**Part I - Write “TRUE” for the correct statements and write “FALSE” for the wrong statements**

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2. Implicit costs are out of pocket costs for purchased inputs.
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**Part II. Mach items in column A with those in Column B**

A B

1. Total product is maximum A. MPL > APL
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E.MPL = negative

**Part III –Choose the correct answer from the given alternatives (1.5 point each)**

1. A production technique which uses more labor units than capital units we call it
   1. Capital intensive technique
   2. Labor intensive technique
   3. Neutral technique
   4. A & B
2. when numerical value of price elasticity of demand is greater than one, price elasticity value will be
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14. Talks to rival firms to determine the best price for all of them to charge.
15. Sets the product’s price to whatever the owner decides up on.
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24. A perfectly competitive firm produces 200 units of a good and the market price per unit of goods is birr 10.what will be the total cost of the firm if the total profit is birr 1000.
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27. Measures monopoly power as
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32. Which of the following statement is correct?
33. There is no unique supply curve under monopoly
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48. Which of the following create natural monopoly?
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50. An exclusive right granted to supply a good or service
51. Technology enabling a single firm to produce at a lower average cost than other firms
52. Ownership of all the available units of necessary inputs
53. Identify the variable cost in the short run among the following?
    1. Rent of factory
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54. Consider a firm producing 7 units of out puts has an average variable cost of 150 birr and a total fixed cost of 350 birr. How much is the average total cost for this firm?
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55. Which of the following statement is true about cost of production classification?
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    1. Change in the cost of a variable resource.
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    3. One-unit increase in the quantity of a labour used, holding constant other resources.
    4. A & B are correct.
62. A market structure with the only single seller is

A. perfectly competitive B. monopolistic C. monopoly D. oligopoly

Using the following table answer questions

|  |  |  |  |
| --- | --- | --- | --- |
| Labour | Total Output | Marginal product of variable input(MPL) | Average product of variable input(APL) |
| 1 | A | 20 | 20 |
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1. The values of : a, b and c are:
2. 20, 45, and 15 B 20, 25, and 20 C 20, 55and 85 D 20,35 and 25
3. The values of d and e are :
   1. 12.5 and 20 B. 22.5and 20 C. 15 and 20 D. 20 and 20

**IV short answer**

* + - 1. List the three reasons for the Monopoly Market to exist

**V. Work out question**

Given the total cost function C = 110 + 30Q + 5Q2 + 2Q3. Then find

1. The value of TFC
2. The value of ATC at Q= 2.
3. The value of AVC at Q= 3
4. The value of MC at Q=4
   * + 1. Given The cost and Revenue functions below

TC=20 + 10Q

TR=40Q-5Q2

1. Equilibrium price and quantity
2. Total profit

**MULTIPLE CHOICE**

1. Which of the following is a correct statement about oligopoly markets?

|  |  |
| --- | --- |
| a. | There is a low degree of interdependence among firms in an oligopoly market. |
| b. | There is no non-price competition in an oligopoly market. |
| c. | Products in an oligopoly market are always homogeneous. |
| d. | Firms is oligopoly markets are highly interdependent. |

2. Which of the following is NOT true in a perfectly competitive market structure?

|  |  |
| --- | --- |
| a. | Average revenue is greater than price. |
| b. | Marginal revenue is equal to price. |
| c. | Marginal revenue is equal to the average revenue. |
| d. | Average revenue is equal to price. |

3. Which one is **NOT** a correct statement about perfectly competitive market?

|  |  |
| --- | --- |
| a. | The price elasticity of demand is infinite. |
| b. | There is a strong price competition among sellers. |
| c. | There are many buyers and sellers of a homogenous product in the market. |
| d. | There is no information asymmetry between buyers and sellers. |

4. Monopolistic competitors and perfect competitors are similar in one of the following features.

|  |  |
| --- | --- |
| a. | Having horizontal demand curves. |
| b. | Zero economic profit in the short run. |
| c. | Zero economic profit in the long run |
| d. | Relying on advertising to attract buyers to their products |

