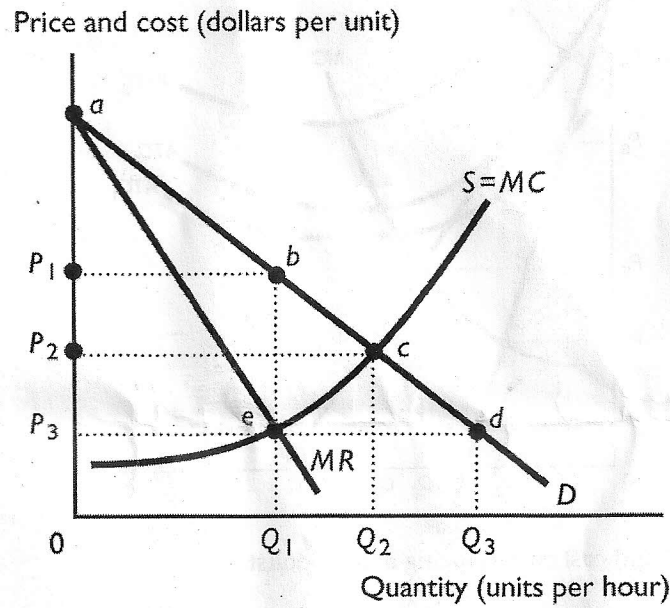


The University Of Akron
 Department Of Economics
 Principles Of Microeconomics
 Nawari

Takehome Yest/Practice Test/Extra Credit

Name _____

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



- 1) In the above figure, a perfectly competitive market will have a price of _____ and a single-price monopoly will have a price of _____. 1) _____
- A) P_2 and quantity of Q_2 ; P_1 and quantity of Q_1
 - B) P_3 and quantity of Q_3 ; P_1 and quantity of Q_1
 - C) P_2 and quantity of Q_2 ; P_3 and quantity of Q_1
 - D) P_1 and quantity of Q_1 ; P_2 and quantity of Q_2
 - E) P_2 and quantity of Q_1 ; P_1 and quantity of Q_1
- 2) In the above figure, for a single-price monopoly the consumer surplus is equal to the area _____. 2) _____
- A) cQ_2P_2 .
 - B) bce .
 - C) acP_2 .
 - D) bed .
 - E) abP_1 .

- 3) If a producer wants a monopoly with a legal barrier to entry, how can this be done? _____
- The producer can spend funds lobbying to attain passage of the legal barrier to entry.
 - The producer can purchase an existing monopoly.
 - The producer can make rent seeking expenditures.
- ii and iii
 - i and iii
 - i and ii
 - i, ii, and iii
 - None of the above are ways to acquire a monopoly with a legal barrier to entry.

Figure 10-1

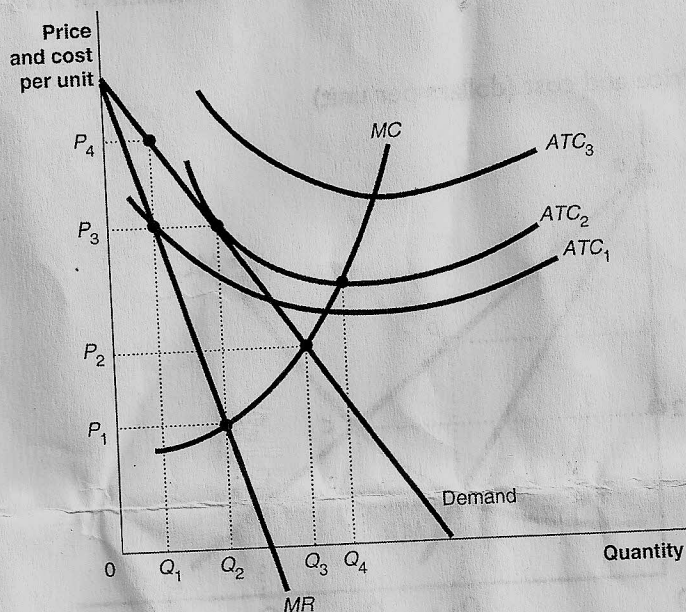
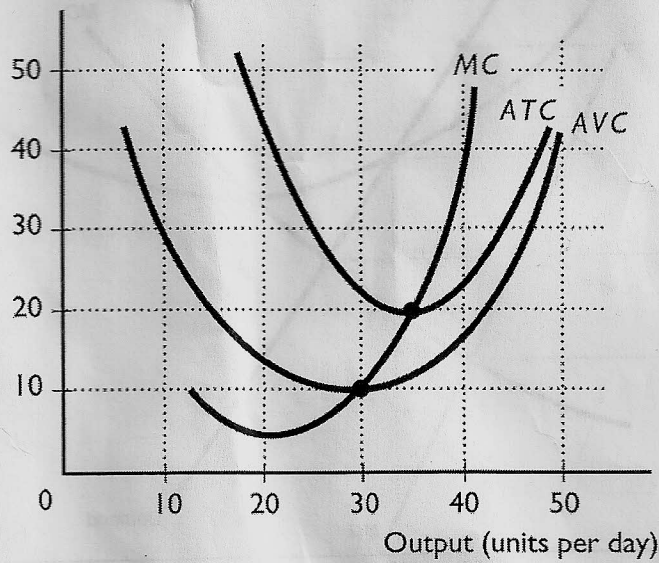


