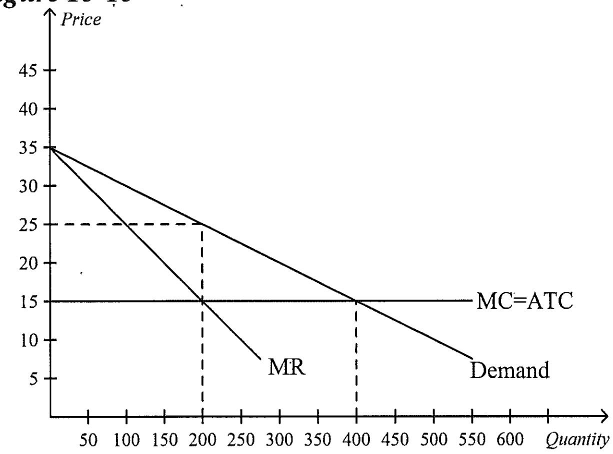
Name: ______________________ Class: __________________ Date: _________ ID: A

Econ 101 - Tutorial 7

Multiple Choice

Identify the choice that best completes the statement or answers the question.

Figure 15-15



____ 1. **Refer to Figure 15-15**. If the monopoly firm is not allowed to price discriminate, then consumer surplus amounts to
a. $0.
b. $500.
c. $1,000.
d. $2,000.

____ 2. **Refer to Figure 15-15**. If the monopoly firm is not allowed to price discriminate, then the deadweight loss amounts to
a. $50.
b. $100.
c. $500.
d. $1,000.

____ 3. **Refer to Figure 15-15**. If there are no fixed costs of production, monopoly profit without price discrimination equals
a. $500.
b. $1,000.
c. $2,000.
d. $4,000.

Scenario 15-4

Suppose a monopolist has a demand curve that can be expressed as P=90-Q. The monopolist's marginal revenue curve can be expressed as MR=90-2Q. The monopolist has constant marginal costs and average total costs of $10.

____ 4. **Refer to Scenario 15-4.** The profit-maximizing monopolist will produce an output level of
a. 80 units.
b. 40 units.
c. 20 units.
d. 10 units.

____ 5. **Refer to Scenario 15-4.** The profit-maximizing monopolist will charge a price of
a. $50.
b. $40.
c. $20.
d. $10.

____ 6. **Refer to Scenario 15-4.** The profit-maximizing monopolist will earn profits of
a. $6,400.
b. $3,200.
c. $1,600.
d. $800.

Table 15-12
The following table provides information on the price, quantity, and average total cost for a monopoly.

Price	Output	ATC
$5	0	--
$4	4	$1.00
$3	8	$0.75
$2	12	$0.75
$1	16	$0.81
$0	20	$0.90

____ 7. **Refer to Table 15-12.** At what price will the firm maximize its profit?
a. $1
b. $2
c. $3
d. $4

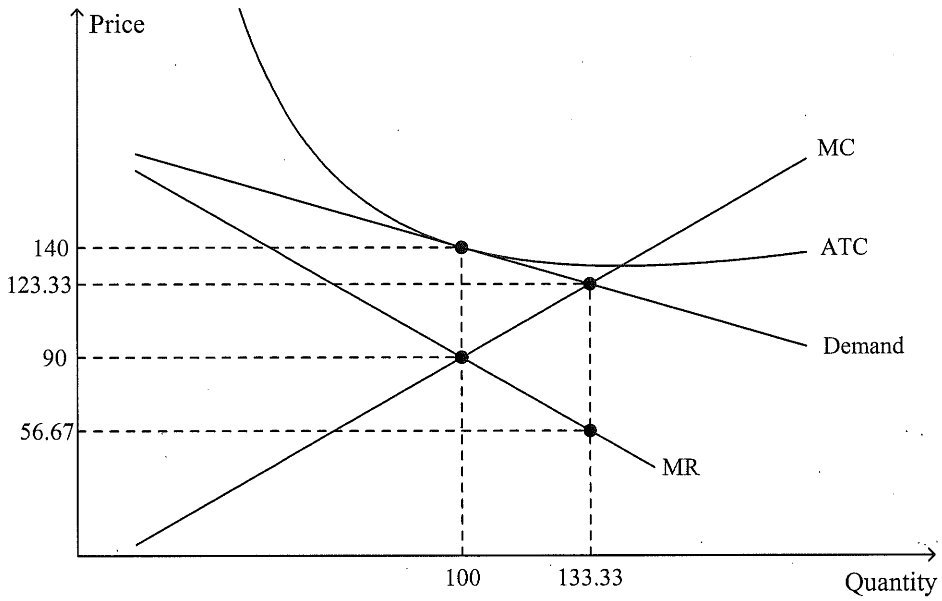
Table 16-5
This table shows the demand schedule, marginal cost, and average total cost for a monopolistically competitive firm.

Quantity	Price	Marginal Cost	Average Total Cost
0	$30	--	--
1	$24	$2	$32
2	$18	$4	$18
3	$12	$6	$14
4	$6	$8	$10
5	$0	$10	$10

____ 8. **Refer to Table 16-5.** What price should this firm charge to maximize profit?
a. $6
b. $12
c. $18
d. $24

____ 9. **Refer to Table 16-5.** How much profit will this firm earn at the monopolistically competitive price?
a. $0
b. $5
c. $12
d. $16

Figure 16-8
The figure is drawn for a monopolistically-competitive firm.



____ 10. **Refer to Figure 16-8.** In order to maximize its profit, the firm will choose to produce
a. 100 units of output, and its profit will be positive.
b. 100 units of output, and its profit will be zero.
c. 133.33 units of output, and its profit will be negative.
d. 133.33 units of output, and its profit will be zero.

____ 11. **Refer to Figure 16-8.** When the firm is maximizing its profit, the markup over marginal cost amounts to
a. \$16.67.
b. \$33.33.
c. \$50.00.
d. \$66.66.

____ 12. **Refer to Figure 16-8.** The firm's maximum profit is
a. \$-5,000.00.
b. \$0.
c. \$5,000.00.
d. \$8,887.78.

____ 13. **Refer to Figure 16-8.** Efficient scale is reached
a. at 100 units.
b. between 100 and 133.33 units.
c. at 133.33 units.
d. beyond 133.33 units.

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Scenario 16-3

Suppose market demand for a product is given by the equation $P = 20 - Q$. For this market demand curve, marginal revenue is $MR = 20 - 2Q$.

____ 14. **Refer to Scenario 16-3**. If the marginal cost of producing this good is 4, what price would a profit-maximizing monopolist charge for the product?
a. $P = 4$
b. $P = 10$
c. $P = 12$
d. $P = 20$

Short Answer

15. What is the deadweight loss due to profit-maximizing monopoly pricing under the following conditions: The price charged for goods produced is $10. The intersection of the marginal revenue and marginal cost curves occurs where output is 100 units and marginal revenue is $5. The socially efficient level of production is 110 units. The demand curve is linear and downward sloping, and the marginal cost curve is constant.