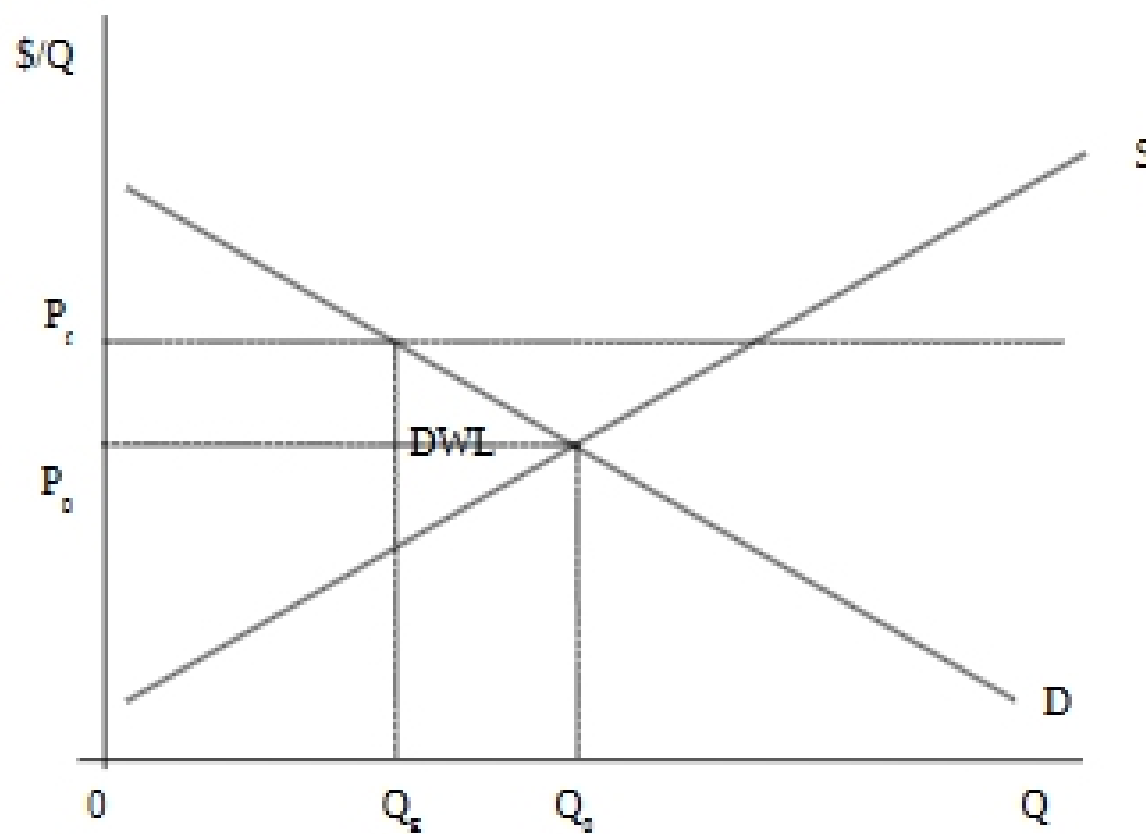


True/False – one point each

- T** 1. A price ceiling sets a maximum legal exchange price.
- F** 2. Government setting prices tends to increase the net value to market participants.
- F** 3. Oligopolistic industries produce the smallest value of output from the market models.
- F** 4. Substitutes' prices tend to move in opposite directions.
- F** 5. Diminishing opportunity costs is the reason for the shape of the PPC.

5 points each

- 6. If marginal product is positive and declining we are incurring _____ **diminishing returns** _____.
- 7. If we buy fewer canned goods as our income rises, then canned goods are _____ **inferior goods** _____.
- 8. Of the three types of profit we discussed which is always the largest or at least tied for largest of any profit level? **accounting profit**
- 9. Diagram an effective price floor showing the deadweight loss, quantity exchanged and final consumer surplus.



10. Diagram ATC, AVC and MC. Show FC and VC at the lowest possible breakeven price.

