

Principles of Microeconomics
Assignment 7 (Chapter 9)
Answer Sheet

Name _____ Class Day/Time _____

Questions of this homework are in the next few pages. Please find the answer of the questions and fill in the blanks below. Turn in this answer sheet on the due date in class. Keep the remaining pages to study.

1. _____

11. _____

2. _____

12. _____

3. _____

13. _____

4. _____

14. _____

5. _____

15. _____

6. _____

16. _____

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20. _____

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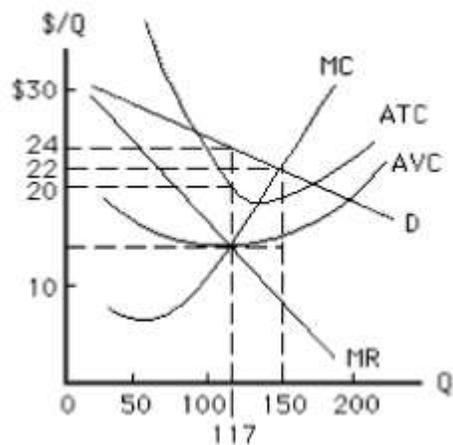
- _____ 1. Which of the following is true of monopoly?
- There are no barriers to entry.
 - The firm is a price taker.
 - There are no close substitutes for the product being produced.
 - There are many sellers in the industry.
- _____ 2. Which of the following is *not* considered a barrier to entry?
- patents
 - government licenses
 - economies of scale
 - diseconomies of scale
- _____ 3. The demand curve a monopolist uses in making an output decision is
- the same as the demand curve facing a perfectly competitive firm
 - vertical because there are no close substitutes for its product
 - horizontal because there are no close substitutes for its product
 - the same as the market demand curve

Exhibit 9-1

Price	Quantity Demanded
\$50	2
40	3
30	4
20	5
10	6

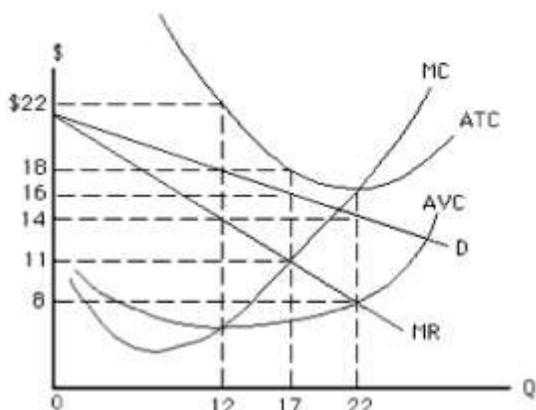
- _____ 4. In Exhibit 9-1, total revenue from selling 5 units is
- \$20
 - \$140
 - \$100
 - \$10
- _____ 5. In Exhibit 9-1, the marginal revenue of the third unit is
- \$20
 - \$120
 - \$100
 - \$40
- _____ 6. Which of the following does a monopoly control, that a perfectly competitive firm does not control?
- how much to produce
 - technology
 - what price to charge
 - what inputs to use

Exhibit 9-3



- _____ 7. The profit-maximizing output for the firm in Exhibit 9-3, is
- 200
 - 117
 - 150
 - 100
- _____ 8. At the profit-maximizing output for the firm in Exhibit 9-3, the monopolist will charge _____
- \$30
 - \$24
 - \$22
 - \$20
- _____ 9. If the monopolist in Exhibit 9-3 maximizes profit, the total revenue for the firm is
- \$2,574
 - \$2,100
 - \$2,808
 - \$1,638
- _____ 10. If the monopolist in Exhibit 9-3 maximizes profit, the total cost for the firm is
- \$3,300
 - \$3,400
 - \$2,808
 - \$2,340
- _____ 11. If the monopolist in Exhibit 9-3 maximizes profit, the firm is making a profit of
- \$0
 - \$234
 - \$482
 - \$468

Exhibit 9-14



NARREND

- _____ 12. Refer to Exhibit 9-14. Which of the following is true?
- Though this monopolist suffers losses, it should stay in production in the short run.
 - This monopolist suffers losses, it should shut down in the short run.
 - This monopolist is breaking even.
 - This monopolist is making economic profit.
- _____ 13. Which of the following is true at the profit-maximizing quantity for both a perfectly competitive firm and a monopoly?
- Marginal revenue is greater than average revenue.
 - Price is greater than marginal cost.
 - Marginal revenue equals marginal cost.
 - Marginal revenue is less than marginal cost.
- _____ 14. Which of the following is an example of price discrimination?
- An amusement park charges the same admission fee to local residents and out-of-towners
 - Intel offered faster and slower versions of a computer chip
 - IBM charges business users of its laser printer more than home users
 - Adobe stripped some features from Photoshop to offer a cheaper version
- _____ 15. Which of the following is *not* a condition required for a monopolist to price discriminate?
- the demand curve facing the firm must be downward-sloping
 - the firm must exhibit strong economies of scale
 - there must be different groups of buyers with different price elasticities of demand
 - the firm must be able to prevent reselling of the product
- _____ 16. Which of the following would *not* be considered price discrimination?
- Long distance telephone rates are cheaper late at night.
 - Airline fares are cheaper if you reserve several weeks in advance.
 - Senior citizens pay less for a movie.
 - The price of a brand-name prescription drug is higher than the price of a generic brand.

- _____ 17. Suppose that a price-discriminating monopolist divides its market into two segments. In each market segment, price is determined by finding the level of output where that market's
- marginal revenue equals marginal cost
 - average revenue equals average variable cost
 - marginal revenue equals average total cost
 - marginal cost equals average total cost
- _____ 18. Suppose that a price-discriminating monopolist divides its market into two segments. The firm will charge the lower price in the market segment where consumers
- have relatively less elastic demand
 - have relatively more elastic demand
 - attach a higher marginal value to each unit of the good
 - have perfectly inelastic demand
- _____ 19. A monopolist that engages in perfect price discrimination
- divides all buyers into two mutually exclusive groups
 - refuses to sell to consumers of certain races, sexes, or creeds
 - charges a different price for every unit sold
 - charges the same price for every unit sold
- _____ 20. When a monopolist practices perfect price discrimination,
- the entire consumer surplus is turned into monopolist's economic profit.
 - there is allocative inefficiency
 - total revenue is less than for the nondiscriminating monopolist
 - profit is lower than for the nondiscriminating monopolist