Figure 10-1 above shows the demand and cost curves facing a monopolist.

- 4) Refer to Figure 10-1. If the firm's average total cost curve is ATC_3 , the firm will _____
- make a profit.
 - break even.
 - face competition.
 - suffer a loss.
- 5) Refer to Figure 10-1. If the firm's average total cost curve is ATC_2 , the firm will _____
- make a profit.
 - break even.
 - suffer a loss.
 - face competition.
- 6) Which of the following is NOT a characteristic of long-run equilibrium in monopolistic competition? _____
- price equal to average total cost
 - production occurs at minimum average total cost
 - marginal revenue is equal to marginal cost
 - price exceeds marginal revenue
 - the firm earns zero economic profit

Revenue and cost (dollars per unit)



- 7) The above figure shows a perfectly competitive firm. If the market price is \$20 per unit, the firm 7) _____
- A) will definitely shut down to minimize its losses.
 - B) will stay open to produce and will incur an economic loss.
 - C) will stay open to produce and will earn a normal profit.
 - D) might shut down but more information is needed about the fixed cost.
 - E) will stay open to produce and will earn an economic profit.
- 8) The above figure shows a perfectly competitive firm. If the market price is more than \$20 per unit, the firm 8) _____
- A) will stay open to produce and will earn an economic profit.
 - B) will stay open to produce and will earn a normal profit.
 - C) might shut down but more information is needed about the fixed cost.
 - D) will stay open to produce and will incur an economic loss.
 - E) will definitely shut down to minimize its losses.

Figure 10-3

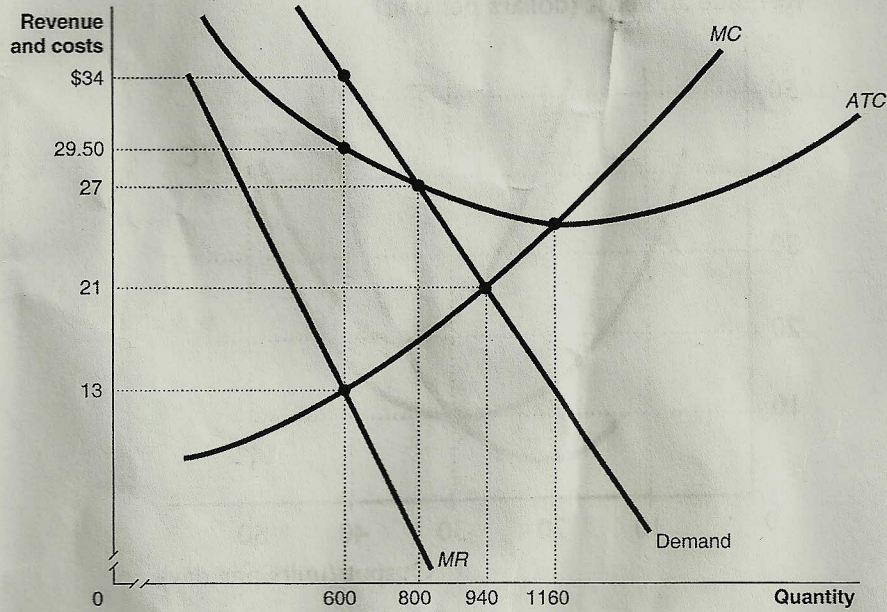
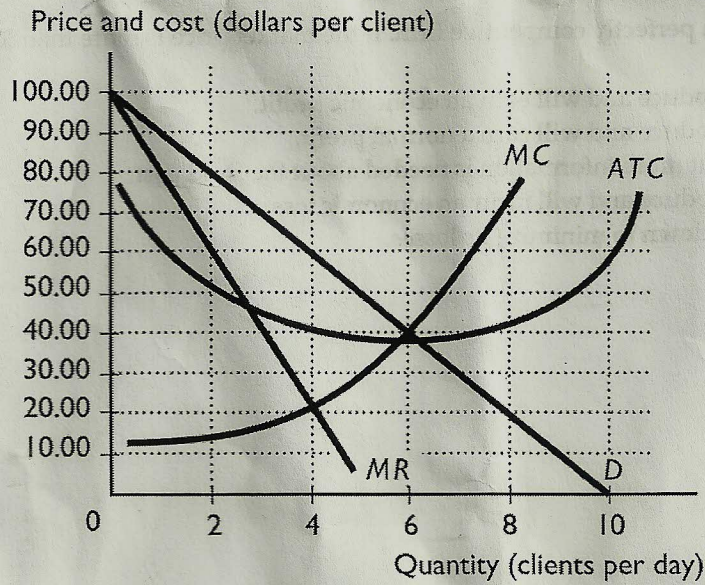


Figure 10-3 shows the demand and cost curves for a monopolist.

