Part I - Write "TRUE" for the correct statements and write "FALSE" for the wrong statements

1. Normal good refers to those goods whose income effect is positive.
2. Implicit costs are out of pocket costs for purchased inputs.
3. The perfectly elastic demand curve is horizontal.
4. Perfect competitive is a market in which a large number of sellers sell heterogeneous products.
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10. The short run supply curve of a perfectly competitive firm is that part of MC curve which lies below the minimum average variable cost (Shut down point).

Part II. Mach items in column A with those in Column B

A	B
11. Total product is maximum	A. MPL > APL
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13. Total product is declining	C. MPL= 0
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	E.MPL = negative

Part III –Choose the correct answer from the given alternatives (1.5 point each)

1. A production technique which uses more labor units than capital units we call it
   A. Capital intensive technique
   B. Labor intensive technique
   C. Neutral technique
   D. A & B
2. when numerical value of price elasticity of demand is greater than one, price elasticity value will be
   A. Elastic demand
   B. Unitary elastic demand
   C. Perfectly elastic
   D. In elastic demand
3. _____is the slope of the total product curve.
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5. suppose a monopolist firm faces TC=25+50Q and the price elasticity of demand equals 3,its equilibrium price will be

A. 50 B.150 C.37.5 D.16.6 E. none

6. In a perfectly competitive market, if firm's short run TR=900,TVC=800 TFC=200,the firms decision will be

A. Firms will continue its production
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7. A perfectly competitive firm produces 200 units of a good and the market price per unit of goods is birr 10.what will be the total cost of the firm if the total profit is birr 1000.

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8. The Learner index ;

A. Measures monopoly power as $\frac{p-mc}{mc}$

B. Equals one for monopolist

C. Equals zero for perfectly competitive

D. It is correctly described by all of the above

E. B AND C

9. Which of the following statement is correct?

A. There is no unique supply curve under monopoly

B. The demand curve of a perfectly competitive market is upward sloping

C. Under perfect competition if ATC is below the market price at equilibrium, the firm earns a negative

D. The short run supply curve of a perfectly competitive firm is MC curve

E. None

10. Which of the following is wrong about monopoly firm?

A. There is no unique supply curve under monopoly

B. Monopolist operates only over the elastic range of its demand curve

C. Cross price elasticity of demand for monopoly firm product is one

D. The monopolist firm can get a positive profit in the long run

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12. Which of the following create natural monopoly?

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C. Technology enabling a single firm to produce at a lower average cost than other firms

D. Ownership of all the available units of necessary inputs

13. Identify the variable cost in the short run among the following?

A. Rent of factory

B. Wage paid for labor

C. Interest paid

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14. Consider a firm producing 7 units of out puts has an average variable cost of 150 birr and a total fixed cost of 350 birr. How much is the average total cost for this firm?

A. 200 birr B. 50 Birr C.300 birr D. 100 birr

15. Which of the following statement is true about cost of production classification?

A. Accounting cost includes the cost of non—purchased inputs

B. Economic cost is the sum of accounting cost and explicit costs

C. Economic cost is the sum of implicit cost and explicit costs

D. None

16. The efficient stage of production in the short run is

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17. The additional product resulted from the addition of one more worker is called

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18. ----------Is the period of time in which at least one input is fixed

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19. Which one of the following is not in the first stage of production?

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B. MP maximum

C. TP increase at increasing rate

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21. The marginal product of labour (MP_L) curve shows the change in total product resulting from

A. Change in the cost of a variable resource.

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C. One-unit increase in the quantity of a labour used, holding constant other resources.

D. A & B are correct.

22. A market structure with the only single seller is

A. perfectly competitive B. monopolistic C. monopoly D. oligopoly

Using the following table answer questions

Labour	Total Output	Marginal product of variable input(MPL)	Average product of variable input(APL)

1	A	20	20
2	B	25	D
3	60	C	E

23. The values of : a, b and c are:

A. 20, 45, and 15 B 20, 25, and 20 C 20, 55and 85 D 20,35 and 25

24. The values of d and e are :

A. 12.5 and 20 B. 22.5and 20 C. 15 and 20 D. 20 and 20

IV short answer

1. List the three reasons for the Monopoly Market to exist

V. Work out question

Given the total cost function $C = 110 + 30Q + 5Q^2 + 2Q^3$. Then find

A) The value of TFC

B) The value of ATC at Q= 2.

