Reading 15: The Firm and Market Structures

Question #1 of 121

Question ID: 413689

Under perfect competition, the short-run market supply curve is *most accurately* described by which of the following statements? The market short-run supply curve is the:

A) average of the quantities at each price along the marginal cost curve for all firms in a given industry.

B) sum of the quantities at each price along the marginal cost curves for all firms in a given industry.

C) sum of the quantities at each price along the average total cost curve for all firms in a given industry.

Question #2 of 121

Question ID: 413658

When a firm is earning positive economic profits in a monopolistic competitive market, what will *most likely* occur?

A) Losses will occur in the short run.

B) Price takers will be over run by price searchers.

C) New firms will enter driving down the economic profits to zero.

Question #3 of 121

Question ID: 413690

The short-run supply curve for a firm in a perfectly competitive market is equal to the firm's:

A) AVC curve.

B) ATC curve.

C) MC curve.

Question #4 of 121

Question ID: 413725

If the market demand for a product increases in a competitive market, then price:

A) will decrease and quantity will increase.

B) and quantity will increase.

C) will increase and quantity will decrease.

Question #5 of 121

Question ID: 413646

Which one of the following is *most likely* to contribute to the presence of monopoly in an industry?

A) Diseconomies of scale.

B) Legal barriers to entry into the industry.

C) Inefficiency attributable to bureaucratic decision-making procedures in the industry.

Question #6 of 121

Question ID: 413640

Natural monopolies exist because they can produce at lower costs with greater output, which means there are economies of scale. Which of the following industries is typically a natural monopoly?

A) Utilities.

B) Oil.

C) Technology.

Question #7 of 121

Question ID: 413695

The kinked demand model assumes that below the current price, the demand curve becomes:

A) less elastic because competitors will not decrease their prices.

B) less elastic because competitors will decrease their prices.

C) more elastic because competitors will decrease their prices.

Question #8 of 121

Question ID: 413621

Which of the following is *least* accurate regarding product development and marketing for firms under monopolistic competition?

A) Brand names can provide consumers with information regarding the quality of firm's products.

B) Relative to other types of competition, product innovation is critical to the pursuit of economic profits.

C) Firms that bring new and innovative products to the market face relatively more elastic demand curves than their competitors.

Question #9 of 121

Question ID: 413727

In which of the following market structures is price *least likely* to be greater than marginal cost?

A) Monopoly.

B) Monopolistic competition.

C) Perfect competition.

Question #10 of 121

Question ID: 413671

Which of the following statements about monopolies is *most* accurate?

A) Monopolists charge the highest possible price.

B) A monopoly structure is characterized by a well-defined product for which there are no good complements.

C) A monopolist's optimal production quantity is at the point where marginal revenue equals marginal cost.

Question #11 of 121

Question ID: 413701

A monopolist will maximize profits by:

A) producing at the point where price is equal to MR.

B) producing at the output level where marginal revenue equals marginal cost and charging a price on the demand curve that corresponds to the output rate.

C) producing at the output level where marginal revenue equals average variable cost and charging a price along the demand curve that corresponds to the output rate.

Question #12 of 121

Question ID: 413636

Which of the following is *most likely* to be considered a characteristic of monopolistic competition?

A) Differentiated products.

B) Inelastic demand curves.

C) High barriers to entry and exit.

Question #13 of 121

Question ID: 413677

In the long-run, a firm operating under perfect competition will:

A) generate zero economic profit.

B) face a vertical demand curve.

C) produce a quantity where marginal revenue is less than marginal cost.

Question #14 of 121

Question ID: 413680

A competitive firm will tend to expand its output as long as marginal:

A) cost is less than average cost.

B) revenue is greater than the average cost.

C) revenue is greater than marginal cost.

Question #15 of 121

Question ID: 413631

Characteristics of monopolistic competition include all of the following EXCEPT:

A) large numbers of independent sellers.

B) differentiated products.

C) high barriers to entry.

Question #16 of 121

Question ID: 413630

An oligopolistic firm:

A) will seldom use product quality as a competitive weapon.

B) will consider the potential response of its rivals when making business decisions.

