Question #1 of 49

Question ID: 1572912

A firm that is experiencing diseconomies of scale should:

A) decrease its plant size.

B) decrease output in the short run.

C) shut down in the long run.

Question #2 of 49

Question ID: 1572946

A market has the following characteristics:

- There is a large number of independent sellers.
- Each produces a differentiated product.
- There are low barriers to entry.
- Producers face downward-sloping demand curves.
- Demand is highly elastic.

This market is *best* characterized as:

A) a monopoly.

B) an oligopoly.

C) monopolistic competition.

Question #3 of 49

Question ID: 1572920

The law of diminishing returns states that for a given production process, as more and more of a resource (such as labor) are added, holding the quantities of other resources fixed:

A) cost declines at a decreasing rate.

B) cost declines at an increasing rate.

C) output increases at a decreasing rate.

Question #4 of 49

Question ID: 1572948

The demand curves faced by monopolistic competitors is:

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

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

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

Question #5 of 49

Question ID: 1572937

A firm operating as a price taker will produce the quantity at which:

A) revenue is maximized.

B) it earns long-run economic profit.

C) marginal revenue equals marginal cost.

Question #6 of 49

Question ID: 1572950

A key difference between the short-run and long-run outputs under monopolistic competition is that in the long run, the price is:

A) above average total cost, such that economic profits are positive.

B) equal to average total cost, such that economic profits are zero.

C) below average total cost, such that economic profits are negative.

Question #7 of 49

Question ID: 1572918

Based on the concept of diminishing returns, as the quantity of output increases, the short-run marginal costs of production eventually:

A) fall at a decreasing rate.

B) rise at a decreasing rate.

C) rise at an increasing rate.

Question #8 of 49

Question ID: 1572929

An oligopoly is *least likely* characterized by:

A) a large number of sellers.

B) barriers to entry.

C) economies of scale.

Question #9 of 49

Question ID: 1572949

A venture capitalist is interested in providing funding for a new company. The company wants to enter an industry where the market structure is best described as monopolistic competition. The venture capitalist can expect to find an industry where:

A) the products are homogeneous.

B) firms compete regularly on price.

C) the costs to enter the market are low.

Question #10 of 49

Question ID: 1572921

At a fixed level of capital, output increases as the quantity of labor increases, but at a decreasing rate. This phenomenon is an example of:

A) diminishing costs to labor.

B) diminishing returns to capital.

C) diminishing returns to labor.

Question #11 of 49

Question ID: 1572958

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

A) calculate the n-firm concentration ratio.

B) analyze barriers to entry.

C) calculate the Herfindahl-Hirschman Index.

Question #12 of 49

Question ID: 1572919

The law of diminishing returns states that at some point as:

A) more of a resource is devoted to production, holding the quantity of other inputs constant, at some point output will begin to decrease.

B) less of a resource are devoted to production, holding the quantity of other inputs constant, the output will decrease, but at an increasing rate.

C) more of a resource is devoted to production, holding the quantity of other inputs constant, the output will increase, but at a decreasing rate.

Question #13 of 49

Question ID: 1572931

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

A) High barriers to entry and exit.

B) Differentiated products.

C) Inelastic demand curves.

Question #14 of 49

Question ID: 1572957

The sale price per unit that would maximize profits for all oligopoly participants is equal to \$25 per unit. The sale price that would exist in a perfectly competitive market structure is equal to \$18 per unit. The most likely price for a firm in an oligopoly to charge will be *closest* to:

A) $30.

B) $20.

C) $25.

Question #15 of 49

Question ID: 1572942

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 #16 of 49

Question ID: 1572930

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

A) Extensive advertising to differentiate products.

B) Low or no barriers to entry.

C) Zero economic profits in the long run.

Question #17 of 49

Question ID: 1572927

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

A) A single seller.

B) Differentiated products.

C) Low barriers to entry and exit.

Question #18 of 49

Question ID: 1572954

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

A) Oligopoly.

B) Monopolistic competition.

C) Perfect competition.

Question #19 of 49

Question ID: 1572935

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 #20 of 49

Question ID: 1572914

The upward sloping segment of a long-run average total cost curve represents the existence of:

A) diseconomies of scale.

B) economies of scale.

C) efficiencies of scale.

Question #21 of 49

Question ID: 1572939

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

A) Each producer offers a differentiated product.

B) Producers face horizontal demand curves.

C) Producer decisions are interdependent.

Question #22 of 49

Question ID: 1572953

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

A) Low barriers to entry.

B) Many sellers.

C) Interdependence among firms.

Question #23 of 49

Question ID: 1572951

An industry characterized by monopolistic competition contains approximately 25 different companies. Each individual company is *most likely* to:

A) focus on average market price rather than individual competitor prices.

B) have significant power over pricing.

