

1. An imperfectly competitive firm is one

- A. that attempts but fails to compete perfectly.
- B. with the ability to set price at any level it wishes.
- C. that possesses some degree of control over its price.
- D. that faces perfectly inelastic demand.

2. Suppose a firm is collecting \$100 in total revenues when it sells 10 units and it receives \$110 in total revenues when it sells 11 units. The firm is a(n)

- A. pure monopolist.
- B. oligopolist.
- C. monopolistic competitor.
- D. perfect competitor.

3. To sell an extra unit of output, a perfect competitor _____ while an imperfect competitor _____.

- A. does not alter price; must lower price
- B. must hope the market price falls; must lower price
- C. does not alter price; does not alter price either
- D. must lower price; must lower price

In exchange for a share in the revenues earned on campus, State U has granted CheapFizz the exclusive right to sell soft drinks in the student union and in vending machines on campus. Prior to the deal, three soft drink companies sold beverages on campus; now no other soft drink company is allowed to sell its products on campus or at university events.

4. CheapFizz now has market power due to
- A. the economies of scale gained by having more sales on campus.
 - B. the grant of a patent.
 - C. the grant of an exclusive license to sell.
 - D. network economies caused by all students consuming their product.

5. Prior to the deal, a 12-ounce can of CheapFizz sold for 75 cents. After the deal you would expect a 12-ounce can of CheapFizz to sell for

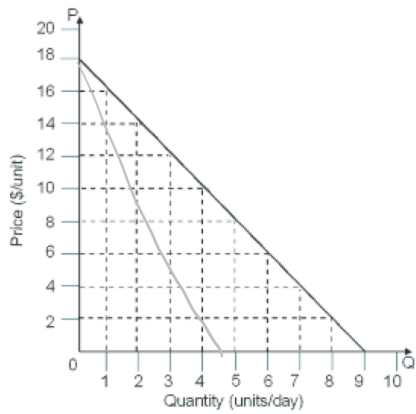
- A. 75 cents because that is the market price.
- B. less than 75 cents because CheapFizz will have greater volume and so can sell for a lower price,
- C. more than 75 cents because demand for CheapFizz will shift to the left.
- D. more than 75 cents because other firms must exit the market.

6. The beneficiaries of this deal are _____.

- A. the students
- B. State U
- C. State U and CheapFizz
- D. CheapFizz

7. A firm is most likely to experience economies of scale if it has _____ start up costs and _____ marginal costs.

- A. high; increasing
- B. high; low
- C. high; high
- D. low; decreasing



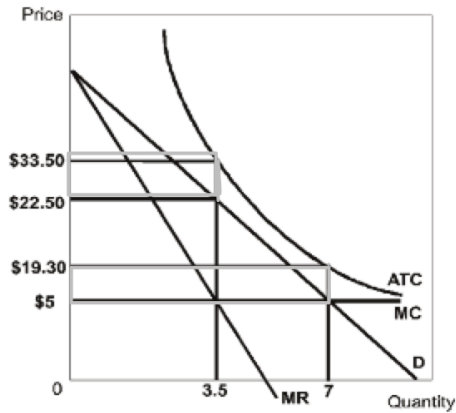
8. Refer to the figure above. At a price of \$8 per unit of output the total revenue for the monopolist is _____, and the marginal revenue earned from this last unit sold is _____.

- A. \$8; 8
- B. \$24; 8
- C. \$32; 4
- D. \$40; 0

9. Refer to the demand curve in the figure above. If the monopolist equilibrium price is \$6 per unit of output, this monopolist will sell _____ units. A perfect competitor will sell _____ units and charge _____ price than the monopolist.

- A. 6; 6; the same
- B. more than 6; 6; a higher
- C. less than 6; more than 6; a lower
- D. 6; more than 6; a lower

10. Refer to the figure above. The marginal revenue of selling the 4th unit, for the monopolist is _____ while for the perfectly competitive firm it is _____.
- A. \$10; \$2
 - B. \$10; \$4
 - C. \$4; \$10
 - D. \$0; \$12



11. Refer to the figure above. The firm illustrated in the graph is a(n)
- A. oligopolist.
 - B. monopolistic competitor.
 - C. perfect competitor.
 - D. natural monopolist.

MC is constant

12. Refer to the figure above. At the point of profit maximization, the monopolist

- A. earns a profit of \$38.50.
- B. incurs a loss of \$11.20.
- C. earns a profit of \$11.20.
- D. incurs a loss of \$38.50.

Loss
 $(33.5 - 22.5)(3.5)$

13. Refer to the figure above. At the socially efficient level of output, the monopolist would

- A. earn a profit of \$100.10.
- B. incur a loss of \$100.10.
- C. incur a loss of \$61.25.
- D. incur a loss of \$50.05.

$(19.3 - 5)(7)$

14. The hurdle method of price discrimination usually _____ consumer surplus and _____ producer surplus.

- A. decreases; increases
- B. increases; decreases
- C. decreases; decreases
- D. increases; increases

15. A firm that emerges as the only seller in an industry with economies of scale is termed a(n)

- A. antitrust violator.
- B. oligopoly.
- C. natural monopoly.
- D. natural oligopoly.