- 9) Refer to Figure 10-3. What is the profit-maximizing/loss-minimizing output level? 9) _____
 A) 600 units B) 800 units C) 940 units D) 1,160 units



- 10) Kevin owns a personal training gymnasium in Orlando. The above figure shows the demand and cost curves for his firm, which competes in a monopolistically competitive market. What price will Kevin charge per session? 10) _____
 A) \$20 B) \$80 C) \$100 D) \$40 E) \$60

- 11) Kevin owns a personal training gymnasium in Orlando. The above figure shows the demand and cost curves for his firm, which competes in a monopolistically competitive market. If Kevin trains 5 clients per day, he will _____ his profit and will _____. 11) _____
- A) maximize; earn an economic profit
 - B) not maximize; earn an economic profit anyway
 - C) not maximize; incur an economic loss
 - D) not maximize; earn a normal profit anyway
 - E) maximize; earn normal profit

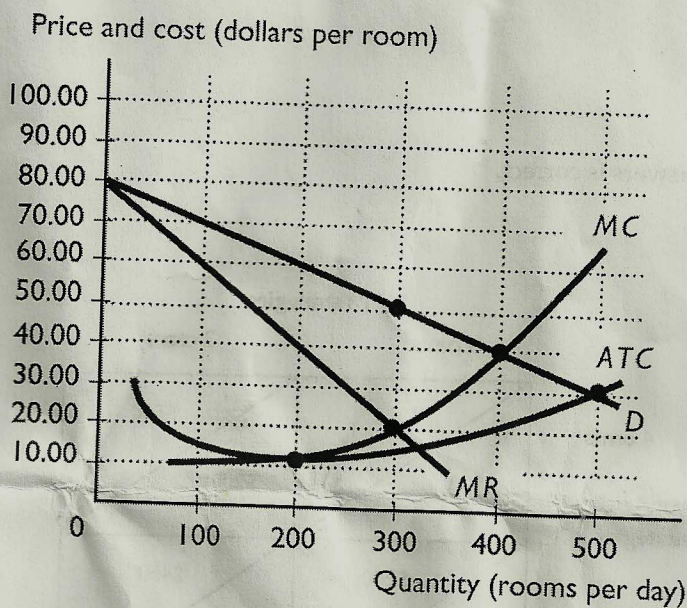
- 12) Kevin owns a personal training gymnasium in Orlando. The above figure shows the demand and cost curves for his firm, which competes in a monopolistically competitive market. Kevin will train how many clients per day? 12) _____
- A) between 2 and 4
 - B) 4
 - C) 10
 - D) 6
 - E) None of the above answers is correct.

MCI's strategies

	4 cents	3 cents
4 cents	\$320	\$500
AT&T's strategies	\$320	\$200
3 cents	\$200	\$450
	\$500	\$450

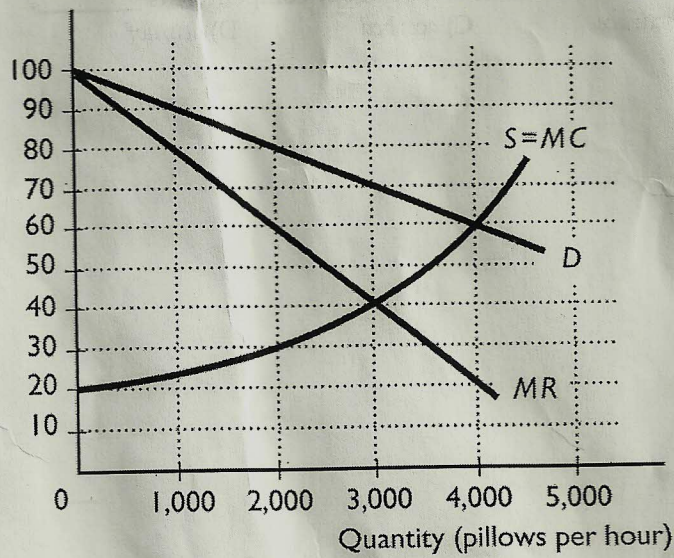
- 13) Suppose MCI and AT&T can each charge either 3¢ or 4¢ a minute for a long distance call. The above table illustrates the payoffs, in millions of dollars, from each of the four possible outcomes that could occur in their duopoly setting. If MCI charges 3¢ a minute and AT&T charges 4¢ a minute, then MCI's profit will be _____ million and AT&T's profit will be _____ million. 13) _____
- A) \$450; \$450 B) \$320; \$320 C) \$320; \$450 D) \$200; \$500 E) \$500; \$200
- 14) Suppose MCI and AT&T can each charge either 3¢ or 4¢ a minute for a long distance call. The above table illustrates the payoffs, in millions of dollars, from each of the four possible outcomes that could occur in their duopoly setting. If MCI charges 4¢ a minute and AT&T charges 4¢ a minute, then MCI's profit will be _____ million and AT&T's profit will be _____ million. 14) _____
- A) \$320; \$320 B) \$320; \$500 C) \$450; \$450 D) \$200; \$500 E) \$500; \$200

