Consumer Demand

1. As consumption increases, total utility increases as long as:

A) marginal utility is positive.

B) marginal utility increases.

C) marginal utility is negative.

D) marginal utility decreases.

2. Demand for a luxury good is usually:

A) relatively elastic.

B) relatively inelastic.

C) unitary elastic.

3. If a particular good or service is free, a consumer should consume additional units until:

A) marginal utility is zero.

B) total utility is zero.

C) marginal utility is at its maximum.

D) marginal utility is at its minimum.

4. If Dominos raises the price of their bacon pizza, total revenue will:

A) increase if the demand for bacon pizza is inelastic.

B) decrease if the demand for bacon pizza is inelastic.

C) increase if the demand for bacon pizza is elastic.

D) remain unchanged if the demand for bacon pizza is elastic.

5. If the price elasticity of Dominos bacon pizza is .9, and the company raises the price of bacon pizza by 10 percent the quantity sold will (ceteris paribus):

A) fall by 9 percent.

B) rise by nine percent.

C) fall by ten percent.

D) rise by ten percent.

6. If Dominos lowered the price of its bacon pizza and total revenue from bacon pizza increased (ceteris paribus), we can conclude that the demand for bacon pizza is \_\_\_\_\_\_\_\_ at these prices.

A) relatively elastic

B) relatively inelastic

C) unitary elastic

7. If Dominos begins offering a Buffalo chicken pizza that functions as a substitute good for bacon pizza, the demand for bacon pizza will:

A) become more elastic.

B) become less elastic.

C) become unitary elastic.

D) stay the same.

8. Demand for a necessity good is usually:

A) relatively inelastic.

B) relatively elastic.

C) unitary elastic.

Competition

1. In which of the following types of markets does an individual firm have the most market power?

A) Monopoly

B) Perfect Competition

C) Oligopoly

D) Monopolistic Competition

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

A) Advertising to create brand loyalty

B) Identical products

C) Low barriers to entry

D) zero long-run economic profit

3. A perfectly competitive firms is a price-taker because:

A) It has a relatively large market share

B) It has no control over the selling price of its product

C) Market demand is downward sloping

D) Its products are differentiated

4. If a perfectly competitive firm wanted to maximize its total profit, it would produce:

A) The output where MC equals price

B) As much output as it is capable of producing

C) The output where the ATC curve is at a minimum

D) The output where the marginal cost curve is at a minimum.

5. The difference between the total cost and total revenue at a given output is:

A) Total profit

B) Marginal cost

C) Average total cost

D) Average profit

6. The market supply curve is calculated by:

A) Summing the marginal cost curves of all individual firms

B) Averaging the individual supply curves

C) Summing the prices from individual supply curves

D) Averaging individual cost curves below the ATC

7. In a perfectly competitive market with positive economic profits:

A) Firms will enter until economic profits are zero

B) Firms will exit until economic profits are zero

C) No entry or exit will occur

8. The market supply curve will shift in response to a change in all of the following EXCEPT:

A) The current income of buyers

B) Techonology

C) Exoectations about making profits in the market

D) The number of supplying firms

Supply Decisions

1. The most desirable level of output for a firm is the one that

A) minimizes total cost

B) minimizes marginal costs

C) maximizes total profit

D) maximizes total revenue

2. Which of the following will always increase as output increases?

A) Total costs

B) Average total costs

C) Marginal costs

D) Fixed Costs

3. Diminishing returns begin when:

A) total output begins to decline.

B) marginal physicall product becomes negative.

C) total output begins to rise.

D) marginal physical product decreases.

4. Which of the following is the BEST explanation of why the law of diminishing returns does not apply in the long run?

A) In the long run, firms can increase the availability of space and equipment to keep up with the increase in labor.

B) The MPP does not change in the long run.

C) In the long run the firms have more time to find better-qualified workers.

D) All factors of production are fixed in the long run.

5. The planning period over which all costs are variable is the

A) production run

B) short run

C) long run

D) fun run

6. When producing bacon pizza, all of the following are variable costs in the short run EXCEPT for:

A) wages.

B) flour.

C) electricity.

D) rent.

7. Changes in short-run total costs result from changes in:

A) variable costs.

B) fixed costs.

C) profit.

D) price elasticity of demand.

8. Marginal Cost is the:

A) total costs divided by the quantity produced.

B) change in fixed cost from producing one additional unit of output.

C) market value of all resources used to produce a good.

D) change in total cost from producing one additional unit of output.

Defenses of Monopoly

1. Reductions in minimum average cost that come through increases in the size and scale of manufacturing plants and equipment are called:

A) economies of scale.

B) natural monopolies.

C) contestable markets.

D) predatory prices.

2. When a firm temporarily lowers prices in order to drive smaller competitors out of a market, this is referred to as:

A) predatory pricing.

B) scaling an economy.

C) contesting a market.

D) creating a natural monopoly.

3. Monopolists have the \_\_\_\_\_\_\_\_ but lack the \_\_\_\_\_\_\_\_\_\_ to do expensive research and development.

A) means; incentive

B) incentive; means

C) economies of scale; predatory pricing

D) predatory pricing; economies of scale

4. Which of the following does your book refer to as “natural barriers to entry?”

A) economies of scale.

B) market behaviors.

C) contestable markets.

D) predatory prices.

5. The idea of &quot;contestable markets&quot; suggests that monopoly behavior may be restrained by:

A) potential competition.

B) actual competition only.