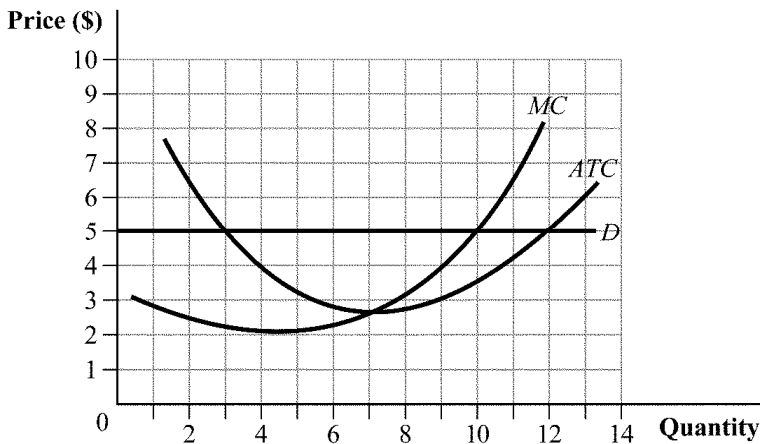


Quiz #5, November 16, 2017

1. Economists assume that firms maximize:
 - A) the difference between marginal revenue and marginal cost.
 - B) $TR = PQ$.
 - C) $\pi = TR - TC$.
 - D) $P - ATC$, the profit per unit of output.

Use the following to answer question 2.

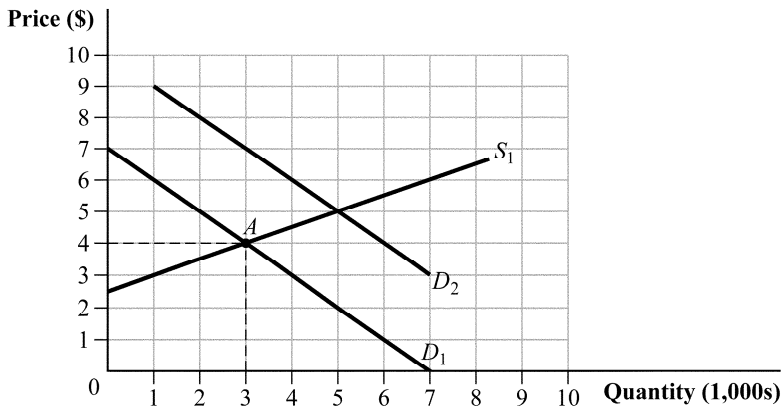
Figure 8.6



2. (Figure 8.6) This firm maximizes profit by producing _____ units of output.
 - A) 3
 - B) 7
 - C) 10
 - D) 12
3. To maximize profits, a firm should produce where:
 - A) $MR = MC$.
 - B) $TR/Q = TC/Q$.
 - C) $P = AVC$.
 - D) $ATC < P < AVC$.

Use the following to answer question 4.

