Sample T/F Questions, ECO 5003 Exam 2, FALL 2003

1. A monopolist has complete control over both price and quantity of output.
   a. True
   b. False

2. Maximizing total revenue is the same as maximizing profit.
   a. True
   b. False

3. Firms in monopolistic competition use product differentiation to increase the price elasticity of demand.
   a. True
   b. False

4. All other things constant, higher implicit costs result in lower accounting profit.
   a. True
   b. False

5. If all my savings are invested in my consulting company, an increase in interest rates increases implicit costs.
   a. True
   b. False

6. In the long run, all of a firm's inputs are variable.
   a. True
   b. False

7. When marginal product is negative, total product must be negative.
   a. True
   b. False

8. Because it is small relative to the market, a perfectly competitive firm faces an inelastic demand curve for its output.
   a. True
   b. False

9. Marginal revenue is the addition to total revenue from using one more unit of an input in the short run.
   a. True
   b. False

10. If a perfectly competitive firm shuts down in the short run, its total cost equals zero.
    a. True
    b. False

11. For a monopolist that does not price discriminate, P < MR at all quantities.
    a. True
    b. False

12. Average revenue, demand, and price are all depicted by the same curve for a monopoly that does not engage in price discrimination.
    a. True
    b. False

13. A monopolist maximizes total revenue at the quantity where marginal revenue equals zero.
    a. True
    b. False
14. Firms price discriminate because, by doing so, they obtain a higher profit than by charging a single price.
   a. True
   b. False

15. If a firm in monopolistic competition is in long-run equilibrium and at the profit-maximizing output, average cost equals $150, price must be $150.
   a. True
   b. False

16. Marginal revenue product of labor equals marginal product times the wage only when the firm is a perfect competitor in the product market.
   a. True
   b. False

Answer Section (A = TRUE, B = FALSE)

1. B
2. B
3. B
4. B
5. A
6. A
7. B
8. B
9. B
10. B
11. B
12. A
13. A
14. A
15. A
16. B