Question #1 of 121

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

A) its marginal revenue is positive.

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

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

Question #2 of 121

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 #3 of 121

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 #4 of 121

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 #5 of 121

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

A) Control over production input resources.

B) The existence of economies of scale.

C) The ability to use price discrimination.

Question #6 of 121

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 #7 of 121

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

A) and quantity will increase.

B) will decrease and quantity will increase.

C) will increase and quantity will decrease.

Question #8 of 121

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

A) Marginal revenue = marginal cost < price.

B) Price = marginal revenue = marginal cost.

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

Question #9 of 121

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

A) Economies of scale are present.

B) Natural resources are spread among many firms.

C) Governmental licensing and regulations are present.

Question #10 of 121

A monopolist will continue expanding output as long as:

A) marginal revenue is positive.

B) marginal revenue is greater than marginal cost.

C) economic profit is greater than zero.

Question #11 of 121

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

A) Monopolistic competition.

B) Pure competition.

C) Oligopoly.

Question #12 of 121

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

B) decrease, and Wudden Floss will sell nothing.

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

Question #13 of 121

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) face perfectly elastic demand curves.

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

C) maximize economic profit.

Question #14 of 121

Characteristics of monopolistic competition include all of the following EXCEPT:

A) differentiated products.

B) large numbers of independent sellers.

C) high barriers to entry.

Question #15 of 121

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

A) substantial economic losses.

B) zero economic profits.

C) substantial economic profits.

Question #16 of 121

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

A) The producers of the product.

B) Market supply and demand.

C) The members of the supply chain.

Question #17 of 121

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) price searcher market.

B) purely competitive market.

C) monopolistic market structure.

Question #18 of 121

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

A) Inelastic demand curves.

B) High barriers to entry and exit.

C) Differentiated products.

Question #19 of 121

A monopolist will expand production until:

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

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

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

Question #20 of 121

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

A) effectively sets the price in the market.

B) has a significant cost advantage over its competitors.

C) is the innovation leader in product development.

Question #21 of 121

Characteristics of an oligopoly *least likely* include:

A) interdependence among competitors.

B) significant barriers to entry.

C) identical products.

Question #22 of 121

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

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

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

C) Two different costs of production.

Question #23 of 121

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

A) Patents.

B) Allocative Efficiency.

C) Economies of Scale.

Question #24 of 121

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 #25 of 121

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) Equilibrium price will decrease.

C) The industry supply curve will shift downward and to the right.

Question #26 of 121

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

A) Marginal revenue is greater than the average cost.

B) Marginal revenue is greater than marginal cost.

C) Marginal cost is less than average cost.

Question #27 of 121

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 #28 of 121

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) both are incorrect.

B) both are correct.

C) only one is correct.

Question #29 of 121

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) P = MR.

B) MR = MC.

C) MR < ATC.

Question #30 of 121

Consider the following statements:

Statement 1: "When oligopoly firms cheat on price fixing agreements, the result increases economic efficiency."

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) only one is correct.

B) both are incorrect.

C) both are correct.

Question #31 of 121

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) face a demand curve with a negative slope.

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

Question #32 of 121

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

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

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

C) Advertising may decrease average total cost.

Question #33 of 121

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

A) Allocative efficiency.

B) The availability of many close substitutes.

C) High barriers to entry.

Question #34 of 121

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 #35 of 121

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 #36 of 121

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

A) Price controls.

B) Economies of scale.

C) Resource controls.

Question #37 of 121

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) $120.00

B) $0.00

C) $20.00

Question #38 of 121

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

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

B) marginal revenue curve intersects the marginal cost curve.

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

Question #39 of 121

Monopolistic competition differs from pure monopoly in that:

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

B) monopolists maximize profit; monopolistic competitors do not.

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

Question #40 of 121

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

A) revenue is greater than the average cost.

B) revenue is greater than marginal cost.

C) cost is less than average cost.

Question #41 of 121

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

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

B) are insensitive to mergers within the industry.

C) are both backward looking.

Question #42 of 121

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

A) less elastic because competitors will decrease their prices.

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

C) more elastic because competitors will decrease their prices.

Question #43 of 121

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

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

B) Two different costs of production.

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

Question #44 of 121

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 #45 of 121

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

A) Total revenue equals price.

B) Marginal revenue equals average total cost.

C) Marginal cost equals price.

Question #46 of 121

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

A) downward sloping.

B) upward sloping.

C) horizontal.

Question #47 of 121

A monopolist will maximize profits by:

A) 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.

B) 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.

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

Question #48 of 121

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 #49 of 121

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 #50 of 121

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

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

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

C) more elastic because competitors will increase their prices.

Question #51 of 121

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 correct.

B) both are incorrect.

C) only one is correct.

Question #52 of 121

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

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

B) Losses will occur in the short run.

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

Question #53 of 121

Monopolistic competition differs from pure monopoly in that:

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

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

C) monopolists maximize profits and monopolistic competitors do not.

Question #54 of 121

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

A) MC is less than ATC.

B) MC = ATC = MR = price.

C) price is less than average total cost.

Question #55 of 121

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

A) There are very few independent sellers.

B) Each firm produces a differentiated product.

C) Zero barriers to entry and exit exist.

Question #56 of 121

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 #57 of 121

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

A) Oligopoly.

B) Monopolistic competition.

C) Perfect competition.

Question #58 of 121

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

A) monopolistic competition.

