Q1. The market for Gloomps is characterized by the demand curve $Q = 20 - 2P$, where Q is the market quantity and P is the market price. If the market for Gloomps is a duopoly, and one firm decides to produce 5 Gloomps and the other firm decides to produce 3 Gloomps, what will be the market price for Gloomps?

A. 12
B. 20
C. 6
D. 16

Q2. Let a monopolist sells a good in two separate markets with demand functions $Q1 = 15-P1$ and $Q2 = (25-P2)/2$. The cost function is $C = 5 + 3(Q1 + Q2)$. In case of price discrimination of third degree P1 and P2 will respectively be equal to:

A. 6 and 13
B. 9 and 14
C. 12 and 15
D. 5 and 8

Q3. If the government imposes a tax of Rs. 1 per unit of the good produced. How much will buyers consume:

A. 7.5
B. 6
C. 8
D. 6.5

[question later dropped as invalid]

Q4. Consider two identical firms (Firm 1 and Firm 2) that face a linear market demand curve. Each firm has a marginal cost of zero and the two firms together face demand: $P = 50-0.5Q$; where $Q = Q1 + Q2$.
Find the equilibrium Q and P for each firm assuming that the firms collude and share the profit equally.

A. 50, 50
B. 50, 25
C. 25, 25
D. 25, 50

Q5. A monopolist faces a demand curve q(p) = 1/p incurs a cost of Rs. 3 per unit of output produced. There is no fixed cost. His optimal output choice:

A. 3

B. 2

C. 0

D. No such optimal output exists

Q6. The demand curve for cold drinks is q = 100 – ½ p and the marginal cost of production is 10 Rs. What will be the socially optimal output and monopoly output, respectively?

A. (95, 47.5)
B. (90, 44.5)
C. (85, 44)
D. (70, 55)

Q7. All else equal, as the number of firms in an industry increase:

A. The quantity produced by a monopoly industry gets closer to the quantity produced by an oligopoly industry
B. The quantity of an oligopoly industry gets closer to the quantity produced by a monopoly industry
C. The quantity of a perfectly competitive industry gets closer to the quantity produced by a monopolistically competitive industry
D. The quantity produced by an oligopoly industry gets closer to the quantity produced by a perfectly competitive industry
E. The quantity of a monopolistically competitive industry gets closer to the quantity produced by an oligopoly industry

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Q8. When the demand curve is perfectly inelastic and unit tax is imposed on a particular good. The burden of tax is borne :

A. only by seller
B. more by seller and less by buyer
C. only by buyer
D. more by buyer and less by seller

Q9. Consider two identical firms (Firm 1 and Firm 2) that face a linear market demand curve. Each firm has a marginal cost of zero and the two firms together face demand: P = 50-0.5Q; where Q = Q1 + Q2. Find the Cournot equilibrium Q1, Q2 and P.

A. 66.66, 66.66, 33.2
B. 33.33, 33.33, 16.66
C. 44, 44, 25

Q10. Let the government impose a unit tax of ‘t’ on the product such that the supply curve shifts from S to S’ as shown in Figure 1. The dead-weight loss and government gain respectively is:

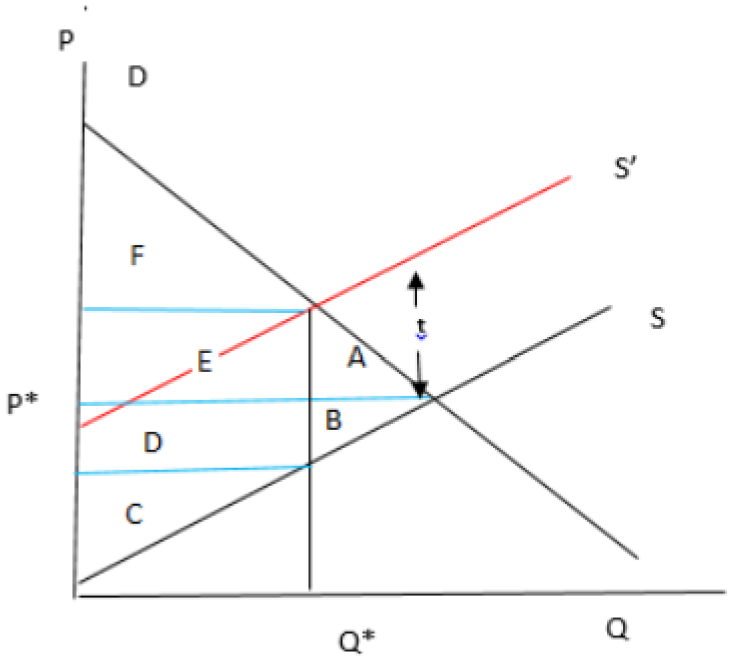

Figure 1

A. (A+B, E+D)
B. (E+A, B+D)
C. (F+E, C+D)
D. (F+A, C+B)