C) The value of AVC at Q= 3

D) The value of MC at Q=4

2. Given The cost and Revenue functions below

TC=20 + 10Q

$TR=40Q-5Q^2$

A. Equilibrium price and quantity

B. Total profit

MULTIPLE CHOICE

1. Which of the following is a correct statement about oligopoly markets?

a. There is a low degree of interdependence among firms in an oligopoly market.
b. There is no non-price competition in an oligopoly market.
c. Products in an oligopoly market are always homogeneous.
d. Firms is oligopoly markets are highly interdependent.

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

a. Average revenue is greater than price.
b. Marginal revenue is equal to price.
c. Marginal revenue is equal to the average revenue.
d. Average revenue is equal to price.

3. Which one is **NOT** a correct statement about perfectly competitive market?

a. The price elasticity of demand is infinite.
b. There is a strong price competition among sellers.
c. There are many buyers and sellers of a homogenous product in the market.
d. There is no information asymmetry between buyers and sellers.

4. Monopolistic competitors and perfect competitors are similar in one of the following features.

a. Having horizontal demand curves.
b. Zero economic profit in the short run.
c. Zero economic profit in the long run
d. Relying on advertising to attract buyers to their products

5. A monopoly is characterized by the average cost AC =Q/4 and the marginal cost MC, Q/2, where Q is the quantity produced. The demand for the monopoly good is

Q= 10 - p , where p is price. The pair of optimal quantity and price of the profit- maximizing monopoly is

a. (5, 5)
b. (4 , 6)
c. (4.4, 5.5)
d. (20/3, 10/3)

6. Which of the following is a distinctive feature of monopolistic competition?

a. Product differentiation
b. Profit-maximization rule.
c. Freedom of entry and exist.
d. Number of sellers and buyers.

7. Which of the following is NOT correct for a firm operating in a perfectly competitive market?

a. Marginal revenue (MR) = P since the firm cannot affect market price by increasing output
b. Total revenue (TR) curve is upward slopping and straight line

since the firm can sell any quantity at a given market price

c. Average revenue = price (P) since the firm can sell all outputs at the
same price no matter how large or small the quantity sold.

d. The horizontal demand curve (price line) for the firm's product indicates that the firm will sell nothing if it reduces price

8. Pure monopolist maximizes profit when_____

a. Marginal Revenue is greater than the Marginal Cost.
b. Marginal revenue is less than the Marginal Cost.
c. Marginal Cost is downward sloping and Marginal Revenue is upward sloping.
d. Marginal revenue is equal to the Marginal Cost.

9. Assume a monopolistically competitive firm facing the same average and marginal costs with a perfectly competitive firm. If the profit maximizing level of output of the perfectly competitive firm is 1000 units, what is the likely profit maximizing level of the monopolistically competitive firm?

a. Equal to 1000
b. Greater than 1000
c. Less than 1000
d. Equal to 2000

10. A pure monopolist faces demand function where P=10-1/2Q and her cost function is given by TC = 1 + $2Q^2$. The profit maximizing level of output and the corresponding profits are_____ and _____ ,

a. (2,9)
b. (9,2)
c. (18,2)
d. (2, 18)

11. In a perfectly competitive markets, one of the following is true.

a. Products are heterogeneous
b. Entry and exit are restricted
c. There are large number of buyers and sellers
d. There are very few numbers of buyers and sellers

12. A quantity of a product sold in a market by a pure monopoly firm is less than the quantity that would be sold if the market were pure competition. Which one of the following is the basic assumption made to arrive at this conclusion?

a. A monopoly is a profit maximizing firm
b. A single producer gains recognition by reducing quantity
c. A monopoly does not take social well being into consideration
d. A single producers is not able to produce the quantity demanded by society.

13. The profit maximization condition under monopolistically competitive condition Marginal Revenue is

a. Equal to rising Long Run Marginal Cost
b. Less than rising Long Run Marginal cost
c. Equal to falling Long Run Marginal Cost
d. Greater than falling Long Run Marginal Cost

14. A market structure where there exists only a single seller of a product, who is . the only producer of the product, and that product has no close substitutes is known as

a. Monopoly b. Monopsony c. Duopoly d. Oligopoly

15. An important benefit of a monopolistically competitive market is

a. concentration of market power into a single firm.
b. uniformity of goods and services produced in the economy.
c. satisfaction of different consumer preferences due to increased variety.
d. a benchmark for efficient allocation of resources and hence economic efficiency.

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