

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) In imperfectly competitive markets, 1) _____
A) some competition may exist in the markets.
B) some competition may exist but only on price and not in other ways.
C) some competition may exist but only in other ways and not on price.
D) there is no competition in the markets.
- 2) In an imperfectly competitive industry 2) _____
A) a single firm will charge whatever price it wants to charge.
B) a single firm has some control over the price of its output.
C) a single firm has no control over the price of its output.
D) the government will always regulate the output price.
- 3) A monopoly is an industry with 3) _____
A) many firms each too small to impact the market price of its output.
B) a single firm in which the entry of new firms is blocked.
C) many firms each able to differentiate their product.
D) a small number of firms each large enough to impact the market price of its output..
- 4) Market power refers to a firm's ability to 4) _____
A) raise price without losing all demand for its product.
B) charge any price it likes.
C) monopolize a market completely.
D) sell any amount of output it desires at the market-determined price.
- 5) An important distinction between perfect competition and monopoly is that in 5) _____
A) monopoly, the market demand curve faces the firm.
B) perfect competition, the firm is the industry.
C) monopoly, the firm produces less than the total quantity supplied.
D) perfect competition, there is no distinction between the firm and the industry.
- 6) In a monopoly, the market demand curve is 6) _____
A) the summation of all the individual firm's demand curves.
B) the same as the demand curve facing the firm.
C) nonexistent.
D) the marginal cost curve above minimum average variable cost.

Refer to the information provided in Figure 13.3 below to answer the questions that follow.

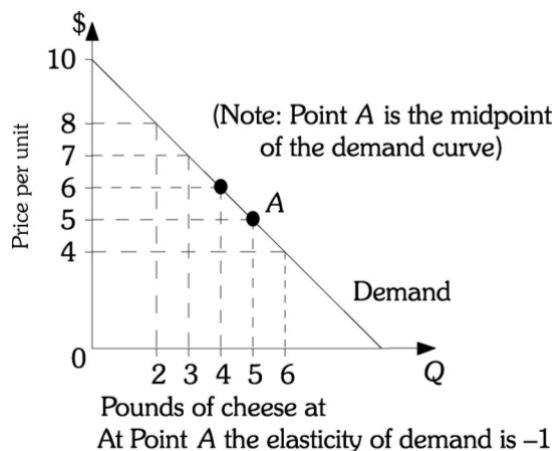


Figure 13.3

- 7) Refer to Figure 13.3. The marginal revenue of the fourth pound of cheese is _____
 A) \$1. B) \$3. C) \$6. D) \$24.
- 8) For a monopolist to sell one more unit, it must _____.
 A) lower the price of only the last unit produced
 B) raise the price of only the last unit produced
 C) lower the price of the last as well as all previous units produced
 D) raise the price of the last as well as all previous units produced
- 9) A monopolist maximizes total revenue when its marginal revenue is _____.
 A) equal to price B) negative C) positive D) zero

Refer to the information provided in Figure 13.5 below to answer the questions that follow.

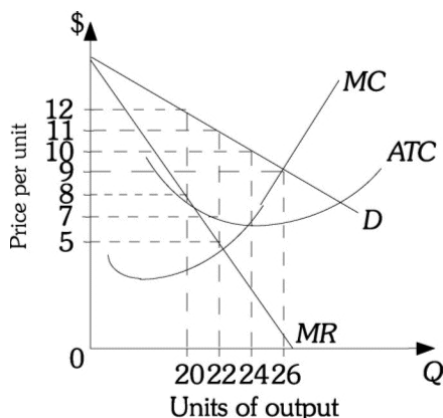


Figure 13.5

- 10) Refer to Figure 13.5. The profit-maximizing level of output for this monopolist is _____ units of output.
 A) 20 B) 22 C) 24 D) 26

- 11) Refer to Figure 13.5. The profit-maximizing price for this firm is _____
 A) \$5. B) \$7. C) \$9. D) \$11.
- 12) Refer to Figure 13.5. If this firm is producing the profit-maximizing quantity and selling it at the profit-maximizing price, the firm's profit will be _____
 A) \$80. B) \$84. C) \$88. D) \$132.
- 13) A monopolist is currently maximizing profits. In addition, if $P > ATC > MC$, then the monopolist _____
 A) earns positive economic profits.
 B) is covering total fixed costs but not total variable costs.
 C) just breaks even.
 D) is covering total variable costs but not total fixed costs.
- 14) When a monopolist's marginal profit is negative, then it follows that _____
 A) $MR > ATC$. B) $MR > MC$. C) $MR = MC$. D) $MR < MC$.
- 15) A monopolist suffers a loss if its _____ schedule is everywhere above its _____ schedule.
 A) Demand; ATC B) MC; AVC C) ATC; MC D) ATC; Demand

Refer to the information provided in Figure 13.9 below to answer the questions that follow.

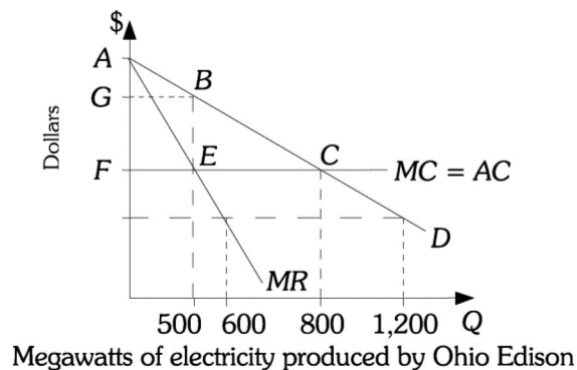


Figure 13.9

- 16) Refer to Figure 13.9. The amount of consumer surplus under monopoly is equal to area _____
 A) GAB . B) AFC . C) BEC . D) AFE .
- 17) Refer to Figure 13.9. From society's point of view the efficient level of electricity production is _____ megawatts.
 A) 500 B) 600 C) 800 D) 1200
- 18) Refer to Figure 13.9. If Ohio Edison is regulated to act as a perfectly competitive firm _____
 A) output would increase from 500 to 600 units.
 B) the net social gain to society equals ACF .
 C) the firm will earn profits of BEC .
 D) consumer surplus would increase by the area $FGBC$.
- 19) Refer to Figure 13.9. If Ohio Edison is forced to act as a perfect competitor, the net social gain is _____
 A) $FABE$. B) ACF . C) $FGBC$. D) BEC .