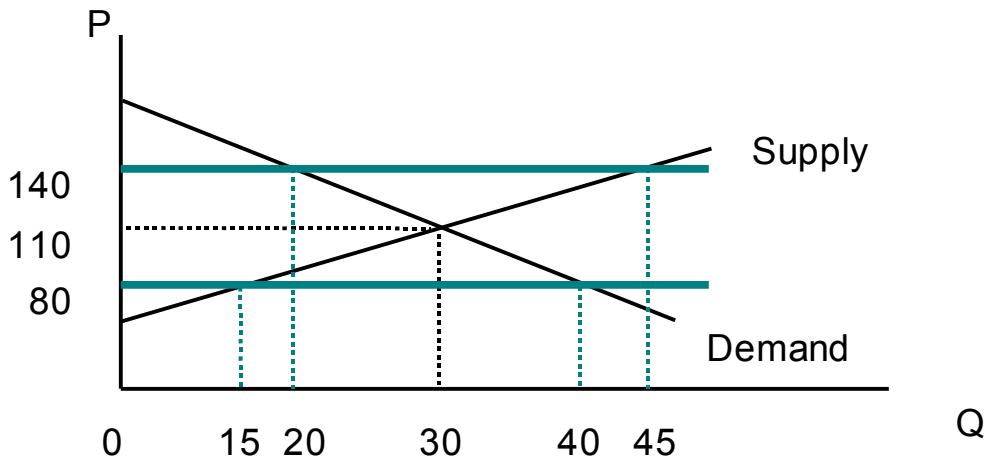


# Principles of Microeconomics

## Final Exam B

Mark the one best answer on your scantron. Show your calculations on the scantron. Do not mark on this exam.

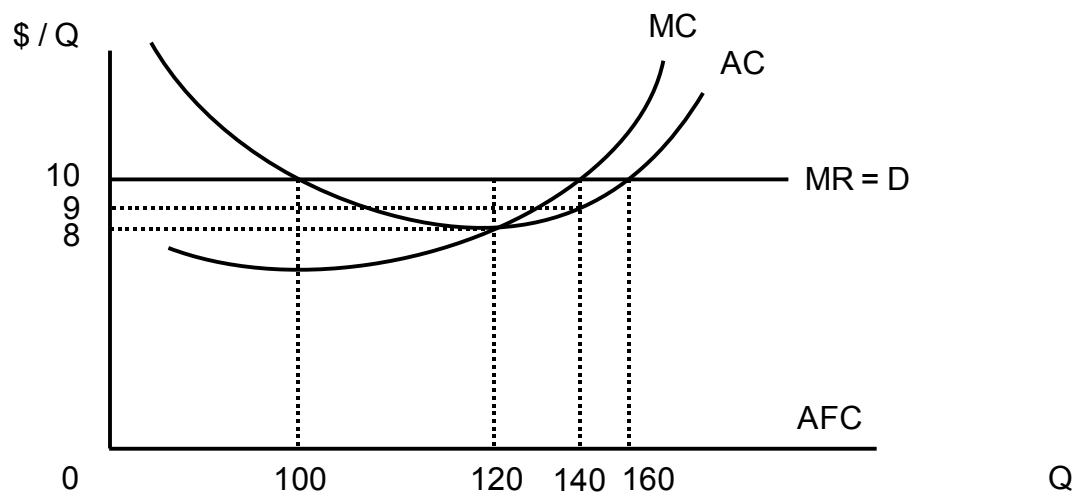


1. What is the slope of the demand line?
  - a. 3
  - b. -3
  - c. 2
  - d. -2
  - e. none of the above
2. What is the slope of the supply line?
  - a. 3
  - b. -3
  - c. 2
  - d. -2
  - e. none of the above
3. What is the quantity demanded of widgets at a price of \$80?
  - a. 15
  - b. 20
  - c. 30
  - d. 40
  - e. 45
4. What is the equilibrium price and quantity?
  - a. 140, 20
  - b. 110, 30
  - c. 140, 45
  - d. 110, 45
  - e. none of the above
5. What is the quantity supplied at a price of \$140?
  - a. 15
  - b. 20
  - c. 30
  - d. 40
  - e. 45

6. The price of pizza increases, quantity demanded will \_\_\_\_\_.
  - a. decrease
  - b. increase
  - c. not change
  - d. increase then decrease
  - e. none of the above
7. There is a dramatic increase in college students, demand for pizza will \_\_\_\_\_.
  - a. decrease
  - b. increase
  - c. not change
  - d. increase then decrease
  - e. none of the above
8. If demand for product A increases as the price of product B drops ,then these are \_\_\_\_\_.
  - a. substitute goods
  - b. consumer goods
  - c. complementary goods
  - d. independent goods
  - e. none of the above
9. A supply curve will decrease due to a(n):
  - I. increase in income
  - II. decrease in production costs
  - III. increase in supply
  - IV. increase in product prices related by production
  - a. I, II, III, & IV
  - b. II, III, & IV
  - c. I, II, & IV
  - d. I, II
  - e. none of the above
10. If the supply of swimsuits decrease as the price of spandex increases then spandex is a(n) \_\_\_\_\_ good.
  - a. substitute
  - b. complementary
  - c. independent
  - d. inverse income
  - e. none of the above

11. Average cost is the sum of \_\_\_\_\_ plus \_\_\_\_\_.
- I. total fixed costs
  - II. average fixed costs
  - III. total variable costs
  - IV. average variable costs
- a. I, II
  - b. I, III
  - c. II, III
  - d. II, IV
  - e. none of the above
12. Fixed costs \_\_\_\_\_ production.
- a. do not vary with
  - b. inversely vary with
  - c. vary with
  - d. indirectly vary with
  - e. none of the above
13. Profit is maximized where \_\_\_\_\_.
- a. average cost is minimized
  - b. marginal cost is minimized
  - c. marginal revenue is maximized
  - d. marginal revenue equals marginal cost
  - e. none of the above
14. Marginal costs typically \_\_\_\_\_ as output expands.
- a. decrease
  - b. remain constant
  - c. remain flat
  - d. increase
  - e. none of the above
15. Which of the following are assumptions of consumer theory?
- I. savings
  - II. limited income
  - III. unlimited consumption
  - IV. rational behavior
- a. I, II, III, IV
  - b. I, III, IV
  - c. II, III
  - d. II, III, IV
  - e. one of the above

Use the graph to answer questions 26 - 30.