C) is likely to be formed when the minimum-cost output is only a small portion of the market output.

Question #17 of 121

Question ID: 413651

A firm operating as a price taker will:

A) produce quantity where P = MR = MC.

B) face an inelastic demand curve.

C) be a revenue maximizer.

Question #18 of 121

Question ID: 413736

A firm has the following characteristics:

- relatively small in size.
- marginal revenue is equal to the selling price.
- economic profits will not be earned for any significant period of time.

The firm is *best* described as existing in a(n):

A) purely competitive market.
B) monopolistic market structure.
C) price searcher market.

Question #19 of 121

Question ID: 413733

The type of economic market that features a large number of competitors offering differentiated products is *best* characterized as:

A) monopolistic competition.
B) oligopoly.
C) perfect competition.

Question #20 of 121

Question ID: 413721

In a study seminar, the following comments were made:

Comment 1: "In the short run, an increase in demand in a perfectly competitive industry will result in negative economic profit for some firms in the industry."

Comment 2: "In the long run, a permanent increase in demand in a perfectly competitive industry will result in zero economic profit for the firms in the industry."

With respect to these comments:

A) both are incorrect.
B) both are correct.
C) only one is correct.

Question #21 of 121

Question ID: 413647

A perfect competition has all of the following characteristics EXCEPT:

A) barriers to entry don't exist.
B) a differentiated product.
C) a large number of independent firms.

Question #22 of 121

Question ID: 413683

When a firm operates under conditions of perfect competition, marginal revenue always equals:

A) average variable cost.

B) total cost.

C) price.

Question #23 of 121

Question ID: 413719

If the market demand for a product decreases in a competitive market, then the quantity supplied by an individual firm will:

A) increase and firms will enter the market in the long run.

B) decrease and firms will enter the market in the long run.

C) decrease and firms will exit the market in the long run.

Question #24 of 121

Question ID: 413634

An oligopoly is characterized by all of the following EXCEPT:

A) a large number of sellers.

B) significant barriers to entry.

C) large economies of scale.

Question #25 of 121

Question ID: 413713

If a profit maximizing firm finds that its marginal revenue exceeds its marginal cost, it should increase output:

A) if it is a price taker, but not if it is a price searcher.

B) regardless of whether it is a price taker or a price searcher.

C) if it is a price searcher, but not if it is a price taker.

Question #26 of 121

Question ID: 413670

Which of the following statements about a monopolist is *least* accurate?

A) A profit-maximizing monopolist will expand output until marginal revenue equals marginal cost.

B) A monopolist will always be able to earn economic profit.

C) A profit-maximizing monopolist will supply less of his product than the amount consistent with the conditions of ideal static efficiency for an economy.

Question #27 of 121

Question ID: 413653

The demand curve for a firm in a perfectly competitive market is:

A) upward sloping.

B) downward sloping.

C) horizontal.

Question #28 of 121

Question ID: 413732

Which one of the following structures is characterized by free entry and exit, a differentiated product, and price searcher behavior?

A) Oligopoly.

B) Monopolistic competition.

C) Pure competition.

Question #29 of 121

Question ID: 413664

Consider the following statements:

Statement 1: "A natural monopoly exists when economies of scale are so pronounced that all of an industry's demand should be supplied by one firm."

Statement 2: "Monopoly is characterized by a single seller of a distinct product for which no good substitutes exist."

Statement 3: "Average cost pricing is a form of regulation that is intended to force monopolists to reduce output to the point where the monopolist's average total cost curve intersects its marginal cost curve."

Which of the following *best* describes the accuracy of these statements?

	Statement 1	Statement 2	Statement 3
A)	Incorrect	Correct	Incorrect
B)	Correct	Incorrect	Correct
C)	Correct	Correct	Incorrect

Question #30 of 121

Question ID: 413666

A monopolist will continue expanding output as long as:

A) marginal revenue is greater than marginal cost.

B) marginal revenue is positive.

C) economic profit is greater than zero.

Question #31 of 121

Question ID: 413685

A perfectly competitive firm will not expand its output beyond the quantity where:

A) the marginal cost is greater than marginal revenue.

