1. Refer to the graph of market demand (Q = 16 - 0.20P) and marginal revenue. Two firms have formed a centralized cartel in order to maximize profit on the market. Their marginal cost curves are given below:
   MC$_1$ = 5Q$_1$ and MC$_2$ = 10Q$_2$
   In order to maximize profit, the firms should produce
   A. Q$_1$ = 4, Q$_2$ = 2, and charge P = 50.
   B. Q$_1$ = 8, Q$_2$ = 0, and charge P = 40.
   C. Q$_1$ = 3, Q$_2$ = 1, and charge P = 60.
   D. None of the above is correct.

2. If the F test statistic for a regression is greater than the critical value from the F distribution, it implies that
   A. none of the independent variables in the regression model have a significant effect on the dependent variable.
   B. all of the independent variables in the regression model have significant effects on the dependent variable.
   C. one or more of the independent variables in the regression model have a significant effect on the dependent variable.
   D. None of the above is correct.
3. Refer to the kinked demand graph. If an oligopolistic firm with constant unit cost equal to $40 faces this demand curve, then the firm will
   A. charge $40.00 per unit.
   B. charge $50.00 per unit.
   C. charge $60.00 per unit.
   D. None of the above is correct.

4. Refer to the kinked demand graph. If an oligopolistic firm with constant unit cost equal to $40 faces this demand curve, then the firm will
   A. produce 2 units of output.
   B. produce 4 units of output.
   C. produce 6 units of output.
   D. None of the above is correct.

5. Which of the following is a characteristic of both monopolistic competition and monopoly?
   A. Firms face significant barriers to entry
   B. A firm's marginal revenue curve is below its demand curve
   C. In the long run, a firm will earn zero economic profit.
   D. In the long-run, a firm will produce a level of output that corresponds to the minimum point of their average total cost curve.

6. A firm produces two products (A and B) jointly. Every time a unit of A is produced, a unit of B is also produced as a byproduct. At the current level of output, the marginal revenue from sales of A is $25 and from sales of B is $12. The marginal cost of producing a unit of A is $37, so the firm should
   A. continue producing the current level of output.
   B. increase its rate of production.
   C. reduce its rate of production.
   D. This question cannot be answered without additional information.
7. Refer to the graph of Market 2. A monopolistically competitive firm with the unit cost curves displayed in the graph would maximize profit by producing
   A. 0 units of output.
   B. 3 units of output.
   C. between 4 and 5 units of output.
   D. None of the above is correct.

8. Refer to the graph of Market 2. A monopolistically competitive firm with the unit cost curves displayed in the graph would maximize profit by
   A. charging $40 per unit of output.
   B. charging approximately $62 per unit of output.
   C. charging $70 per unit of output.
   D. None of the above is correct.

9. Refer to the graph of Market 2. A monopolistically competitive firm that is maximizing profit given the unit cost curves displayed in the graph
   A. is in long-run equilibrium.
   B. will produce less and charge a lower price in the long run.
   C. will produce less and charge a higher price in the long run.
   D. will produce more and charge a lower price in the long run.

10. A firm produces a product at a fixed marginal cost of $2 and sells the product on two different markets (A and B). The demand on market A is \( Q_A = 10 - P \). The demand on market B is \( Q_B = 20 - P \). What price should the firm charge on market A?
    A. 4
    B. 6
    C. 9
    D. None of the above is correct.
11. A monopolist faces a demand function defined as \( Q = 40 - 2P \). The monopolist's marginal cost is equal to $15 at all levels of output. What price should the firm charge in order to maximize profits?

A. $10.00  
B. $17.50  
C. $20.00  
D. None of the above is correct.

12. A firm produces two products (A and B) jointly. Every time a unit of A is produced, a unit of B is also produced as a byproduct. At the current level of output, the marginal revenue from sales of A is $35 and from sales of B is $12. The marginal cost of producing a unit of A is $35, so the firm should

A. continue producing the current level of output.  
B. increase its rate of production.  
C. reduce its rate of production.  
D. This question cannot be answered without additional information.

13. If marginal cost (MC) is $10 and average variable cost (AVC) is $12, then AVC

A. is at a minimum.  
B. is at a maximum.  
C. is increasing.  
D. is decreasing.

Use the following graph to answer the question(s) below.

14. Refer to the price leadership graph. The equilibrium price is

A. $40  
B. $50  
C. $60  
D. None of the above is correct.
15. Refer to the price leadership graph. The quantity supplied by the follower firms is
   A. 2 units.
   B. 3 units.
   C. 4 units.
   D. None of the above is correct.

16. Refer to the price leadership graph. The total quantity traded on the market at equilibrium is
   A. 3 units.
   B. 5 units.
   C. 6 units.
   D. None of the above is correct.

17. Refer to the price leadership graph. The quantity supplied by the barometric firm is
   A. 2 units.
   B. 3 units.
   C. 4 units.
   D. None of the above is correct.

18. Oligopolistic firms can earn positive economic profits
   A. in the short run, but not in the long run.
   B. in the short run and in the long run.
   C. in the long run, but not in the short run.
   D. in neither the short run nor the long run.

Use the following graph to answer the question(s) below.

19. Refer to the graph of demand and marginal revenue. If a profit maximizing monopolist with a constant unit cost equal to $40 faces the demand curve plotted in the graph, then the monopolist's total profit
   A. will be equal to $90.
   B. will be equal to $70.
   C. will be equal to $30.
   D. None of the above is correct.
20. The fully allocated cost of a product is $45. If the firm wants to use a markup of 30%, then it should charge a unit price of

A. $48.00  
B. $58.50  
C. $60.00  
D. None of the above is correct.

21. A perfectly competitive firm is selling 150 units of output per week at a price of $10. At this output level, average total cost is $11, average variable cost is $8, and marginal cost is $12. From this information, it is clear that the firm

A. can increase its profit by producing more output per week.  
B. can increase its profit by producing less output per week.  
C. can increase its profit by charging a price above $10.  
D. None of the above is correct.

22. If an industry is comprised of four firms and their market shares are 40%, 30%, 20%, and 10%, then the Herfindahl index for the industry is

A. 100  
B. 200  
C. 3,000  
D. 10,000

23. The price elasticity of demand for a firm's product is equal to -1.8. The firm currently sells 4,000 units per day at a price of $2. If the firm increases its product price by 10%, then it can expect to sell approximately

A. 4,280 units.  
B. 3,280 units.  
C. 2,720 units.  
D. 1,980 units.

24. George earns $50,000 business profit per year by selling donuts. He pays $12,000 per year in rent to his Uncle Fred for the building in which his business is located. If his Uncle Fred gives him the building, then George's

A. business profit will be unchanged.  
B. economic profit will be unchanged.  
C. implicit cost will decrease by $12,000 per year.  
D. All of the above are correct.

25. Business profit is equal to total revenue minus

A. economic costs.  
B. explicit costs.  
C. implicit costs.  
D. managerial costs.