

Microeconomics Sophia Learning Final Milestone, Complete solution.

written by

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Which type of market structure has many small firms that spend money in order to differentiate their products through advertising?

☐ Perfect competition



☒ Monopolistic competition

☐ Monopoly

☐ Oligopoly

CONCEPT

→ [Monopolistic Competition](#)

2



Which of the following is true about marginal cost?

☐ The marginal cost will consistently fall with an increase in production.

☐ Marginal cost can be found at the intersection of a firm's budget constraints and production function.



☒ Marginal cost is the change in total cost that results from a single unit increase in the quantity produced.


☐ In the long run, every firm's marginal cost must equal zero.

CONCEPT

→ [Cost: Total, Marginal and Average](#)

3 

What is the study of the behavior of consumers and businesses holistically across an economy?

-  ☒ Macroeconomics
- ☐ Microeconomics
- ☐ Civics
- ☐ Social science


CONCEPT

→ [What is Economics?](#)

4 

Product Price	Unit Cost	Units Sold	Units Produced	Opportunity Costs
\$35.00	\$5.00	100	1000	\$750

Given the information in the table shown here, the economic profit is which of the following?

- ☐ \$1,500
- ☐ \$2,250
- ☐ -\$1,500
-  ☒ -\$2,250

CONCEPT

→ [Economic Profit](#)

5



Which of the following is a trait of a perfectly competitive market?

- ☐ Firms are price makers
- ☐ Firms are not producing at minimum cost
- ☒ Information flows freely
- ☐ Barriers to entry exist

CONCEPT

→ [Perfect Competition](#)

6



What is contingent valuation as it relates to alternative methods for estimating the value of environmental regulations?

- ☐ Using the change in property values in response to a change in pollution to provide an estimate of the cost of pollution
- ☐ Comparing how much it costs to clean waste sites to the cost of regulation
- ☒ Multiplying the amount of people who are willing to pay for trips to natural resources by the number of citizens to construct an estimate on the value of environmental goods
- ☐ Linking the amount of pollution to healthcare costs to estimate the cost of regulation

CONCEPT

→ [Assessing Costs of Waste and Pollution--Environmental Economics](#)

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Which answer choice below is NOT an example of microeconomics?

- ☐ A study of how one's salary level influences spending on leisure items
- ☐ An analysis of how a change in one's salary affects individual shopping habits
- ☐ Analysis of the influence of changes in healthcare on a small business
- ☒ A study of whether or not the trade embargo against Iran has been successful

CONCEPT

→ [What is Economics?](#)

8



Which statement below is NOT true about the long run average supply curve?

- ☒ The long run supply curve consists of MC from the shutdown point onward.
- ☐ The long run supply curve must be equal to or lie below the short term supply curve.
- ☐ The long run supply curve consists of the minimum points of short run supply curves.
- ☐ The shape of the long run curve is due to economies and diseconomies of scale.

CONCEPT

→ [Long-Run Supply Curve](#)

9



Jacob recently graduated from college and was promoted from intern to a paid position.

Which of the following is most likely to change in his spending habits?



- ☒ Jacob will purchase more normal goods.
- ☐ Jacob will purchase fewer normal goods and more inferior goods.
- ☐ Jacob will not respond as much to price changes in normal goods.
- ☐ Jacob's budget constraint will shift to the left if shown on a graph.

CONCEPT

→ Budget Constraints: Change in Income

10



A good that a producer can prevent a consumer from using by charging a price is _____.

- ☐ a private good that is non-rivalrous
- ☒ a private good that is excludable
- ☐ a public good that is excludable
- ☐ a public good that is non-rivalrous

CONCEPT

→ Public Goods, Private Goods, and the "Tragedy of the Commons"

11



As a part of her research before hiring another employee to help sell cookbooks at her Books for Cooks store, manager Shelly calculated weekly production numbers.

Number of Workers	Total Product	Marginal Product	Average Product
0	0	---	---
1	75	75	75
2	157	82	78.5
3	213	?	?
4	235	22	58.75
5	275	40	55

What are the marginal product and average product for three workers?