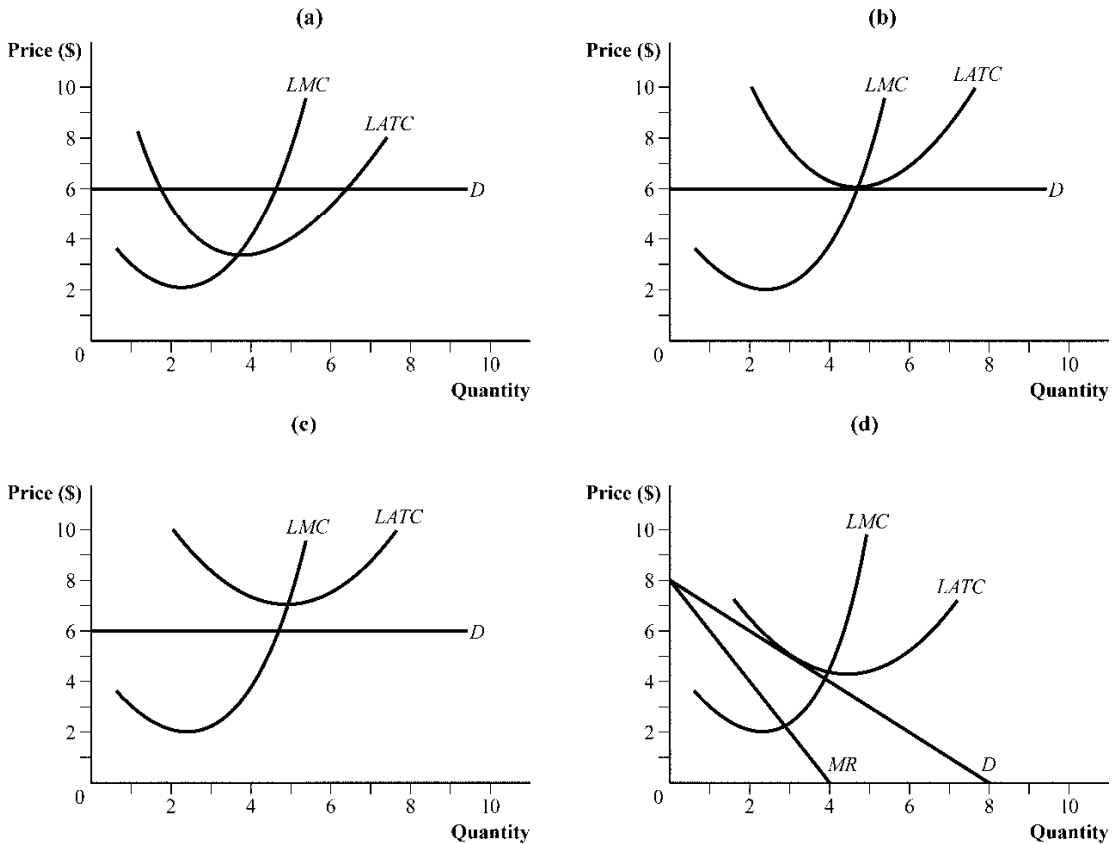
Figure 8.17



4. (Figure 8.17) Initially, the constant-cost industry was in long-run equilibrium at point *A* when the demand for the good increased to D_2 . How much output will be produced in the long run as a result of the demand increase?
- A) 3,000 B) 5,000 C) 6,000 D) 7,000
5. The inverse demand for a drug that treats multiple myeloma is given by $P = 4,500 - 10Q$, where Q measures the number of drug treatments and P is the price per treatment. Suppose that the marginal cost per drug treatment is constant at \$100. What is the profit-maximizing price per drug treatment?
- A) \$3,000 B) \$450 C) \$2,300 D) \$4,400
6. A monopoly market is characterized by the inverse demand curve $P = 1,200 - 40Q$ and a constant marginal cost of \$200. If the marginal cost of production rises to \$400, the profit-maximizing output level _____ units and the price rises by _____.
- A) decreases by 6; \$100 C) increases by 4; \$200
 B) decreases by 2.5; \$100 D) decreases by 8; \$200

Use the following to answer question 7.

Figure 8.16



7. (Figure 8.16) Which panel shows a representative firm (operating in a perfectly competitive industry) in a long-run equilibrium?

- A) panel a B) panel b C) panel c D) panel d

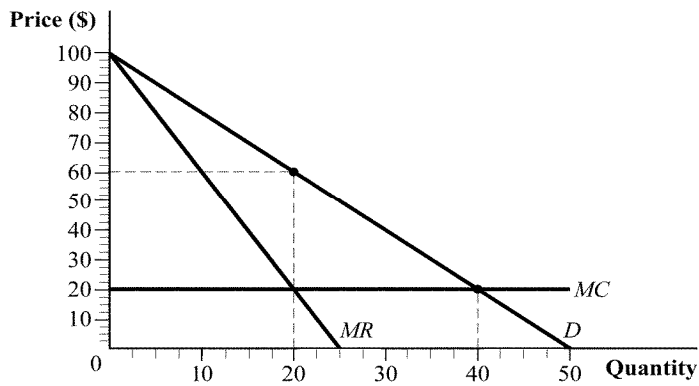
8. Which of the following are sources of market power?

- I. government-issued patents and copyrights
- II. a Minnesota law requiring all new funeral homes to have an embalming room, which costs upward of \$30,000, whether or not it is functional or will be used
- III. a Portland, Oregon, law that makes it a crime for limousine companies to charge less than \$50 per ride

- A) I, II, and III B) I C) II D) III

Use the following to answer question 9.

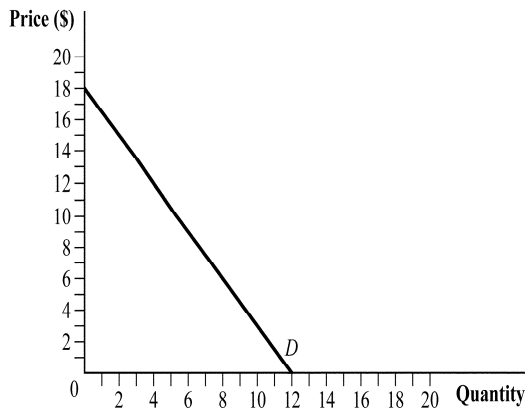
Figure 9.7



9. (Figure 9.7) The levels of consumer surplus under monopoly and perfect competition are _____ and _____, respectively.
- A) \$600; \$2,000 B) \$200; \$400 C) \$800; \$3,200 D) \$400; \$1,600

Use the following to answer question 10.

Figure 9.1



10. (Figure 9.1) What is this firm's marginal revenue curve?

A) $MR = 6$

B) $MR = 18 - 3Q$

C) $MR = 18 - 1.5Q$

D) $MR = 12 - 0.5Q$

Answer Key - F17-5

1. C
2. C
3. A
4. C
5. C
6. B
7. B
8. A
9. D
10. B