B) its marginal revenue is positive.

C) the market price is equal to its marginal cost.

Question #32 of 121

Question ID: 413720

If the market demand for a product increases in a competitive market, then in the short run the quantity supplied by an individual firm will:

A) increase and the firm will generate economic profits.

B) increase and the firm will generate economic losses.

C) decrease and the firm will generate economic profits.

Question #33 of 121

Question ID: 498743

The *most likely* limitation of the N-firm and Herfindahl-Hirshman concentration measures in assessing market power is that they:

A) are both backward looking.

B) are insensitive to mergers within the industry.

C) do not explicitly include the effects of potential competition.

Question #34 of 121

Question ID: 413706

Which of the following is *least* accurate regarding the allocative efficiency associated with price discrimination? Price discrimination:

A) leads to a decrease in allocative efficiency.

B) leads to production where the sum of consumer surplus and producer surplus is greater than it would be otherwise.

C) results in gains to the discriminating firm by selling to consumers with relatively inelastic demand.

Question #35 of 121

Question ID: 413729

The *most* effective way to assess the impact of a potential merger on the market structure of an industry is to:

A) calculate the Hirfindahl-Hirschman Index.

B) calculate the n-firm concentration ratio.

C) analyze barriers to entry.

Question #36 of 121

Question ID: 413633

Monopolistic competition differs from pure monopoly in that:

A) monopolists maximize profits and monopolistic competitors do not.

B) monopolistic competitors have low barriers to entry and monopolists do not.

C) monopolistic competitors are price takers and monopolists are not.

Question #37 of 121

Question ID: 413643

Which of the following situations is *least likely* to lead to high barriers to entry and monopoly supply?

A) Governmental licensing and regulations are present.

B) Economies of scale are present.

C) Natural resources are spread among many firms.

Question #38 of 121

Question ID: 413715

Which of the following statements regarding monopolies is *least* accurate?

A) If a monopolist produces the quantity of output for which marginal cost equals marginal revenue, it will earn an economic profit.

B) Monopolists are price searchers and must experiment with different prices to find the one that maximizes profit.

C) For price discrimination to increase economic profit, the seller must identify at least two groups of customers, each with a different price elasticity of demand.

Question #39 of 121

Question ID: 413726

Which of the following is the *most likely* result of a technological improvement in a perfectly competitive industry?

A) Individual firms' supply curves shift to the left.

B) The costs for individual firms increase.

C) The industry supply curve shifts to the right.

Question #40 of 121

Question ID: 413704

Even though the producer surplus increases under a monopoly scenario, relative to one of perfect competition, the consumer surplus decreases by:

A) an equal amount.

B) a greater amount.

C) a lesser amount.

Question #41 of 121

Question ID: 413682

Under perfect competition, a firm will experience zero long term economic profit when:

A) price is less than average total cost.

B) MC = ATC = MR = price.

C) MC is less than ATC.

Question #42 of 121

Question ID: 413654

Which of the following statements is *least* accurate with regard to the efficiency of monopolistic competition?

A) The expense of advertising and promotion may not be justified by their benefit to consumers.

B) Monopolistic competition is at least as efficient as perfect competition.

C) Consumers benefit from brand name promotion and advertising.

Question #43 of 121

Question ID: 413714

Monopolists will maximize profit by producing at an output level where which of the following conditions exists?

A) Price = demand = marginal revenue = marginal cost.

B) Marginal revenue = marginal cost < price.

C) Price = marginal revenue = marginal cost.

Question #44 of 121

Question ID: 413659

Under monopolistic competition, companies can earn positive economic profits in:

A) the short run and in the long run.

B) the short run but not in the long run.

C) neither the short run nor the long run.

Question #45 of 121

Question ID: 413652

Which of the following is *least likely* a characteristic of perfect competition?

A) The demand curve for an individual firm is a vertical line.

B) The size of each firm is small relative to the size of the overall market.

C) The products produced within a given market are homogenous.

Question #46 of 121

Question ID: 413624

The demand curves faced by monopolistic competitors is:

A) elastic due to the availability of many close substitutes.

