Chapter 15 Practice Problems

Elements of Microeconomics (discussion section 4)

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Question 1

Fill in the following table for a monopoly firm:

Q	P	TR	AR	MR
0	$11		---	---
1	10			
2	9			
3	8			
4	7			
5	6			

Question 2

Assume that we have a monopoly firm in the market for internet. The market demand, average total cost, marginal cost for the firm, and marginal revenue for the firm is:

$$Q_D = 40 - 2P$$

$$ATC = \frac{50}{Q} + \frac{1}{4}Q$$

$$MC = \frac{1}{2}Q$$

$$MR = 20 - Q$$

(a) Graph these curves.

(b) Find the profit maximizing quantity for the firm (Q^M) and label it on your graph.

(c) What is the socially optimal quantity (Q^E)? Label it on your graph

(d) Calculate the profit for the firm and label it on your graph.

(e) Calculate the deadweight loss in this market and label it on your graph.

Question 3

Give a real world example of price discrimination, and explain how it increases social welfare.