- 15) Suppose MCI and AT&T can each charge either 3¢ or 4¢ a minute for a long distance call. The above table illustrates the payoffs, in millions of dollars, from each of the four possible outcomes that could occur in their duopoly setting. What must MCI's price be for AT&T to earn \$500 million in profit?
- 15) _____
- 3¢ a minute
 - either 4¢ or 3¢ a minute because AT&T earns \$500 million in profit either way
 - 4¢ a minute
 - 0¢ a minute
 - None of the above answers is correct because the payoff matrix shows that it is not possible for AT&T to earn \$500 million in profit



- 16) The above figure shows a motel engaged in monopolistic competition with other motels. the figure above shows the _____ equilibrium in which the motel is _____.
- 16) _____
- short-run; earning an economic profit
 - short-run; earning a normal profit
 - long-run; earning a normal profit
 - short-run; incurring an economic loss
 - long-run; earning an economic profit
- 17) If a perfectly competitive firm is maximizing its profit and is earning an economic profit, which of the following is correct?
- 17) _____
- price equals marginal revenue
 - marginal revenue equals marginal cost
 - price is greater than average total cost
- ii and iii only
 - i and ii only
 - i, ii, and iii
 - i and iii only
 - i only

Price and cost (dollars per pillow)

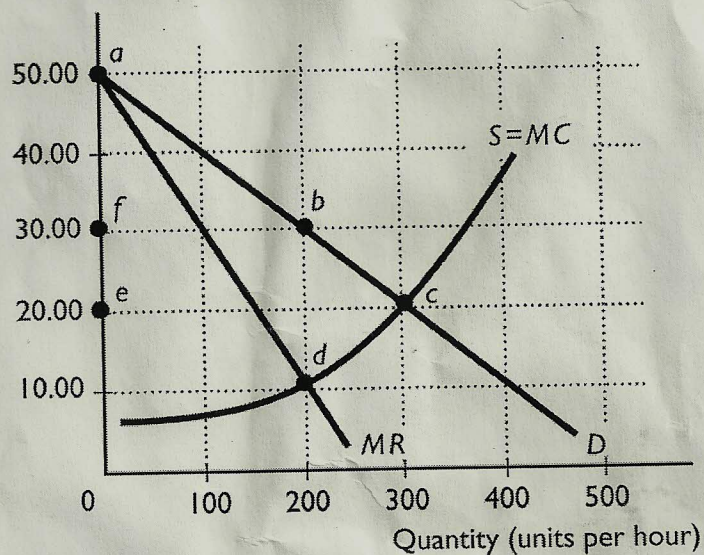


18) The figure above shows the demand, marginal revenue, and marginal cost curves for Paul's Parrot pillows, a monopoly producer of pillows stuffed with parrot feathers. When Paul maximizes his profit, Paul produces _____ pillows per hour and if the market was perfectly competitive, _____ pillows per hour would be produced.

18) _____

- A) 3,000; 3,000
- B) 4,000; 4,000
- C) 0; 4,000
- D) 0; 3,000
- E) 3,000; 4,000

Price and cost (dollars per unit)



19) The figure above shows the demand curve, marginal revenue curve, and marginal cost curve. The amount of consumer surplus when the market has a monopoly producer is

19) _____

- A) *acd.*
- B) *ace.*
- C) *bcd.*
- D) *abf.*
- E) *bcef.*

20) The figure above shows the demand curve, marginal revenue curve, and marginal cost curve. The amount of consumer surplus when the market has a monopoly producer is _____ and the amount of consumer surplus when the market is perfectly competitive is _____.
A) *abf, ace* B) *bcd, ace* C) *ace, bcd* D) *ace, abf* E) *abf, bcd*