B) not sensitive to price due to absence of close substitutes.

C) inelastic due to the availability of many complementary goods.

Question #47 of 121

Question ID: 413657

In the short run, price searchers maximize profits by producing output where marginal revenue (MR):

A) equals marginal costs (MC) and charging a price based on the demand curve.

B) equals marginal costs (MC) and charging a price based on the average total cost (ATC) curve.

C) is greater than marginal costs (MC) and charging a price based on the demand curve.

Question #48 of 121

Question ID: 413632

Which one of the following is *least likely* a characteristic of monopolistic competition?

A) Differentiated products.

B) A single seller.

C) Low barriers to entry and exit.

Question #49 of 121

Question ID: 413669

Which of the following is *least* relevant when explaining why monopoly firms can earn positive economic profits over the long term?

A) The ability to use price discrimination.

B) The existence of economies of scale.

C) Control over production input resources.

Question #50 of 121

Question ID: 413731

Assume that the market for paper supplies and the market for toothpicks have the following characteristics:

The *Market for Paper Supplies* is comprised of:

- A large number of independent sellers
- Differentiated products
- Low barriers to entry/exit

The *Market for Toothpicks* is comprised of:

- A large number of independent sellers
- Homogeneous products
- No barriers to entry/exit

The Papyrus Company operates in the market for paper supplies and Wudden Floss operates in the toothpick market. The sales managers for both companies want to know how a change in price will affect the quantity sold.

Which of the following choices *best* completes the following sentence? If both firms increase prices, the quantity sold by Papyrus Company will:

A) decrease, and so will the quantity sold by Wudden Floss.

B) decrease, and Wudden Floss will sell nothing.

C) increase, and the quantity sold by Wudden Floss will decrease.

Question #51 of 121

Question ID: 413735

Which of the following *most* accurately describes the competitive structure that is characterized by a firm that operates with the lowest average total cost and has the capacity to produce all of an industry's output?

A) Competitive monopoly.

B) Oligopoly.

C) Natural monopoly.

Question #52 of 121

Question ID: 413625

Which of the following regarding monopolistic competition is *most* accurate?

A) Zero barriers to entry and exit exist.
B) Each firm produces a differentiated product.
C) There are very few independent sellers.

Question #53 of 121

Question ID: 413673

A perfectly competitive firm will continue to increase output so long as which of the following conditions exists?

A) Marginal revenue is positive.
B) Market price is greater than marginal cost.
C) Marginal revenue is greater than price.

Question #54 of 121

Question ID: 413649

Which of the following is *least likely* a barrier to entry?

A) Economies of scale.
B) Price controls.
C) Resource controls.

Question #55 of 121

Question ID: 413622

One way in which monopolistic competition can be distinguished from perfect competition is that in monopolistic competition:

A) marginal revenue is greater than marginal cost at the quantity produced.
B) each firm faces a perfectly elastic demand curve.
C) price is greater than marginal cost.

Question #56 of 121

Question ID: 413724

Which of the following is *most likely* the long-term adjustment in a perfectly competitive industry that is characterized by firms incurring economic losses?

A) Some existing firms will exit the market.
B) The industry supply curve will shift downward and to the right.
C) Equilibrium price will decrease.

Question #57 of 121

Question ID: 413684

Which of the following is *most* accurate for a price-taker firm in long-run equilibrium when there are no barriers to entry?

A) TC = TR = MC.

B) P = MC = ATC = MR.

C) P = AVC = MR.

Question #58 of 121

Question ID: 413645

Which of the following is *least likely* a barrier to entry?

A) Allocative Efficiency.

B) Economies of Scale.

C) Patents.

Question #59 of 121

Question ID: 413623

Monopolistic competition differs from pure monopoly in that:

A) monopolists maximize profit; monopolistic competitors do not.

B) monopolistic competitors are price takers, monopolists are not.

C) barriers to entry are high under monopoly, but low under monopolistic competition.

Question #60 of 121

Question ID: 413694

The kinked demand model assumes that at prices above the current price, the demand curve becomes:

A) more elastic because competitors will not increase their prices.