- ☐ Marginal Product = 7;
Average Product = 71
- ☒ Marginal Product = 56;
Average Product = 71
- ☐ Marginal Product = 56;
Average Product = 18.7
- ☐ Marginal Product = 7;
Average Product = 18.7

CONCEPT

→ Product: Total, Marginal, Average, and (Marginal) Revenue

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In anticipation of the college's athletic banquet, Lauren considered purchasing gifts for several members of the athletics club who had put a lot of time and effort into making it such a successful program. Lauren decided to buy roses for the women and a leather-bound portfolio and resume paper combination for the men.

Which of the following scenarios corresponds to cross-price elasticity?



Lauren worked overtime last week and made more money. As a result, she decided to purchase the more expensive portfolios that have the university logo on the front, and she decided to buy one more than she had originally planned.



Lauren cannot decide which color of roses to buy because they are all priced the same.



The price of resume paper has decreased. Because of this, Lauren can now afford to purchase more paper and an additional portfolio and still be within her budget for gifts.



A local high school's prom is also the same weekend as the ceremony, so the price of roses has increased.

CONCEPT

→ Cross-Price Elasticity

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Determine which of the following is an example of opportunity cost.



With my current salary, I can only afford to spend \$500/month on food.



How many times will I be able to wear this shirt before it falls apart or goes out of style?



We have a week of vacation. Let's go on a Mexican cruise.



If I take a second job, I will have more money, but less time to spend with my family.

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The prisoner's dilemma in an economic context can be explained as which of the following?

- ☐ A model showing how a firm should make decisions when variable cost is high and profit is not
- ☐ A model showing when running at a loss would actually be beneficial in the long run
- ☐ A model showing the sacrifice made by a firm when choosing one value or opportunity over another
- ☒ A model used to illustrate why collusion tends to break down

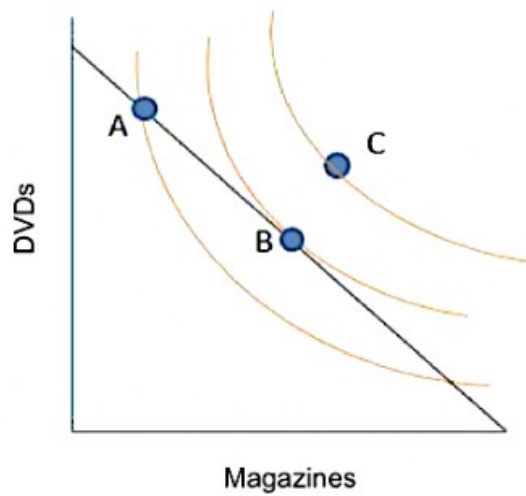
CONCEPT

→ [Oligopoly](#)

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This preference map shows the various amounts of DVDs and magazines Jennifer likes to purchase each month, depending on her monthly income.



Which of the following statements best describes why Jennifer will not choose option C on the preference map?

- ☐ Option C is on the budget constraint.
- ☒ Although she would prefer option C, she cannot choose it due to budget constraints.
- ☐ Option A would provide utility maximization.
- ☐ Although she would enjoy option C, she would prefer B.

CONCEPT

→ Optimal Choice

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Which statement below is correct?



☒ Common goods are rival and nonexcludable.

☐ Public goods are rival and excludable.

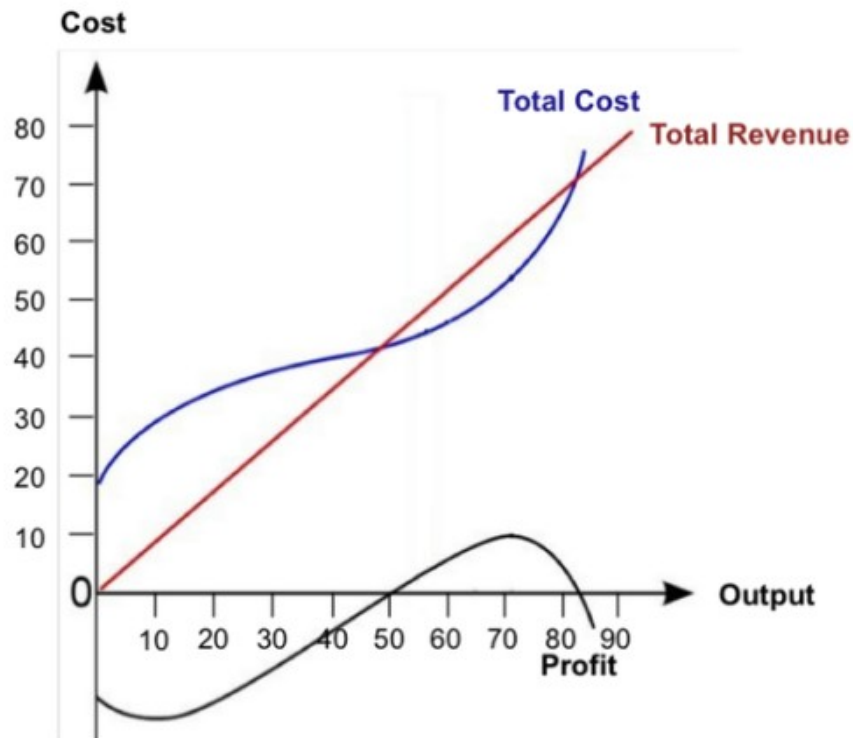
☐ Common goods are nonrival and excludable.

