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Question **1**

Complete

Marked out of 3

Positive cross-price elasticities tend to imply that goods are...

Select one:

- ☐ a. complements
- ☐ b. Giffen goods
- ☐ c. luxury goods
- ☐ d. inferior goods
- ☒ e. None of the above.

Question **2**

Complete

Marked out of 4

The demand for milk can be characterized by the inverse demand function $P^D = 58000 - Q$ and the supply can be characterized by the inverse supply function $P^S = 11600 + Q$. How much should a perfectly competitive firm produce if its costs can be characterized by the function $STC(q) = 50q^2 + 5800q + 50000$?

Answer:

Question **3**

Complete

Marked out of 4

The demand for butter can be characterized by the inverse demand function $P^D = 432 - 3Q$ and the supply can be characterized by the inverse supply function $P^S = 216 + 3Q$

Please calculate the equilibrium price!

Answer:

Question **4**

Complete

Marked out of 4

The demand for a new innovative cancer drug is characterized by the inverse demand function $P^D = 576 - 3Q$. The total cost for the sole supplier, a pure monopolist, is given by $TC(Q) = 288Q + 3Q^2$.

Please calculate the monopoly price for the product!

Answer:

Question 5

Complete

Marked out of 3

The demand curve faced by a sole supplier (a true monopolist)...

Select one:

- ☐ a. slopes upward.
- ☐ b. is never the same as the industry demand curve.
- ☒ c. shows that in order to sell more, the firm must lower product price.
- ☐ d. is always horizontal at the going market price.
- ☐ e. None of the above.

Question 6

Complete

Marked out of 2

The short-run supply decision is determined by finding the level of output at which short-run marginal cost is equal to marginal revenue, provided that the average condition ($P \geq \text{SAVC}$) is also satisfied.

Select one:

- ☐ a. FALSE
- ☒ b. TRUE

Question 7

Complete

Marked out of 3

In the long run, the typical firm ...

Select one:

- ☐ a. is not concerned with its costs of production.
- ☐ b. has all inputs fixed except one.
- ☐ c. may change some but not all of its inputs.
- ☐ d. All of the above.
- ☒ e. None of the above.

Question 8

Complete

Marked out of 2

In order to determine how much of a good an individual will buy, it is necessary to have information on preferences and prices, but not the consumer's income.

Select one:

- ☒ a. FALSE
- ☐ b. TRUE

Question 9

Complete

Marked out of 3

The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that ...

Select one:

- ☒ a. there are so many buyers and sellers in the market that any individual firm cannot affect the market.
- ☐ b. there is no easy entry into or exit from the market place.
- ☐ c. the firm has some, but not complete, control over its product price.
- ☐ d. each firm produces a heterogeneous product.
- ☐ e. None of the above.

Question 10

Complete

Marked out of 4

Priscilla Evans owns a firm with total sales revenue of \$300,000 and total accounting costs of \$222,000. If she worked for a firm as an employee, she could earn \$74,000. Meanwhile, the \$740,000 she invested to start her own firm could earn an annual interest rate of 20%. Calculate her economic profit (in \$)!

Please only include a **number** as your answer (without a dollar sign or a thousand separator).

Answer:

Question 11

Complete

Marked out of 2

A straight line demand curve has constant price elasticity along its length.

Select one:

- ☒ a. FALSE
- ☐ b. TRUE

Question 12

Complete

Marked out of 2

Sole traders have limited liability.

Select one:

- ☐ a. TRUE
- ☒ b. FALSE

Question 13

Complete

Marked out of 3

Microeconomics best describes the study of the ...

Select one:

- ☐ a. level of national unemployment.
- ☐ b. growth rate of GNP.
- ☐ c. effects of aggregate inflation.
- ☒ d. behaviour of individual economic agents.
- ☐ e. All of the above.

Question 14

Complete

Marked out of 3

As the consumer moves along the demand curve for apples it is assumed that

Select one:

- ☐ a. the price of apples remains constant.
- ☐ b. the quantity of apples remains constant.
- ☐ c. the consumer's income changes.
- ☒ d. the price of oranges remains constant.
- ☐ e. All of the above.

Question 15

Complete

Marked out of 4

The demand for butter can be characterized by the inverse demand function $P^D = 768 - Q$ and the supply can be characterized by the inverse supply function $P^S = 192 + Q$

A specific tax of 20 (which is collected from the sellers) is introduced by the government. Calculate the post-tax equilibrium quantity (quantity traded)!

Answer:

Question **16**

Complete

Marked out of 4

The demand for butter can be characterized by the inverse demand function $P^D = 168 - Q$ and the supply can be characterized by the inverse supply function $P^S = 42 + Q$

Calculate the consumer surplus! (A fraction should be rounded to two decimal places.)

Answer:

Question **17**

Complete

Marked out of 2

The car industry is a typical example of a perfectly competitive market structure.

Select one:

- ☐ a. TRUE
- ☒ b. FALSE

Question **18**

Complete

Marked out of 3

A decrease in consumer income while prices remain constant causes the budget line to ...

Select one:

- ☒ a. make a parallel shift toward the origin.
- ☐ b. rotate toward the origin.
- ☐ c. make a parallel shift outward.
- ☐ d. rotate away from the origin.
- ☐ e. None of the above.

Question **19**

Complete

Marked out of 3

Economic profit is maximised when ...

Select one:

- ☐ a. marginal cost is less than marginal revenue.
- ☐ b. marginal revenue is at zero.
- ☒ c. marginal cost equals marginal revenue (provided that the average condition is also met).
- ☐ d. marginal cost is greater than marginal revenue.
- ☐ e. None of the above.

Question **20**

Complete

Marked out of 2

An economy in which there is unemployment is not producing on the production possibility frontier.

Select one:

- ☐ a. FALSE
- ☒ b. TRUE