B) less elastic because competitors will not increase their prices.

C) more elastic because competitors will increase their prices.

Question #61 of 121

Question ID: 413663

Which of the following describes the regulatory practice of setting prices at a level where the monopoly firm's average total cost curve intersects the demand curve?

A) Cost-of-service pricing.

B) Marginal cost pricing.

C) Average cost pricing.

Question #62 of 121

Question ID: 413650

Which of the following is a characteristic of perfect competition?

A) There are a few sellers.

B) There are no barriers to entry into the market.

C) The products of different firms are sold at different prices.

Question #63 of 121

Question ID: 413641

In a natural monopoly:

A) the price charged by a monopolist is determined by the intersection of the demand curve with the marginal cost curve.

B) one firm controls all natural resources.

C) the average total cost of production continually declines with increased output.

Question #64 of 121

Question ID: 752897

In which of the following industry structures is a firm *least likely* able to increase its total revenue by decreasing the price of its output?

A) Oligopoly.

B) Perfect competition.

C) Monopolistic competition.

Question #65 of 121

Question ID: 413696

In the dominant firm model of oligopoly, it is *least likely* that one firm:

A) has a significant cost advantage over its competitors.

B) is the innovation leader in product development.

C) effectively sets the price in the market.

Question #66 of 121

Question ID: 413667

Which of the following is *least* accurate regarding the relationship between price (P), marginal revenue (MR), average total cost (ATC), and marginal cost (MC) at the profit maximizing output under monopoly?

A) MR < ATC.

B) MR = MC.

C) P = MR.

Question #67 of 121

Question ID: 485764

Assume that a firm in an oligopoly market believes the demand curve for its product is more elastic above a specific price than below this price. This belief is *most closely* associated with which of the following models?

A) Dominant firm model.

B) Kinked demand model.

C) Nash equilibrium model.

Question #68 of 121

Question ID: 413718

A technology that all of the firms in a perfectly competitive industry are using in their production process has been banned by new legislation. What will *most likely* be the effect if these firms stop using this technology?

A) Firms will adopt a different technology that reduces their costs of production.

B) The quantity that the industry will supply at a given price will be reduced.

C) Profit will no longer be maximized at the level of output where marginal cost is equal to the market price.

Question #69 of 121

Question ID: 413734

Which of the following *most* accurately describes a market structure that has one seller of a specific, well-defined product that has no good substitutes?

A) Monopoly.

B) Perfect competition.

C) Oligopoly.

Question #70 of 121

Question ID: 413709

A practice whereby a seller charges different prices to different consumers of the same product or service is called:

A) price competition.

B) discriminatory pricing.

C) price discrimination.

Question #71 of 121

Question ID: 413661

Which of the following *most* accurately describes why firms under monopolistic competition face elastic demand for their products?

A) The availability of many close substitutes.

B) High barriers to entry.

C) Allocative efficiency.

Question #72 of 121

Question ID: 434235

For a perfectly competitive firm in the short-run, what will be the effect of an increase in market demand on equilibrium price and quantity, respectively?

A) Decrease; increase.

B) Increase; increase.

C) Increase; decrease.

Question #73 of 121

Question ID: 413628

Which of the following is *least likely* a characteristic of an oligopoly?

A) There are few sellers.

B) Products can either be similar or differentiated.

C) Relatively small economies of scale.

Question #74 of 121

Question ID: 413698

Assume that a firm in an oligopoly market believes the demand curve for its product is more elastic above a specific price than below this price. This belief is *most closely* associated with which of the following models?

A) Kinked demand model.

B) Dominant firm model.

C) Nash equilibrium model.

Question #75 of 121

Question ID: 413703

Compared to a competitive market, a monopoly situation will produce:

A) less output, and the sum of the consumer surplus and the producer surplus will be increased.

B) less output, and the sum of the consumer surplus and the producer surplus will be reduced.

C) more output, and the sum of the consumer surplus and the producer surplus will be reduced.

Question #76 of 121

Question ID: 413655

Which of the following is *least* accurate with regard to advertising for firms operating under monopolistic competition?