5. A monopoly is characterized by the average cost AC =Q/4 and the marginal cost MC, Q/2, where Q is the quantity produced. The demand for the monopoly good is

Q= 10 - p , where p is price. The pair of optimal quantity and price of the profit- maximizing monopoly is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | (5, 5) | c. | (4.4, 5.5) |
| b. | (4 , 6) | d. | (20/3, 10/3) |

6. Which of the following is a distinctive feature of monopolistic competition?

|  |  |
| --- | --- |
| a. | Product differentiation |
| b. | Profit-maximization rule. |
| c. | Freedom of entry and exist. |
| d. | Number of sellers and buyers. |

7. Which of the following is NOT correct for a firm operating in a perfectly competitive market?

|  |  |
| --- | --- |
| a. | Marginal revenue (MR) = P since the firm cannot affect market price by increasing output |
| b. | Total revenue (TR) curve is upward slopping and straight line since the firm can sell any quantity at a given market price |
| c. | Average revenue = price (P) since the firm can sell all outputs at the  same price no matter how large or small the quantity sold. |
| d. | The horizontal demand curve (price line) for the firm's product  indicates that the firm will sell nothing if it reduces price |

8. Pure monopolist maximizes profit when\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
| a. | Marginal Revenue is greater than the Marginal Cost. |
| b. | Marginal revenue is less than the Marginal Cost. |
| c. | Marginal Cost is downward sloping and Marginal Revenue is upward sloping. |
| d. | Marginal revenue is equal to the Marginal Cost. |

9. Assume a monopolistically competitive firm facing the same average and marginal costs with a perfectly competitive firm. If the profit maximizing level of output of the perfectly competitive firm is 1000 units, what is the likely profit maximizing level of the monopolistically competitive firm?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | Equal to 1000 | c. | Less than 1000 |
| b. | Greater than 1000 | d. | Equal to 2000 |

10. A pure monopolist faces demand function where P=10-1/2Q and her cost function is given by TC = 1 + 2Q. The profit maximizing level of output and the corresponding profits are\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_ ,

|  |  |  |  |
| --- | --- | --- | --- |
| a. | (2,9) | c. | (18,2) |
| b. | (9,2) | d. | (2, 18) |

11. In a perfectly competitive markets, one of the following is true.

|  |  |
| --- | --- |
| a. | Products are heterogeneous |
| b. | Entry and exit are restricted |
| c. | There are large number of buyers and sellers |
| d. | There are very few numbers of buyers and sellers |

12. A quantity of a product sold in a market by a pure monopoly firm is less than the quantity that would be sold if the market were pure competition. Which one of the following is the basic assumption made to arrive at this conclusion?

|  |  |
| --- | --- |
| a. | A monopoly is a profit maximizing firm |
| b. | A single producer gains recognition by reducing quantity |
| c. | A monopoly does not take social well being into consideration |
| d. | A single producers is not able to produce the quantity demanded by society. |

13. The profit maximization condition under monopolistically competitive condition Marginal Revenue is

|  |  |
| --- | --- |
| a. | Equal to rising Long Run Marginal Cost |
| b. | Less than rising Long Run Marginal cost |
| c. | Equal to falling Long Run Marginal Cost |
| d. | Greater than falling Long Run Marginal Cost |

14. A market structure where there exists only a single seller of a product, who is . the only producer of the product, and that product has no close substitutes is known as

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. | Monopoly | b. | Monopsony | c. | Duopoly | d. | Oligopoly |

15. An important benefit of a monopolistically competitive market is

|  |  |
| --- | --- |
| a. | concentration of market power into a single firm. |
| b. | uniformity of goods and services produced in the economy. |
| c. | satisfaction of different consumer preferences due to increased variety. |
| d. | a benchmark for efficient allocation of resources and hence economic efficiency. |

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**IV short answer**

* + - 1. List the three types of unemployment
      2. List the two cause’ of inflation

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