☐ Private goods are nonrival and excludable.

CONCEPT

→ [Public Goods, Private Goods, and the "Tragedy of the Commons"](#)

17



Given the information in the graph shown here, at which level of production will profit be maximized?

- ☐ 69
- ☐ 50
- ☒ 73
- ☐ 80

CONCEPT

→ Output Optimization: Total Revenue / Total Cost

18



Which of the following would cause the supply curve to shift to the right?

- ☐ The price of cotton increases, so farmers grow more cotton.
- ☐ The price of apples falls, so consumers purchase more apples.
- ☒ The price of wheat decreases, so more bread is produced.
- ☐ The price of lead increases; as a result there are fewer pencils produced.

CONCEPT

→ [Changes in Supply and Movements along Supply Curve](#)

19



An economy in which price and quantity sold of goods and services is determined solely by supply and demand is a _____.

- ☐ command economy
- ☐ mixed market economy
- ☐ mixed command economy
- ☒ market economy

CONCEPT

→ [Comparative Economic Systems](#)

20



Joe owns an electrical company that specializes in work on custom homes.

Which of the following economic indicators would be most helpful in Joe's line of business for helping him to decide whether or not to add a permanent employee to payroll?

- ☐ The unemployment rate
- ☐ The Conference Board Consumer Confidence Index
- ☒ Building permits
- ☐ The S & P 500

CONCEPT

→ [Key Leading Indicators](#)

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If jeans and yoga pants are substitutes, what is true about their cross-price elasticity?

- ☐ It will always be negative.
- ☒ It will always be positive.
- ☐ It can be positive or negative.
- ☐ It will always be greater than 1.

22



Which of the following combinations contains both an intermediate good and a final good?

- ☐ Peanut butter and jelly
-  ☒ Architect and new building
- ☐ Steak and chicken
-  ☐ Tires and bicycles

CONCEPT

→ [Factor Markets](#)

23



Which of the following is an example of an inferior good?

- ☐ Every once in a while, Nelly treats herself to a manicure and pedicure with a massage.
- ☐ A famous brand of leather good produces a handbag that costs as much as a used car. Although it is far from cheap, it is one of the brand's most popular items.
-  ☒ Chris just graduated from college and sometimes eats ramen noodles when his finances get tight. After he gets his paycheck, he purchases less ramen noodles as he can afford healthier food.
- ☐ Very poor people in China consume a great deal of rice. When the price of rice rises, consumption of it may even rise.

CONCEPT

→ [Types of Goods](#)

24 ✓

If the variable costs for a firm are \$57, the fixed costs are \$143, and the firm sells 40 units, what are the firm's average total costs?

- ✓ ☒ \$5.00
- ☐ \$10.00
- ☐ \$20.00
- ☐ \$25.00

CONCEPT

→ [Cost: Total, Marginal and Average](#)

25 ✓

Which of the following examples would correspond with a principal-agent problem?

- ✓ ☒ A doctor recommending an unnecessary surgery because it generates income for her
- ☐ The local electric company responding slowly to an outage because they don't have to worry that customers will switch providers
- ☐ A company emitting pollution because it is cheaper than producing cleanly, but it is causing people in the area to get sick
- ☐ Purchasing a car then realizing it had been in previous accidents and required a lot of repairs you did not anticipate

CONCEPT

→ [Details on Regulatory Intervention and Market Failure](#)