A) Advertising may decrease average total cost.

B) The increase to average total costs associated with advertising increases as output increases.

C) Advertising expenses are high relative to perfect competition and monopoly.

Question #77 of 121

Question ID: 413626

Firms in perfectly competitive markets and firms operating in a market characterized by monopolistic competition have several things in common. Which of the following is *least likely* one of them? Both:

A) operate in markets that have low or no barriers to entry.

B) face perfectly elastic demand curves.

C) maximize economic profit.

Question #78 of 121

Question ID: 413711

The practice of charging different consumers different prices for the same product or service is called:

A) variable pricing.

B) price searching.

C) price discrimination.

Question #79 of 121

Question ID: 413638

Under which type of market structure are the production and pricing alternatives of a firm *most* affected by the decisions of its competitors?

A) Monopolistic competition.

B) Oligopoly.

C) Perfect competition.

Question #80 of 121

Question ID: 413692

An attempt by that oligopolists to act with another firm in setting a higher price is called:

A) collusion.

B) prisoner's dilemma.

C) high economic profits.

Question #81 of 121

Question ID: 413691

The short-run supply curve for a price taker firm is the portion of the marginal cost (MC) curve:

A) above the average total cost (ATC) curve.

B) above the average variable cost (AVC) curve.

C) below the average variable cost (AVC) curve.

Question #82 of 121

Question ID: 413662

Which of the following is *least likely* to be considered a reason why regulation of monopolies is not effective?

A) Regulators do not know the firm's cost structure.

B) Regulation shifts industry demand and increases prices.

C) Regulation reduces the incentive for firms to reduce costs.

Question #83 of 121

Question ID: 413730

Concentration measures are *most likely* to be used to:

A) identify the market structure of an industry.

B) analyze barriers to entry into an industry.

C) measure elasticity of demand facing an industry.

Question #84 of 121

Question ID: 413678

A competitive firm will tend to expand its output as long as:

A) its marginal revenue is positive.

B) the market price is greater than the marginal cost.

C) its marginal revenue is greater than the market price.

Question #85 of 121

Question ID: 413656

In a market characterized by monopolistic competition, which of the following statements about advertising costs is *least* accurate?

A) The average total cost attributable to advertising will increase as output increases.

B) Firms' advertising costs tend to be greater than those for firms in perfect competition.

C) Many firms spend a significant portion of their advertising budget on brand name promotion.

Question #86 of 121

Question ID: 413710

Which of the following statements regarding a monopolist is *most* accurate?

A) A monopolist will charge the highest price for which he can sell his product.

B) A monopolist will maximize the average profit per unit sold.

C) A monopolist, like any other profit-maximizing firm, will sell at the output level where marginal revenue equals marginal cost.

Question #87 of 121

Question ID: 413728

The market structure in which a firm's optimal pricing strategy depends on the responses of other firms is:

A) Oligopoly.

B) Perfect competition.

C) Monopolistic competition.

Question #88 of 121

Question ID: 413707

Which of the following is *least likely* to be considered a necessary condition for a monopolist to realize profits from price discrimination?

A) The ability to prevent trading between customers in different price groups.

B) Two different costs of production.

C) A product for which the demand curve is downward sloping.

Question #89 of 121

Question ID: 413686

The short-run supply curve for a purely competitive market:

A) is a horizontal line.

B) slopes upward to the right.

C) slopes downward to the right.

Question #90 of 121

Question ID: 413737

An economic market characterized by a large number of independent firms all producing identical products is *best* described as:

A) perfect competition.

B) monopoly.

C) monopolistic competition.

Question #91 of 121

Question ID: 413693

Consider a price fixing agreement between Spain and Italy that restricts cheese production such that maximum economic profit will be realized by both countries. The possible outcomes of the agreement are presented in the table below. Based on the Prisoners' Dilemma framework, the *most likely* strategy followed by the two countries will be:

	Italy Complies	**Italy Defaults**
Spain Complies	Spain gets €7 billion Italy gets €7 billion	Spain gets €3 billion Italy gets €9 billion
Spain Defaults	Spain gets €9 billion Italy gets €3 billion	Spain gets €5 billion Italy gets €5 billion

A) neither country will increase output.

