

CFA® SAMPLE QUESTION – LEVEL I

Economics

Q: An anti-dumping restriction on trade:

CORRECT ANSWER:

(d) prohibits foreign firms from selling products below cost to gain market share.

Firms can dump their goods at a price lower than cost in order to drive out the competition and gain the market share.

Once this is complete, they will be able to raise prices again and to much higher level in order to gain abnormal profits.

Of course, in normal business world, once prices are increased again, new competitors may enter the market again.



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