B) perfect competition.

C) monopoly.

Question #59 of 121

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 #60 of 121

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 #61 of 121

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) neither of these statements is accurate.

B) only one of these statements is accurate.

C) both of these statements are accurate.

Question #62 of 121

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

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

A) Regulation shifts industry demand and increases prices.

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

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

Question #64 of 121

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 #65 of 121

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

A) Economies of scale.

B) Few sellers.

C) Government licensing and legal barriers.

Question #66 of 121

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

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

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

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

Question #67 of 121

A firm operating as a price taker will:

A) be a revenue maximizer.

B) face an inelastic demand curve.

C) produce quantity where P = MR = MC.

Question #68 of 121

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

A) generate zero economic profit.

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

C) face a vertical demand curve.

Question #69 of 121

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

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

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

C) the same product or service.

Question #70 of 121

An oligopolistic industry *least likely* has:

A) many sellers.

B) high barriers to entry.

C) large economies of scale.

Question #71 of 121

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) Nash equilibrium model.

C) Kinked demand model.

Question #72 of 121

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) Increase; increase.

B) Decrease; increase.

C) Increase; decrease.

Question #73 of 121

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

A) high barriers to entry.

B) a downward sloping demand curve.

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

Question #74 of 121

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

A) A single seller.

B) Low barriers to entry and exit.

C) Differentiated products.

Question #75 of 121

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

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

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

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

Question #76 of 121

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

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

B) leads to a decrease in allocative efficiency.

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

Question #77 of 121

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

A) oligopoly.

B) perfect competition.

C) monopolistic competition.

Question #78 of 121

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

A) ATC curve.

B) MC curve.

C) AVC curve.

Question #79 of 121

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

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

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

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

Question #80 of 121

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 #81 of 121

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) Oil.

B) Technology.

C) Utilities.

Question #82 of 121

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 #83 of 121

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

A) Zero economic profits in the long run.

B) Low or no barriers to entry.

C) Extensive advertising to differentiate products.

Question #84 of 121

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

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

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

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

Question #85 of 121

The demand curves faced by monopolistic competitors is:

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

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

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

Question #86 of 121

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

A) neither the short run nor the long run.

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

C) the short run and in the long run.

Question #87 of 121

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

A) measure elasticity of demand facing an industry.

B) identify the market structure of an industry.

C) analyze barriers to entry into an industry.

Question #88 of 121

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

A) the marginal cost is greater than marginal revenue.

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

C) its marginal revenue is positive.

Question #89 of 121

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 #90 of 121

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) Natural monopoly.

C) Oligopoly.

Question #91 of 121

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

A) Many sellers.

B) A great deal of interdependence among firms.

C) Few barriers to entry.

Question #92 of 121

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

A) variable pricing.

B) price discrimination.

C) price searching.

Question #93 of 121

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 will have zero economic profits.

B) 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.

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

Question #94 of 121

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

A) Monopolistic competition.

B) Oligopoly.

C) Perfect competition.

Question #95 of 121

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

A) slopes downward to the right.

B) is a horizontal line.

C) slopes upward to the right.

Question #96 of 121

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

A) individual firm supply will increase as demand decreases.

B) price will equal minimum average total cost.

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

Question #97 of 121

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

A) The costs for individual firms increase.

B) The industry supply curve shifts to the right.

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

Question #98 of 121

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 average total cost curve for all firms in a given industry.

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

Question #99 of 121

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

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

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

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

Question #100 of 121

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

A) Marginal revenue is greater than average total cost.

B) Market price is less than average total cost.

C) Marginal cost is less than average total cost.

Question #101 of 121

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

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

Question #102 of 121

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

A) Perfect competition.

B) Monopolistic competition.

C) Monopoly.

Question #103 of 121

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

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

B) Legal barriers to entry into the industry.

C) Diseconomies of scale.

Question #104 of 121

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) Monopolistic competition.

B) Oligopoly.

C) Perfect competition.

Question #105 of 121

An oligopolistic firm:

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

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

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

Question #106 of 121

A perfect competition has all of the following characteristics *EXCEPT*:

A) barriers to entry don't exist.

B) a large number of independent firms.

C) a differentiated product.

Question #107 of 121

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 #108 of 121

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

A) each firm faces a perfectly elastic demand curve.

B) marginal revenue is greater than marginal cost at the quantity produced.

C) price is greater than marginal cost.

Question #109 of 121

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

A) Sellers make economic profits.

B) Firms face elastic demand curves.

C) Indistinguishable products.

Question #110 of 121

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

A) less than marginal cost.

B) greater than marginal cost.

C) greater than average fixed cost.

Question #111 of 121

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

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

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

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

Question #112 of 121

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

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

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

Question #113 of 121

An oligopoly is characterized by all of the following *EXCEPT*:

A) significant barriers to entry.

B) a large number of sellers.

C) large economies of scale.

Question #114 of 121

In a natural monopoly:

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

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

C) one firm controls all natural resources.

Question #115 of 121

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 #116 of 121

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

A) large economic profits.

B) zero economic profits.

C) small economic profits.

Question #117 of 121

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

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

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

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

Question #118 of 121

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 #119 of 121

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) below the average variable cost (AVC) curve.

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

Question #120 of 121

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

A) total cost.

B) average variable cost.

C) price.

Question #121 of 121

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) Oligopoly.

C) Perfect competition.