B) both countries will increase output.

C) Italy will increase output; Spain will produce at the agreed level.

Question #92 of 121

Question ID: 413717

In a perfectly competitive market, what determines the price of the product?

A) The producers of the product.

B) The members of the supply chain.

C) Market supply and demand.

Question #93 of 121

Question ID: 413708

For price discrimination to work, the seller must face a market with all of the following characteristics EXCEPT:

A) a downward sloping demand curve.

B) a way of preventing customers from purchasing the product at a lower price and reselling it at a higher price.

C) high barriers to entry.

Question #94 of 121

Question ID: 413679

A firm operating under perfect competition will experience economic losses when which of the following conditions exists?

A) Market price is less than average total cost.

B) Marginal cost is less than average total cost.

C) Marginal revenue is greater than average total cost.

Question #95 of 121

Question ID: 413665

When a regulatory agency requires a monopolist to use average cost pricing, the intent is to produce the quantity where the:

A) average total cost curve intersects the marginal revenue curve.

B) the market demand curve intersects the average total cost curve.

C) marginal revenue curve intersects the marginal cost curve.

Question #96 of 121

Question ID: 413674

Under perfect competition, a firm will be inclined to increase output as long as which of the following conditions exists?

A) Marginal cost is less than average cost.

B) Marginal revenue is greater than marginal cost.

C) Marginal revenue is greater than the average cost.

Question #97 of 121

Question ID: 413676

A profit maximizing firm will expand output as long as marginal revenue is:

A) less than marginal cost.

B) greater than average fixed cost.

C) greater than marginal cost.

Question #98 of 121

Question ID: 413687

In a perfectly competitive industry, the short-run supply curve for the market is the:

A) marginal cost curve above the average total cost curve.

B) sum of the individual supply curves for all firms in the industry.

C) marginal cost curve above the average variable cost curve.

Question #99 of 121

Question ID: 413660

If a market features differentiated products but has low barriers to entry, in long-run equilibrium the firms in the market will earn:

A) zero economic profits.

B) substantial economic losses.

C) substantial economic profits.

Question #100 of 121

Question ID: 413648

Which of the following is *least likely* a condition of a perfectly competitive market?

A) Firms face elastic demand curves.

B) Indistinguishable products.

C) Sellers make economic profits.

Question #101 of 121

Question ID: 413705

Price discrimination is *most* accurately defined by which of the following? Price discrimination is the practice of charging different consumers different prices for:

A) the same product or service.

B) similar products that have different price elasticities of demand.

C) similar products that have identical per-unit production costs.

Question #102 of 121

Question ID: 413681

Assume that a perfectly competitive firm produces 10 units of a good and sells them each for a price (P) equal to $15. If the marginal cost (MC) of the 10th unit is $15 and the average total cost (ATC) is $13, economic profit for the firm is *closest* to:

A) $20.

B) $0.

C) $120.

Question #103 of 121

Question ID: 413699

Statement 1: "The kinked demand curve model of oligopoly assumes that a decrease in price will not be followed by other firms in the industry, but a price increase will."

Statement 2: "Firms in monopolistic competition have high advertising expenses because they want to create the perception that their product is different from their competitors' products when the competing products are actually quite similar."

With respect to these statements:

A) only one is correct.

B) both are correct.

C) both are incorrect.

Question #104 of 121

Question ID: 413688

The short-run supply curve to a firm operating under perfect competition is *most* accurately described as the segment of the:

A) marginal cost (MC) curve above the average variable cost (AVC) curve.

B) marginal cost (MC) curve below the average total cost (ATC) curve.

C) average total cost (ATC) curve above the average variable cost (AVC) curve.

Question #105 of 121

Question ID: 413716

Firms in a perfectly competitive industry will increase their output until which of the following conditions is met?

A) Marginal cost equals price.

B) Total revenue equals price.

C) Marginal revenue equals average total cost.