C) attempt to engage in price-fixing, as it will generate reasonable profits.

Question #24 of 49

Question ID: 1572933

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 #25 of 49

Question ID: 1572952

For profitable firms in an industry characterized by monopolistic competition, over a long time period, positive economic profits will tend to:

A) increase, along with accounting profits.

B) decrease, even if accounting profits remain positive.

C) remain constant, regardless of the trend in accounting profits.

Question #26 of 49

Question ID: 1572925

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) maximize economic profit.

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

Question #27 of 49

Question ID: 1572917

According to the law of diminishing returns, doubling the number of salespeople for a firm will *most likely* result in:

A) decreasing the total sales of the firm as a result of competition amongst salespeople.

B) doubling the total sales of the firm.

C) increasing the total sales of the firm and reducing the average sales per salesperson.

Question #28 of 49

Question ID: 1572932

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

A) low barriers to entry.

B) sellers that produce a differentiated product.

C) a small number of independent sellers.

Question #29 of 49

Question ID: 1572926

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 #30 of 49

Question ID: 1572943

Which of the following *most accurately* describes a market with a single seller of a product that has no good substitutes?

A) Monopoly.

B) Monopolistic competition.

C) Oligopoly.

Question #31 of 49

Question ID: 1572960

The *most likely* limitation of the N-firm and Herfindahl-Hirschman 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 #32 of 49

Question ID: 1572924

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

A) Each firm produces a differentiated product.

B) There are very few independent sellers.

C) Zero barriers to entry and exit exist.

Question #33 of 49

Question ID: 1572940

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) Perfect competition.

B) Oligopoly.

C) Monopolistic competition.

Question #34 of 49

Question ID: 1572915

A firm is operating in a perfectly competitive market. Market price is greater than average variable cost (AVC) but lower than average total cost (ATC). Which of the following statements is *most* accurate?

A) The firm should continue to produce and sell its product in the short run but not in the long run, unless the price increases.

B) The firm should decrease its production in the short run in order to increase price and either reduce losses or produce profits.

C) If the owner thinks the price eventually will exceed ATC, the firm should shut down its operations temporarily and resume when price exceeds ATC.

Question #35 of 49

Question ID: 1572941

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

A) Monopolistic competition.

B) Oligopoly.

C) Pure competition.

Question #36 of 49

Question ID: 1572916

Which of the following statements regarding diminishing marginal returns is *most* accurate?

A) As the quantity produced rises, costs begin to rise at a decreasing rate.

B) The total cost curve arches downward.

C) As the quantity produced rises, costs begin to rise at an increasing rate.

Question #37 of 49

Question ID: 1572955

Firm X and Firm Y are two firms in a Cournot duopoly model with identical marginal cost curves. In the long run, equilibrium will occur with both firms selling:

A) different quantities with different market shares at an equilibrium price above the price in a monopoly market structure.

B) the same quantity with differing market shares at an equilibrium price equivalent to the price in a monopoly market structure.

C) the same quantity with an equivalent market share at an equilibrium price above the price in a perfectly competitive market.

Question #38 of 49

Question ID: 1572947

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

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

Question #39 of 49

Question ID: 1572959

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

A) analyze barriers to entry into an industry.

B) identify the market structure of an industry.

C) measure elasticity of demand facing an industry.

Question #40 of 49

Question ID: 1572956

A key difference in oligopoly price setting between the Cournot model and the Stackelberg model is that the latter assumes:

A) a strategic game model versus the former, which is a rule-based model.

B) sequential rather than simultaneous pricing by market participants.

C) competitors’ prices will not change.

Question #41 of 49

Question ID: 1572928

Monopolistic competition differs from pure monopoly in that:

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

B) monopolists maximize profits and monopolistic competitors do not.

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

Question #42 of 49

Question ID: 1572913

Which of the following *most accurately* describes economies of scale? Economies of scale:

A) are dependent on short-run average costs.

B) increase at a decreasing rate.

C) occur when long-run unit costs fall as output increases.

Question #43 of 49

Question ID: 1572938

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

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

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

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

Question #44 of 49

Question ID: 1572934

Characteristics of an oligopoly *least likely* include:

A) significant barriers to entry.

B) interdependence among competitors.

C) identical products.

Question #45 of 49

Question ID: 1572923

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 #46 of 49

Question ID: 1572944

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) monopolistic market structure.

B) price searcher market.

C) purely competitive market.

Question #47 of 49

Question ID: 1572945

A market structure characterized by a large number of firms all producing identical products is *best* described as:

A) monopolistic competition.

B) perfect competition.

C) monopoly.

Question #48 of 49

Question ID: 1572936

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

A) The number of firms in the market is small.

B) Different firms sell their output at different prices.

C) Barriers to entry are not a significant factor.

Question #49 of 49

Question ID: 1572922

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.