs
- **b.** low output
- **c.** inexhaustible supply
- **d.** efficiency

____ **9.** How does a perfect market influence output?
- **a.** Each firm adjusts its output so that its costs, including profit, are covered.
- **b.** Each firm makes its output as large as possible even though some goods are not sold.
- **c.** Different firms make different amounts of goods, but some make a profit and others do not.
- **d.** Different firms each strive to make more goods and capture more of the market.

____ **10.** Why are there actually relatively few markets in which there is perfect competition?
- **a.** Lack of demand keeps buyers from the market.
- **b.** High prices keep companies in the market longer than necessary.
- **c.** Barriers keep companies from entering the market freely.
- **d.** Buyers will not pay more for perfect competition.