Question #106 of 121

Question ID: 413637

A market that is characterized by monopolistic competition is *least likely* to feature:

A) a small number of independent sellers.

B) low barriers to entry.

C) sellers that produce a differentiated product.

Question #107 of 121

Question ID: 413644

Which of the following is *least likely* a barrier to entry?

A) Few sellers.

B) Economies of scale.

C) Government licensing and legal barriers.

Question #108 of 121

Question ID: 413639

Characteristics of an oligopoly *least likely* include:

A) interdependence among competitors.

B) identical products.

C) significant barriers to entry.

Question #109 of 121

Question ID: 413627

Which of the following is *most likely* to be considered a characteristic of an oligopolistic industry?

A) Few barriers to entry.

B) Many sellers.

C) A great deal of interdependence among firms.

Question #110 of 121

Question ID: 413700

Consider the following statements:

Statement 1: "When oligopoly firms cheat on price fixing agreements, the resulting price and output quantity approaches that of perfect competition."

Statement 2: "Monopolistic competition is inefficient because a large deadweight loss from advertising and marketing costs is a characteristic of this form of competition."

With respect to these statements:

A) both are correct.

B) only one is correct.

C) both are incorrect.

Question #111 of 121

Question ID: 413712

In order for effective price discrimination to occur the seller must:

A) have more than one identifiable group of customers with the same price elasticities of demand for the product.

B) maximize revenue by selling at the highest price possible.

C) face a demand curve with a negative slope.

Question #112 of 121

Question ID: 485765

Which of the following is *least likely* a necessary condition for a monopolist to realize increased profits from price discrimination?

A) Two different costs of production.

B) A product for which the demand curve is downward sloping.

C) The ability to prevent trading between customers in different price groups.

Question #113 of 121

Question ID: 413629

An oligopolistic industry *least likely* has:

A) many sellers.

B) large economies of scale.

C) high barriers to entry.

Question #114 of 121

Question ID: 413675

In the long run, a perfectly competitive firm will earn:

A) small economic profits.

B) large economic profits.

C) zero economic profits.

Question #115 of 121

Question ID: 413668

What is the relationship between price and marginal revenue for a price searcher?

A) Marginal revenue > price.

B) Marginal revenue < price.

C) Marginal revenue = price.

Question #116 of 121

Question ID: 413672

Which of the following *most* accurately describes the relationship between price (P), marginal cost (MC), and marginal revenue (MR) at the profit maximizing output level for a firm in a perfectly competitive industry?

A) P > MC = MR.

B) P = MC = MR.

C) P > MC < MR.

Question #117 of 121

Question ID: 413722

In the long-run, after all firms in a perfectly competitive industry have adopted new technology, the:

A) price will equal minimum average total cost.

B) price will be set where average variable cost is equal to marginal revenue.

C) individual firm supply will increase as demand decreases.

Question #118 of 121

Question ID: 413702

A monopolist will expand production until:

A) P = MC and the price of the product will be determined by the MC curve.

B) MR = MC and the price of the product will be determined by the demand curve.

C) MR = MC and the price of the product will be determined by the MR curve.

Question #119 of 121

Question ID: 413642

Consider the following statements:

Statement 1: "The sum of consumer and producer surpluses is maximized under both monopoly and perfect competition."

Statement 2: "All else being equal, a monopolist that practices price discrimination will be more allocatively efficient than a single-price monopolist."

With respect to these statements:

A) only one of these statements is accurate.

B) neither of these statements is accurate.

C) both of these statements are accurate.

Question #120 of 121

Question ID: 413635

Which of the following is *least likely* to be considered a feature that is common to both monopolistic competition and perfect competition?

A) Low or no barriers to entry.

B) Extensive advertising to differentiate products.

C) Zero economic profits in the long run.

Question #121 of 121

Question ID: 413697

Which of the following statements about price takers and price searchers is *most* accurate?

A) In the long run, both price takers and price searchers maximize profits at the quantity corresponding to the minimum point on the average total cost curve.

B) In the long run, both price takers and price searchers will have zero economic profits.

C) Price takers maximize profits at the point price = marginal revenue = marginal cost.