Josh Barlow
Fan Wang
T 3:00

Econ 142 Principles of Microeconomics
Dr. Staihr
EXAM 3
September 30, 2010

27

Multiple Choice. 33 Questions. Choose the letter next to the most correct answer or most appropriate response.

1. If indifference curves are shaped like the letter "L" that means...

a. The two goods are perfect complements
b. The two goods are perfect substitutes
c. The two goods are both inferior goods
d. None of the above

2. Consider the following three statements regarding indifference curves?

I. All points on an indifference curve represent the same level of utility
II. Indifference curves cannot be straight lines
III. Indifference curves cannot intersect

Which of the following is a correct statement?

a. I, II and III are all true
b. I and III are true, II is false
c. I and II are true, III is false
d. I, II and III are all false

3. If fixed costs of producing 4 units are $40, the variable costs of producing 5 units are $30, and the marginal cost of producing the 6th unit is $20, what is the total cost of producing 6 units?

TC : FC + VC

	FC	VC	MC
4	40		
5	40	30	
6	40		20

a. $60
b. $90
c. $80
d. We cannot tell from the information given

4. In a perfectly competitive market, if a firm is earning excessive profits, which of the following will not happen?

a. The firm will increase its price to take advantage of the profits
b. New firms will enter the market
c. The market supply curve will shift rightward
d. The market price will fall

7. Based on the information contained in the two previous questions, what is the elasticity of demand for beer (in absolute value)?

a. Approximately 1.8
b. Approximately 1
c. Approximately .78
d. Approximately .51

8. Based on the information contained in the three previous questions, which of the following is a correct statement?

a. Pizza and beer are complements
b. Pizza and beer and substitutes
c. Pizza and beer are inferior goods
d. None of the above

9. Assume capital (equipment) is fixed, and labor is the only variable input. Assume the wage is $200 per day, you are employing 4 workers and total output with 4 workers is 320. The average variable cost when you are producing 320 units of output is...

a. 80
b. 2.5
c. 1.33
d. None of the above

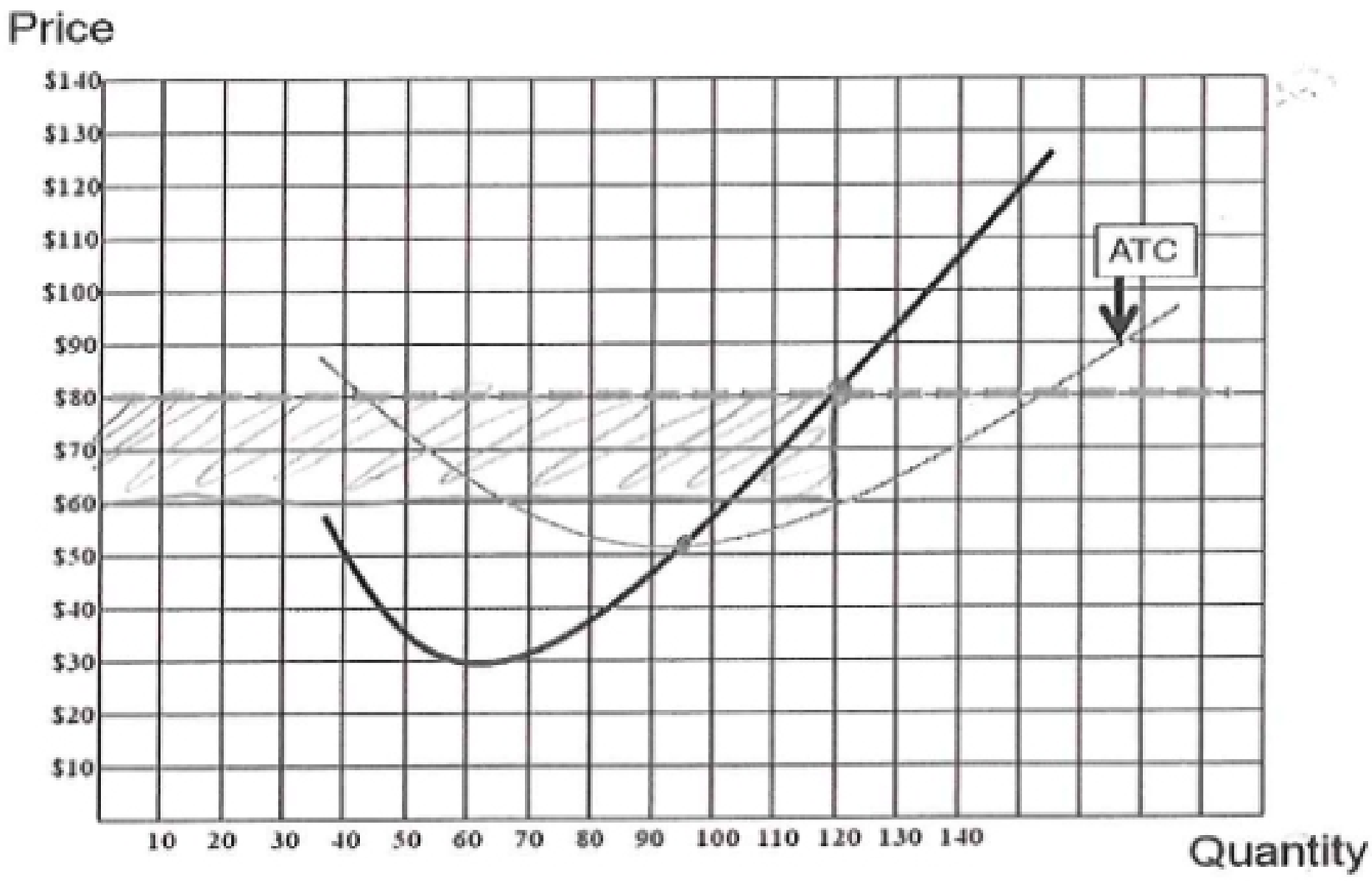
10. Assume capital (equipment) is fixed, and labor is the only variable input. Assume the wage is $200 per day, you are employing 4 workers and output total output is 320 and the output produced by the 4th workers is 40. The marginal cost when you are producing 320 units of output is...

a. 5
b. 2.5
c. 80
d. 1.33

11. Your firm is a coffee shop. Your fixed costs are the cost of the shop, $300. Your variable costs are the cost of each worker, $40 each. Employing 3 workers your average product is 48 cups of coffee. Your average total cost is:

a. approximately $2.13
b. approximately $0.86
c. approximately $2.92
d. We cannot tell from the information given

Use the information contained in the following to answer the following 4 questions.



This graph is identical to the one we discussed in class. Assume this represents a perfectly competitive firm. Answer the following four questions.

16. If this firm is producing the profit-maximizing level of output that level will be approximately...

a) 95
b. 145
c. 120
d. 100

17. At the profit-maximizing level of output, per-unit profits will be (approximately)

a) $80
b. $20
c. $29
d. $0

18. At the profit-maximizing level of output, total profits will be (approximately)

a. $1000
b. $2610
c. $3200
d) $2400