

Old Exam Questions Which Cover Chapter 15 Topics

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) A monopolist faces _____
A) a perfectly elastic demand curve. B) a downward-sloping demand curve.
C) a horizontal demand curve. D) a perfectly inelastic demand curve.
- 2) A firm that has the ability to control to some degree the price of the product it sells _____
A) is a price maker.
B) is also able to dictate the quantity purchased.
C) faces a demand curve that is inelastic throughout the range of market demand.
D) faces a perfectly inelastic demand curve.
- 3) For a natural monopoly to exist, _____
A) a firm's long-run average cost curve must exhibit economies of scale throughout the relevant range of market demand.
B) a firm must have a government-imposed barrier.
C) a firm must continually buy up its rivals.
D) a firm's long-run average cost curve must exhibit diseconomies of scale beyond the economically efficient output level.
- 4) To maintain a monopoly, a firm must have _____
A) an insurmountable barrier to entry. B) marginal revenue equal to demand.
C) a perfectly inelastic demand. D) few competitors.
- 5) If a monopolist's price is \$50 per unit and its marginal cost is \$25, then _____
A) to maximize profit the firm should continue to produce the output it is producing.
B) to maximize profit the firm should increase output.
C) to maximize profit the firm should decrease output.
D) Not enough information is given to say what the firm should do to maximize profit.
- 6) Relative to a perfectly competitive market, a monopoly results in _____
A) a gain in producer surplus less than the loss in consumer surplus.
B) a gain in producer surplus equal to the gain in consumer surplus.
C) a gain in producer surplus equal to the loss in consumer surplus.
D) greater economic efficiency.

Figure 14-3

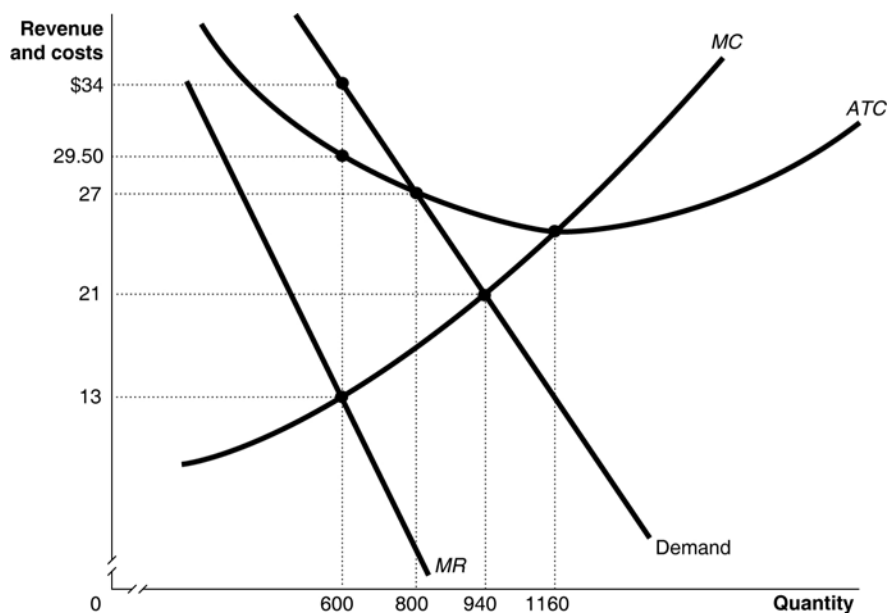


Figure 14-3 shows the demand and cost curves for a monopolist.

- 7) Refer to Figure 14-3. What is the profit-maximizing/loss-minimizing output level? 7) _____
 A) 600 units B) 800 units C) 940 units D) 1,160 units
- 8) Refer to Figure 14-3. What is the price charged for the profit-maximizing output level? 8) _____
 A) \$13 B) \$21 C) \$27 D) \$34
- 9) Refer to Figure 14-3. What is the amount of the monopoly's profit? 9) _____
 A) \$12,600 B) \$20,400 C) \$10,400 D) \$4,200 E) \$2,700
- 10) If a monopolist's marginal revenue is \$25 a unit and its marginal cost is \$25, then 10) _____
 A) to maximize profit the firm should decrease output.
 B) to maximize profit the firm should continue to produce the output it is producing.
 C) to maximize profit the firm should increase output.
 D) Not enough information is given to say what the firm should do to maximize profit.

