

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) The anti-competitive provisions of Part IV of the *Competition and Consumer Act* are intended to prohibit:
- A) foreign and overseas businesses from taking unfair competitive advantage of Australian small businesses.
 - B) unfair business practices, such as misleading or deceptive conduct.
 - C) business practices that restrict competition in specific markets.
 - D) all of the above.

Answer: C

- 2) The anti-competitive provisions of Part IV of the *Competition and Consumer Act* apply to:
- A) professionals, including doctors, lawyers and accountants.
 - B) most government and semi-government authorities.
 - C) most businesses in Australia.
 - D) all of the above.

Answer: D

- 3) Which of the following is not a power of the Australian Competition and Consumer Commission?
- A) To order persons to give evidence and provide documents.
 - B) To hear and decide disputes about interpretations of the *Competition and Consumer Act*.
 - C) To authorise conduct that is usually prohibited if that conduct is beneficial to the public.
 - D) To take legal action against businesses and individuals that breach the Act.

Answer: B

- 4) Which of the following statements in relation to Part IIIA of the *Competition and Consumer Act* is not accurate?
- A) The main aim of Part IIIA is to provide businesses with access to essential services on fair terms.
 - B) The National Competition Council has the power to adjudicate disputes in relation to Part 111A.
 - C) The ACCC has the power to impose fines on service providers that fail to provide access to essential services.
 - D) None of the above — they are all accurate.

Answer: C

- 5) Which of the following conduct by two competitors (A and B) who control a large share of their market would probably be regarded as illegal anti-competitive arrangements under s 45 of the *Competition and Consumer Act*?
- A) An 'understanding' between A and B that they will not compete on prices.
 - B) A provides very bad services to customers who were previously with B so the customers will be motivated to return to B.
 - C) After A and B discuss the quotes they will submit for a major tender project they submit identical quotes.
 - D) All of the above.

Answer: D

- 6) Which of the following would probably qualify as illegal price fixing under Part IV of the *Competition and Consumer Act*?
- A) Two competitors agreed to give identical discounts to all customers.
 - B) Two competitors submitted identical tenders (offers) for a council project.
 - C) Three competitors charged the same prices a range of services for six months.
 - D) All of the above.

Answer: A

- 7) A cartel occurs when two or more competitors make an anti-competitive contract, arrangement or understanding. Which of the following statements are true in relation to cartels?
- A) The first cartel member to disclose cartel conduct and offer to give evidence against the other members will be given immunity from prosecution.
 - B) Cartel conduct is illegal if it has the purpose or effect of substantially lessening competition in a market.
 - C) Cartel conduct is illegal if it involves two or more competitors fixing prices, discounts and allowances etc.
 - D) All of the above.
 - E) A and B above only.

Answer: E

- 8) Which of the following statements is true in relation to *ACCC v Visy* [2007]?
- A) Visy's CEO was guilty of committing criminal breaches by carrying out cartel activities.
 - B) Visy Ltd was fined \$36 million for misuse of market power.
 - C) Amcor Ltd avoided liability by admitting to the ACCC that it had fixed prices with Visy.
 - D) All of the above.

Answer: C

- 9) A secondary boycott is illegal if it indirectly prevents a 'target' from gaining access to goods or services and it is carried out for the purpose of:
- A) causing substantial loss or damage to the 'target'.
 - B) setting a minimum retail price for goods or services.
 - C) substantially lessening competition in the market.
 - D) all of the above.

Answer: C

- 10) One of the main provisions of s 46 of the *Competition and Consumer Act*, which prohibits misuse of market power, is that:
- A) boycotts must not be carried out if they adversely affect competition.
 - B) competitors cannot conspire to prevent others from entering into their market.
 - C) corporations with substantial power must not prevent competitors from entering the market.
 - D) agreements cannot contain clauses which exclude the operation of the Competition and Consumer Act.

