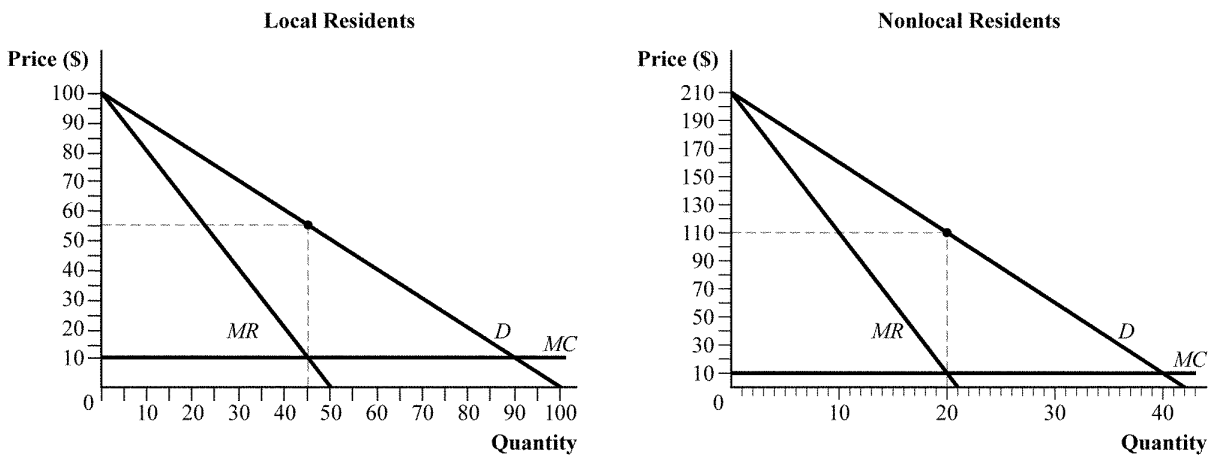


Quiz #6 -- November 21, 2019

- Price discrimination is the practice of charging:
 - the same price for different goods in different geographical locations.
 - different prices to different customers for the same good.
 - different prices for different goods.
 - high prices for products with high marginal costs and low prices for products with low marginal costs.

Use the following to answer question 2.

Figure 10.4



- (Figure 10.4) If the firm can segment the market by residence, it will earn producer surplus of:
 - \$2,012.50.
 - \$2,680.
 - \$1,800.50.
 - \$4,025.
- An amusement park's customers have the demand curve for park rides given by $Q = 11 - 0.5P$, where P is the price per ride and Q is the number of rides. The marginal cost is \$4. If the amusement park uses a two-part tariff, the park's entrance fee is _____, and its price per ride is _____.
 - \$81; \$4
 - \$22; \$2
 - \$40; \$4
 - \$100; \$11

Use the following to answer question 4.

Table 10.4

Scenario A		
	Golf Channel	History Channel
Harry	\$10	\$7
Stan	10	7

Scenario B		
	Golf Channel	History Channel
Shirley	\$12	\$15
Alec	8	10

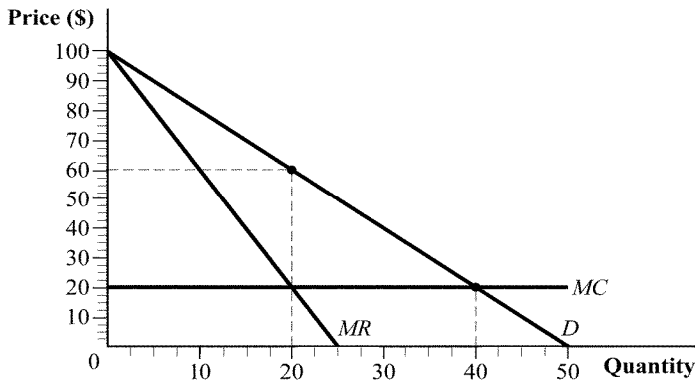
Scenario C		
	Golf Channel	History Channel
Mike	\$9	\$4
Travis	7	8

Scenario D		
	Golf Channel	History Channel
Amy	\$6	\$8
Pam	10	11

4. (Table 10.4) The table shows consumer valuations (maximum willingness to pay per month) for two cable television networks. In which of the scenarios would a cable television company have an increase in producer surplus from using a bundling strategy as opposed to selling channel access separately (a la carte)?
- A) Scenario A B) Scenario D C) Scenario B D) Scenario C
5. Sparkling Water Co. has determined that the price elasticity of demand for a case of its purified water by Michigan residents is -3.0 , while the price elasticity of demand by Florida residents is -2.5 . Assume that the marginal cost is constant at \$8. What price should Sparking Water Co. charge Michigan and Florida customers?
- A) Customers in Michigan and Florida should be charged \$16 a case.
 B) Michigan customers should be charged \$12 a case and Florida customers charged \$13.33 a case.
 C) Michigan customers should be charged \$10 a case and Florida customers charged \$14.00 a case.
 D) Customers in Michigan and Florida should be charged \$13.33 a case.

Use the following to answer question 8.

Figure 9.7



8. (Figure 9.7) The levels of consumer surplus under monopoly and perfect competition are _____ and _____, respectively.

- A) \$800; \$3,200 B) \$200; \$400 C) \$600; \$2,000 D) \$400; \$1,600

9. 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) \$2,300 B) \$4,400 C) \$3,000 D) \$450

10. 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) III B) I, II, and III C) II D) I

Answer Key - F19-6

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