**Quiz 6** **Name:** _____
**Microeconomics EC 2106**

**Score:** _____

**1.** Assume that Roy's Emporium operates in a market characterized by heterogenous products with close substitutes, minimal or no barriers to entry, and no long-run economic profits. Roy's Emporium operates in a:

a. Perfectly competitive industry
b. Monopolistic industry
c. Monopolistic competitive industry
d. Oligopolistic industry
e. None of the above

**2.** If, at the current level of production, Marginal Cost is greater than Average Total Cost, then Average Total Cost must be:

a. Increasing
b. Decreasing
c. Stable
d. Zero

**3.** A monopolist operates such that marginal cost for the last unit of production is $15, the Average Fixed Cost of the last unit of production is $20 and the Average Variable Cost of the last unit of production is $30. If the price the monopolist charges for its product is $40, the firm must be:

a. Making a short-run profit
b. Making neither a profit or loss in the short-run
c. Minimizing losses in the short-run
d. Shutting down

**4.** Which of the following is most likely to determine whether a monopolist can sustain an economic profit in the long-run?

a. Heterogenous products
b. Downward sloping demand curve
c. Marginal cost equals marginal revenue determines the profit-maximizing point of production
d. Barriers to exit/entry

**5.** Which of the following statements is inaccurate?

a. The demand curve of the typical monopolistic competitor is more elastic than the demand curve of the typical monopolist.
b. The long-run equilibrium for the monopolistic and perfectly competitive firms is where neither economic profit or loss occurs.
c. The demand curve of the typical monopolist is kinked, representing the interdependency between the monopolist and other firms in the industry.
d. If oligopolistic firms collude (work together), they can sustain economic profit in the long-run

Answers

1. C
2. A
3. C
4. D
5. C