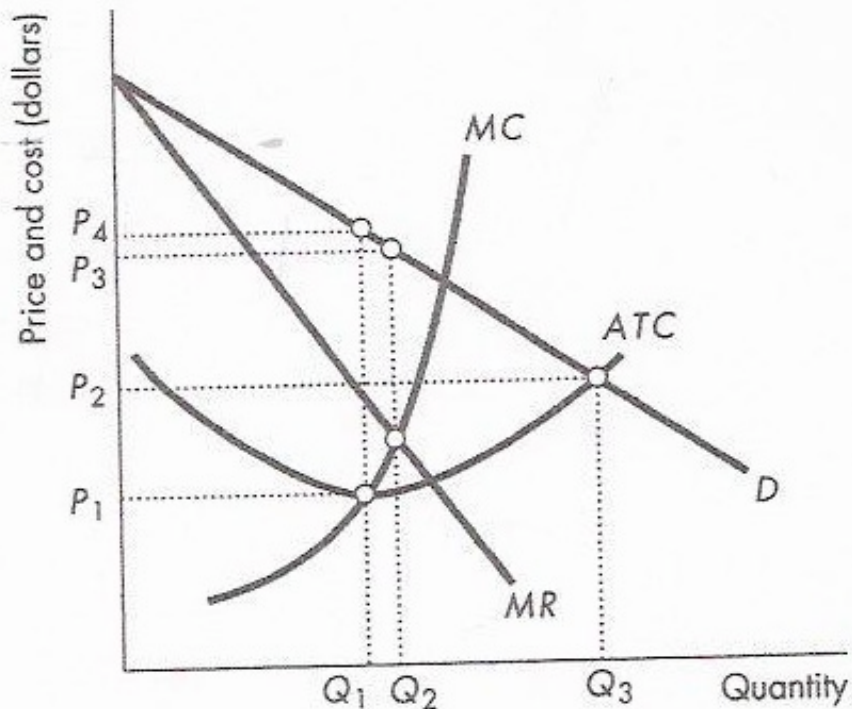


Monopoly Sample Test Questions

Textbook Chapter 12

1. Max's Christmas tree lot has a monopoly on the sales of Christmas trees. To increase his sales from 100 trees to 101 trees, he must drop the price of all his trees from \$28 to \$27. What is Max's marginal revenue when he lowers his price and increases his sales from 100 to 101 trees.
 - a. \$2,800
 - b. \$28
 - c. \$27
 - d. -\$73
2. A monopolist finds that the marginal revenue from producing another unit of output exceeds the marginal cost of the unit. Then, to increase its profit, the monopolist will
 - a. Produce the unit
 - b. Not produce the unit, but not cut back its production at all
 - c. Not produce the unit and cut back its production by at least one unit
 - d. Do none of the above
3. Because of an increase in labor costs, a monopoly finds that its MC and ATC have risen. Presuming that the monopoly does not shut down, it will _____ its price and _____ the quantity it produces.
 - a. Raise; increase
 - b. Raise; decrease
 - c. Lower; increase
 - d. Lower; decrease

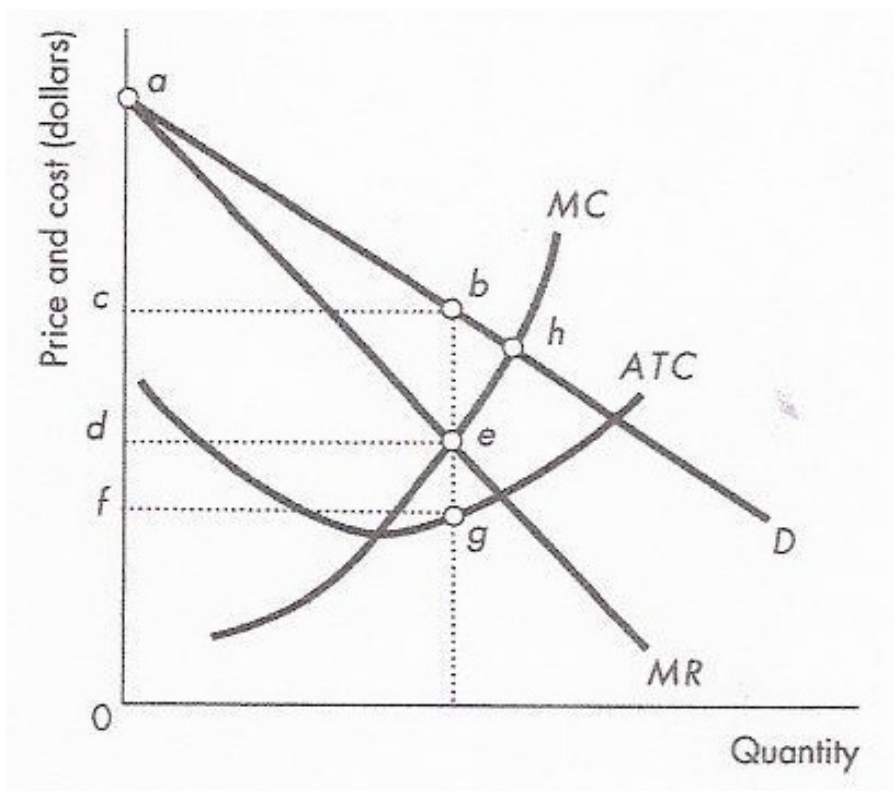
Use the diagram to answer question 9.



4. A profit-maximizing single-price monopoly will produce
 - a. Q_1
 - b. Q_2
 - c. Q_3
 - d. None of the above

5. In general, when compared to a perfectly competitive industry, the price charged by a single-price monopoly with the same costs is
 - a. More than the competitive industry
 - b. The same as the competitive industry
 - c. Less than the competitive industry
 - d. Not comparable to the competitive industry

Use the diagram to answer question 11.



6. The deadweight loss in the graph above is the area
 - a. Abc
 - b. $Bcde$
 - c. $Bcfg$
 - d. Beh

7. If a perfectly competitive industry becomes a single-price monopoly and costs do not change, which of the following allocations of costs and benefits is correct?
 - a. The producer benefits; demanders and society are harmed
 - b. The producer and society are harmed; demanders benefit
 - c. The producer, demanders, and society are harmed
 - d. The producer is harmed by demanders and society benefit

8. In order to successfully price discriminate, a firm must be able to
 - a. Reduce its marginal cost
 - b. Distinguish between customers who have different willingness to pay
 - c. Encourage many resales of its good among customers
 - d. Exert a non-price control over the number of demanders who will buy its good

9. A monopoly that is able to perfectly price discriminate
 - a. Charges everyone the lowest price that they want to pay for each unit purchased
 - b. Produces less output than it would were it a single-price monopoly
 - c. Eliminates consumer surplus
 - d. Creates a larger deadweight loss than it would if it were a single-price monopoly.

10. A monopoly movie theater discovers that the average willingness to pay for watching movies is higher at 8 PM than it is at 5 PM. As a result, if a monopoly movie theater wants to price discriminate and earn a larger profit, it charges
 - a. A higher price at 8 PM
 - b. The same price at 5 PM as at 8 PM
 - c. A lower price at 8 PM
 - d. There is not enough information given to answer the question