Answer: C

- 11) Which of the following statements are true in relation to 'predatory pricing'?
- A) It is illegal if it is carried out by a company with a substantial share of market power.
 - B) It occurs when a company sets prices at a low level to damage or drive out a competitor.
 - C) It occurs when a company accurately predicts changes in cost prices and takes advantage of that knowledge by setting lower prices that give it a major share of the market.
 - D) All of the above.
 - E) A and B only.

Answer: E

- 12) Which of the following is an example of "third-line forcing" which is totally prohibited under s 47 of the *Competition and Consumer Act*?
- A) A supplier refuses to supply goods to retailers unless they agree they will not sell products from a business that competes with the supplier.
 - B) A supplier forces a retailer to set prices that are higher than the ones set by the retailer's competitors.
 - C) Two competitors in the same market pay for an advertising campaign that attacks the reputation of a third party that is attempting to enter the market.
 - D) Two competitors in the same market agree to sell goods at below cost price to drive a third party competitor out of the market.

Answer: A

- 13) Which of the following actions would breach the anti-competitive provisions of Part IV of the *Competition and Consumer Act*?
- A) A store advertises luxury products at an attractive price although it has very low supply of them.
 - B) An advertisement for an alternative medicine contains false and misleading claims.
 - C) A wholesaler persuades retail outlets not to sell its products below a minimum price.
 - D) All of the above

Answer: C

- 14) Pilux Pty Ltd supplies a range of exclusive international sports watches to Australian retailers and needs to maintain their exclusive brand image. Which of the following advice from Pilux to retailers would probably breach the resale price maintenance provisions of the *Competition and Consumer Act*?
- A) 'You must not sell the watches below the minimum price that we set'.
 - B) 'We will give a special 2 per cent discount on the cost price if you do not sell watches below the minimum price that we set'.
 - C) 'You must display a sign next to the watches with the words - Recommended Retail Price'.
 - D) All of the above.
 - E) A and B above only.

Answer: E

- 15) Darlink Dresses Pty Ltd distributes a range of exclusive women's clothing to retail stores. Which of the following activities by Darlink is likely to breach s 48 of the *Competition and Consumer Act* which prohibits resale price maintenance?
- A) It advises all the Australian retailers: 'Darlink will act to protect its brand image in the strongest way if retailers do not keep to our RRP.'
 - B) It refuses to supply one retailer because it sold dresses at 10 per cent below the RRP.
 - C) It offers three retailers special discounts to ensure the clothes are sold at the RRP.
 - D) All of the above

Answer: D

- 16) Section 50 of the *Competition and Consumer Act* prohibits mergers that substantially lessen competition. Tingle Ltd controls 80 per cent of the herbs and spices in Australia. It has accepted a takeover offer from Toucan Ltd, which has not previously been involved in herbs and spices. Which of the following statements is correct in relation to s 50?
- A) The takeover will probably not be approved because Toucan will control more than 40 per cent of the market.
 - B) The proposed takeover must be approved by the Federal Court.
 - C) Toucan's offer is likely to be approved if the offer is changed from a takeover to a merger.
 - D) The takeover is likely to be approved because it will not substantially lessen competition.

Answer: D

17) Authorisations (approvals) of anti-competitive conduct by the ACCC are never given for:

- A) price fixing arrangements.
- B) exclusive dealing.
- C) resale price maintenance.
- D) misuse of market power.

Answer: D

18) A corporation may avoid penalties for breaching one type of anti-competitive activity if it notifies the Australian Competition and Consumer before it commences which type of activity?

- A) Resale Price Maintenance.
- B) Misuse of market power.
- C) Exclusive dealing.
- D) A primary boycott.

Answer: B

19) A corporation that breaches an anti-competitive provision of the *Competition and Consumer Act* may be penalised by a fine of up to:

- A) \$500 000.
- B) three times the current stock exchange value of the corporation.
- C) \$1.1 million.
- D) \$10 million.

Answer: D

20) Employees of corporations who are involved with breaches of the anti-competitive provisions of the *Competition and Consumer Act* may be penalised for each breach by a fine of up to:

- A) \$ 500 000.
- B) \$ 100 000.
- C) \$ 200 000.
- D) \$ 1.1 million.

Answer: A