Figure 14-5

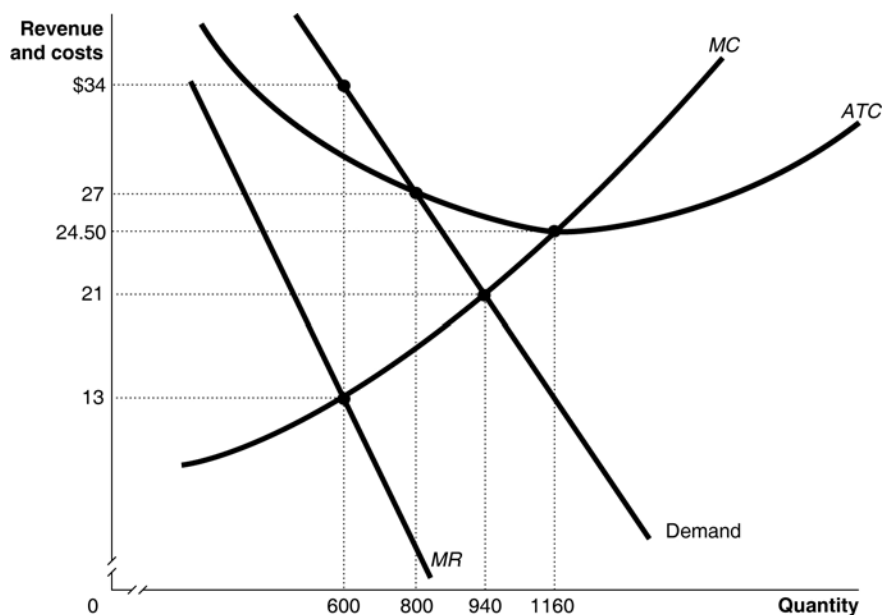
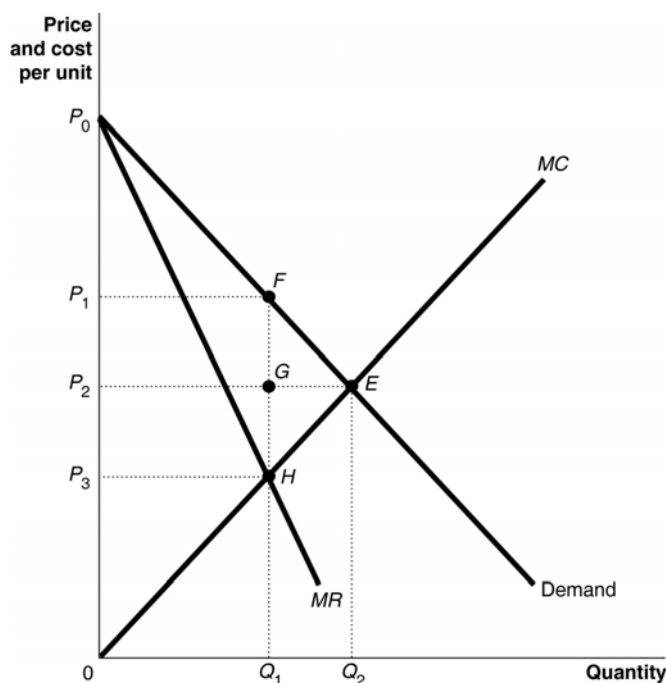


Figure 14-4 shows the demand and cost curves for a monopolist.

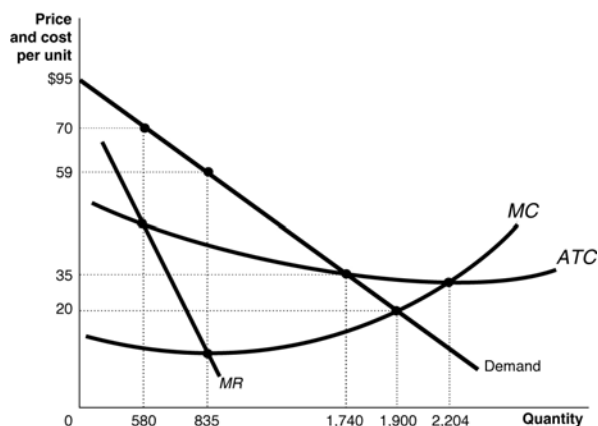
- 11) Refer to Figure 14-5. What is the difference between the monopoly's price and perfectly competitive industry's price? 11) _____
- A) The monopoly's price is higher by \$9.50. B) The monopoly's price is higher by \$13.
 C) The monopoly's price is higher by \$21. D) The monopoly's price is higher by \$3.50.
- 12) Compared to perfect competition, the consumer surplus in a monopoly 12) _____
- A) is lower because price is higher and output is lower.
 B) is higher because price is higher and output is the same.
 C) is unchanged because price and output are the same.
 D) is eliminated.

Figure 14-6



- 13) Refer to Figure 14-6. The deadweight loss due to a monopoly is represented by the area _____
 A) GEH. B) FQ_1Q_2E . C) FGE. D) FHE.
- 14) When smaller companies merge and form a larger company, is it possible for consumers to benefit? _____
 A) Yes, if the increase in market power of the firm is more powerful than the increase in the firm's production costs.
 B) No – the increase in market power results in higher consumer prices.
 C) Yes, if the cost efficiencies through economies of scale are more powerful than the increase in market power of the firm.
 D) Yes, if the cost efficiencies through economies of scale are more powerful than the increase in marginal cost of the firm.
- 15) A monopoly differs from monopolistic competition in that _____
 A) a monopoly has market power while a firm in monopolistic competition does not have any market power.
 B) a monopoly can never make a loss but a firm in monopolistic competition can.
 C) in a monopoly there are significant entry barriers but there are low barriers to entry in a monopolistically competitive market structure.
 D) a monopoly faces a fairly elastic demand curve while a monopolistic competitor faces a fairly inelastic demand curve.
 E) More than one of the above is correct

Figure 14-1



16) Refer to Figure 14-1. Which of the following statements about the firm depicted in the diagram is true?

16) _____

- A) The fact that this firm is a natural monopoly is shown by the continually declining marginal revenue curve as output rises.
- B) The fact that this firm is a natural monopoly is shown by the fact that marginal cost lies below the long-run average total cost where the firm maximizes its profits.
- C) The fact that this firm is a natural monopoly is shown by the continually declining market demand curve as output rises.
- D) The fact that this firm is a natural monopoly is shown by the continually declining long-run average total cost as output rises.

Answer Key

Testname: 201 CHAPTER 15 OLD EXAM QUESTIONS

- 1) B
- 2) A
- 3) A
- 4) A
- 5) D
- 6) A
- 7) A
- 8) D
- 9) E
- 10) B
- 11) B
- 12) A
- 13) D
- 14) C
- 15) C
- 16) D