16. At what quantity does this firm maximize profit or minimize loss?

- 160
- 100
- 140
- there is no profit maximization point.
- none of the above

17. At a quantity of 120, the TR (Total Revenue) equals \_\_\_\_\_.

- 0
- 960
- 1080
- 1200
- none of the above

18. At a quantity of 120, the TC (Total Cost) equals \_\_\_\_\_.

- 0
- 960
- 1080
- 1200
- none of the above

19. At a quantity of 120, the firm earns a profit of \_\_\_\_\_.

- profit, 120
- loss, 120
- profit, 240
- loss, 240
- none of the above

20. At a quantity of 120 the AC is \_\_\_\_\_.

- 0
- 8
- 9
- 10
- none of the above

Two firms, Steele, Moore, and Profit (SMP) and Carr and Tyre (CT) are competing on the basis of price in the tire market. They have two choices, sell high priced tires which earn very high profits or sell low priced tires, which earn good profits. They must decide at the same time. Payoffs are in terms of profits.

		CT	
		High	Low
	High	5, 20	15, 10
SMP	Low	10, 40	10, 5

21. What is the preferred action for SMP given CT picks high?
  - a. high
  - b. low
  - c. none of the above
22. What is the preferred action for SMP given CT picks low?
  - a. high
  - b. low
  - c. none of the above
23. What is the preferred action for CT given SMP picks high?
  - a. high
  - b. low
  - c. none of the above
24. What is the preferred action for CT given SMP picks low?
  - a. high
  - b. low
  - c. none of the above
25. What is the equilibrium strategy?
  - I. CT picks high
  - II. CT picks low
  - III. SMP picks high
  - IV. SMP picks low
  - a. I, III
  - b. I, IV
  - c. II, III
  - d. II, IV
  - e. none of the above

Quokia makes cell phones. Its new video phone costs \$60 in labor and materials to make. Quokia's overhead expenses run \$9 million per year. Cell prices are \$150 per phone.

26. What is the average variable cost?
  - a. 0
  - b. 60
  - c. 90
  - d. 150
  - e. none of the above
27. What is the marginal cost?
  - a. 0
  - b. 60
  - c. 90
  - d. 150
  - e. none of the above
28. What is the breakeven point in units?
  - a. 60,000
  - b. 100,000
  - c. 150,000
  - d. 9,000,000
  - e. none of the above
29. What is the contribution margin?
  - a. 0
  - b. 60
  - c. 90
  - d. 150
  - e. none of the above
30. To attain a 20% Return On Sales, how much in dollar sales must be generated?
  - a. 60,000
  - b. 100,000
  - c. 150,000
  - d. 9,000,000
  - e. none of the above

31. A monopolistic firm will hire labor in a competitive factor market at the point that \_\_\_\_\_ equals \_\_\_\_\_.
- a. MRP, W
  - b. MRP, MFC
  - c. MFC, W
  - d. MFC, MFC
  - e. none of the above
32. \_\_\_\_\_ is calculated as the change in output per change in labor.
- a. Marginal revenue product
  - b. Marginal factor cost
  - c. Marginal product of capital
  - d. Marginal product of labor
  - e. none of the above
33. In a competitive labor market the marginal factor cost for a firm is the \_\_\_\_\_.
- a. marginal revenue product
  - b. average variable cost
  - c. interest rate
  - d. wage
  - e. none of the above
34. Marginal revenue product is the product of \_\_\_\_\_ times \_\_\_\_\_.
- a. labor, capital
  - b. output, input
  - c. marginal revenue, marginal product
  - d. dollars, units
  - e. none of the above
35. The production function expresses the relationship between \_\_\_\_\_ and \_\_\_\_\_.
- a. labor, capital
  - b. dollars, units
  - c. input, output
  - d. factor market, product market
  - e. none of the above

## Microeconomics Final Exam Key

- 1 B  $(140-110)/(20-30) = -3$
- 2 C  $(80-140)/(15-45) = 2$
- 3 D
- 4 B
- 5 E
- 6 A Law of Demand
- 7 B Number of buyers is one of the determinants of demand
- 8 C Price of a complementary good drops, then demand increases
- 9 E IV
- 10 E raw material or input
- 11 D
- 12 A
- 13 D
- 14 E They are U shaped, decrease then increase
- 15 E II and IV
- 16 C Q at where  $MR = MC$
- 17 D  $120 * 10$
- 18 B  $120 * 8$
- 19 C  $120 * (10-8)$
- 20 B Read off the AC curve to its left
- 21 B
- 22 A
- 23 A
- 24 A
- 25 B
- 26 B AVC is constant thus it is equal to MC
- 27 B
- 28 B  $9,000,000/(150-60)$
- 29 C
- 30 E  $9,000,000/.4 = \$22,500,000$ ;  $150-60/150 = .6 - 2 = .4$
- 31 A
- 32 D
- 33 D
- 34 C
- 35 C