

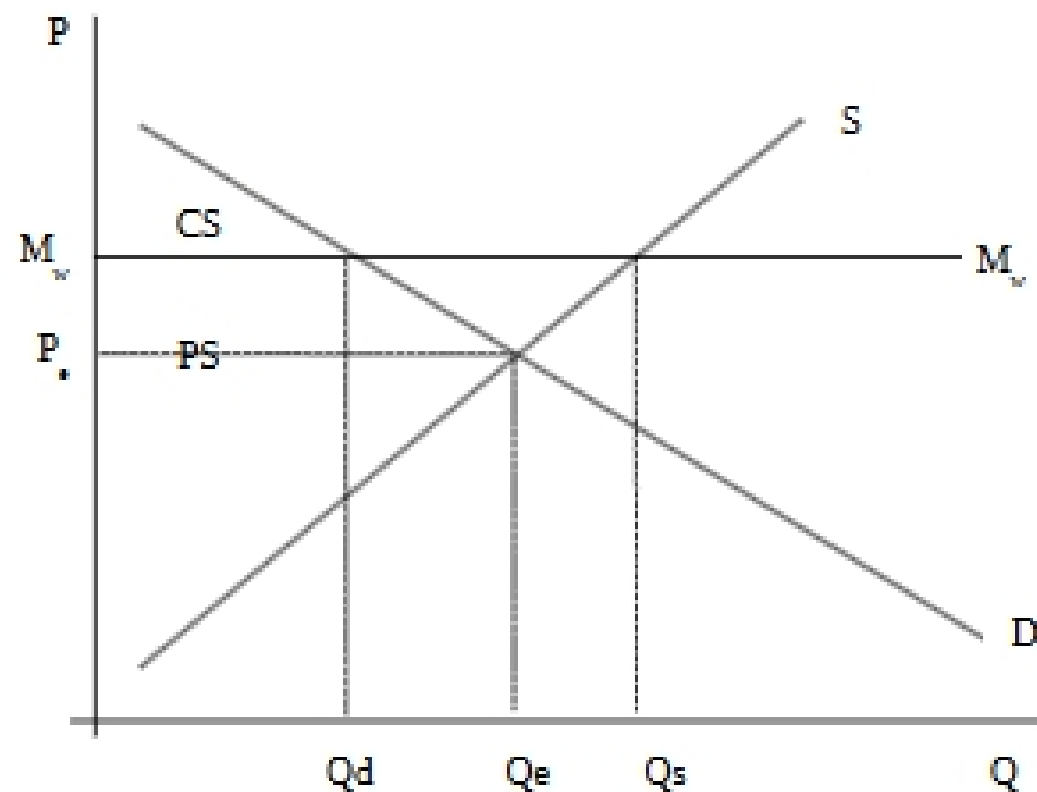
Multiple choice – two points each

- A 31. A firm that charges different buyers different price is
- a) practicing price discrimination
 - b) in a contestable market
 - c) guilty of fraud
 - d) trying to produce at lowest average total cost
 - e) all of the above
- ANY 32. Which of the following are true for a monopolistic?
- a) economic profit possible in the long run
 - b) marginal revenue is less than the price charged
 - c) profit maximizing is less than the price charged
 - d) loss minimizing occurs where $MR = MC$
 - e) all of the above
- E 33. Oligopoly refers to the situation wherein a small number of firms are:
- a) making strategic decisions relative to competitors
 - b) interdependent
 - c) facing downward sloping demand
 - d) producing goods which differ in terms of quality, design and so forth
 - e) all of the above
- A 34. When marginal cost exceeds price, a profit-maximizing competitive firm will:
- a) decrease production
 - b) not change the level of output
 - c) increase production
 - d) produce nothing
- E 35. A monopolistically competitive firm's profit-maximizing level of output occurs where:
- a) price equals marginal cost
 - b) price equals marginal revenue
 - c) marginal cost equals average revenue
 - d) average revenue equals average cost
 - e) marginal revenue equals marginal cost

Short answers – five points each

36. At what level of output do firms maximize their profit?
output where $MR = MC$
37. Most output in the U.S. is produced in which market structure?
oligopoly
38. What are economies of scale?
reductions in ATC due to size

39. Auto sales declined though prices for some of the more popular models fell. What happened?
demand declined
40. What is the one thing that always attracts resources into an industry?
profit
41. Diagram a minimum wage set above the prevailing wage rate. Show the final consumer and producer surplus if this minimum wage is imposed.



42. What do we call it if the size of a business increases and this lowers its short run ATC?
economies of scale
43. Someone is thinking that if they were not taking this exam they would be at their parents' home already. What is the term for where they would be if not at this exam?
opportunity cost
44. Write the term that fits the description

Entrepreneur's opportunity cost **normal profit**

Decline in output change for any increase in input **diminishing returns**

Having a lower opportunity cost **comparative advantage**

Reason for economics **scarcity**