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T 3:00

Econ 142 Principles of Microeconomics
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Multiple Choice Questions PLUS one game theory problem. On the multiple choice questions choose the letter next to the most correct answer or most appropriate response.

1. Which of the following represents the final condition we would see in a monopolistically competitive market after all firms have entered that want to enter the market?

- a. $P > ATC = MC = MR$
- b. $P = MR = MC = ATC$
- c. $P = ATC > MR = MC$
- d. None of the above

price always $>$ MR
monopolistic.

2. Consider the following three statements regarding market structures...

- I. Earn excess profits in the short run but not in the long run
- II. Earn excess profits in the long run
- III. Firms' demand curve is horizontal

Which of the following is a correct statement?

- a. Statement I describes monopolistic competition
- b. Statements I and II describe both monopoly and monopolistic competition
- c. Statements I and III describe monopolistic competition
- d. All of the above are correct

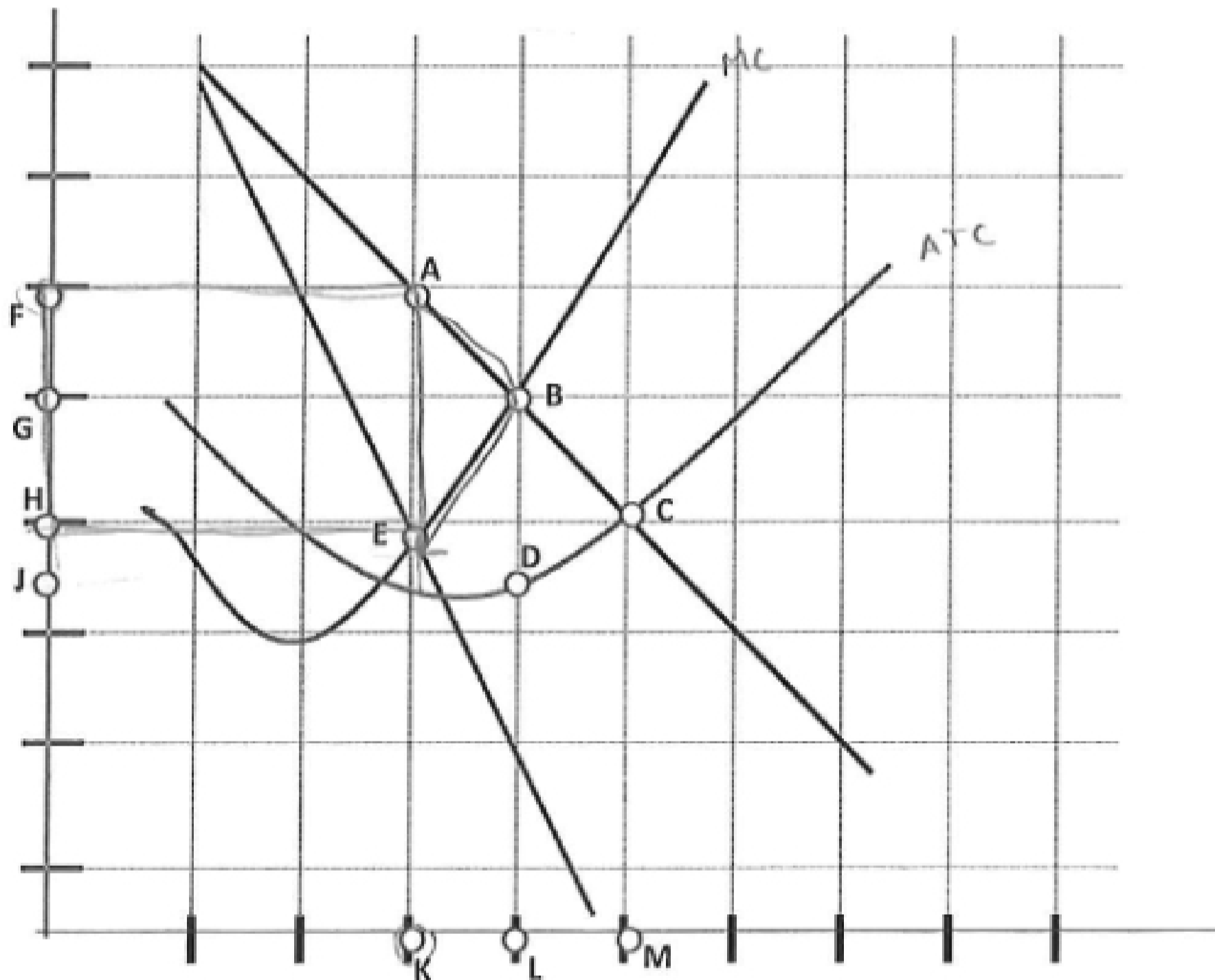
3. Collusion is most likely to be a characteristic of which market structure?

- a. Perfect competition
- b. Oligopoly
- c. Monopoly
- d. Monopolistic competition

7. This market would be considered...?

- a. monopolistically competitive
- b. oligopoly
- c. perfectly competitive
- d. none of the above

Use the information in the following graph to answer the next five questions. The letters refer to the points, not any curve or line.



8. The point that represent the price a monopolist would charge if he/she was allowed to price the way he/she wanted to (in order to maximize profits) is...

- a. point J
- b. point H
- c. point G
- d. point F

9. The point that represents the level of output that a monopolist would produce if he/she was forced to act like a perfectly competitive firm is...

- a. point K
- b. point L
- c. point M
- d. not on this graph

$$MR = MC = P$$

✓

Use the following table to answer the next 7 questions. Fill in the table as you need to. You may not need every cell filled in! DO NOT WORRY about filling in any cell with "--" in it.

Q	P	$P \times Q$ TR	$\frac{\Delta TR}{\Delta Q}$ MR	TC	$\frac{TC}{Q}$ ATC	$\frac{ATC}{AQ}$ MC	TR-TC PROFIT
1	51	51	--	86	86.0	--	--
3	49	147	48	126	42	20	
5	47	235	44	155	31	14.5	
7	45	315	40	179	25.6	12	
9	43	387	36	195	21.6	8	
11	41	451	32	231	21	18	220
13	39	507	28	286	22	27.5	221
15	37	555	24	360	24	37	195
17	35	595	20	468	27.6	54	
19	33	627	16	608	32	70	19
21	31	651	12	774	37	83	
23	29	667	8	957	41.6	91	-290
25	27	675	4	1250	50	146.5	

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13. Which of the following statements is correct?

- a. The table could represent a monopolist
- b. The table could represent a perfectly competitive firm
- c. The table could not represent a monopolistically competitive firm
- d. None of the above is correct

Observe price to see if it stays the same when different quantities are produced.

14. Assume this firm is a monopolist and wants to maximize its profits. The level of output the firm will choose will be...

- a. 9
- b. 13
- c. 17
- d. 21

15. At the level of output identified in question 13, what would be the value of consumer surplus?

- a. 64
- b. 78
- c. 82
- d. 96