9 THE FIRM AND MARKET STRUCTURES

1. Which of the following is most accurate for a price-taker firm in long-run equilibrium when there are no barriers to entry?
   (A) P = AVC = MR.
   (B) P = MC = ATC = MR.
   (C) TC = TR = MC.

2. Price discrimination is most accurately defined by which of the following? Price discrimination is the practice of charging different consumers different prices for:
   (A) similar products that have different price elasticities of demand.
   (B) similar products that have identical per-unit production costs.
   (C) the same product or service.

3. Firms in an industry characterized by perfect competition exit the market because they are experiencing economic losses. What will be the effect on the equilibrium market price and the effect on the total revenue of a firm that remains in the industry in the short run?

	Price	Revenue
(A)	Decrease	Increase
(B)	Increase	Increase
(C)	Increase	Decrease

4. 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.

5. Monopolists will maximize profit by producing at an output level where which of the following conditions exists?
   (A) Price = demand = marginal revenue = marginal cost.
   (B) Price = marginal revenue = marginal cost.
   (C) Marginal revenue = marginal cost < price.

6. Firms in a perfectly competitive industry will increase their output until which of the following
   (A) Marginal revenue equals average total cost.
   (B) Total revenue equals price.
   (C) Marginal cost equals price.

7. Characteristics of an oligopoly least likely include:
   (A) significant barriers to entry.
   (B) identical products.
   (C) interdependence among competitors.

8. A technology that all of the firms in a perfectly competitive industry are using in their production process has been banned by new legislation. What will most likely be the effect if these firms stop using this technology?
   (A) Firms will adopt a different technology that reduces their costs of production.
   (B) Profit will no longer be maximized at the level of output where marginal cost is equal to the market price.
   (C) The quantity that the industry will supply at a given price will be reduced.

9. 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.

10. Which of the following describes the regulatory practice of setting prices at a level where the monopoly firm's average total cost curve intersects the demand curve?
    (A) Average cost pricing.
    (B) Marginal cost pricing.
    (C) Cost-of-service pricing.

11. Which of the following statements about price takers and price searchers is most accurate?
    (A) In the long run, both price takers and price searchers maximize profits at the quantity corresponding to the minimum point on the average total cost curve.
    (B) Price takers maximize profits at the point price = marginal revenue = marginal cost.
    (C) In the long run, both price takers and price searchers will have zero economic profits.

12. Which of the following is least accurate regarding the relationship between price (P), marginal revenue (MR), average total cost (ATC), and marginal cost (MC) at the profit maximizing output under monopoly?

(A) MR < ATC.
(B) MR = MC.
(C) P = MR.

13. For a perfectly competitive firm in the short-run, what will be the effect of an increase in market demand on equilibrium price and quantity, respectively?
(A) Decrease; increase.
(B) Increase; decrease.
(C) Increase; increase.

14. If a profit maximizing firm finds that its marginal revenue exceeds its marginal cost, it should increase output:
(A) if it is a price searcher, but not if it is a price taker.
(B) if it is a price taker, but not if it is a price searcher.
(C) regardless of whether it is a price taker or a price searcher.

15. Monopolistic competition differs from pure monopoly in that:
(A) monopolistic competitors are price takers, monopolists are not.
(B) barriers to entry are high under monopoly, but low under monopolistic competition.
(C) monopolists maximize profit; monopolistic competitors do not.

16. A business believes a price discrimination strategy will increase both its output and profits. For this to occur, the firm must have:
(A) customers who cannot resell the product and whose price elasticities of demand are in a limited range.
(B) distinct groups of customers with different price elasticities of demand who are able to resell the product.
(C) distinct groups of customers with different price elasticities of demand who cannot resell the product.

17. The most effective way to assess the impact of a potential merger on the market structure of an industry is to:
(A) analyze barriers to entry.
(B) calculate the Herfindahl-Hirschman Index.
(C) calculate the n-firm concentration ratio.

18. Which of the following is the most likely result of a technological improvement in a perfectly competitive industry?
(A) The costs for individual firms increase.
(B) Individual firms' supply curves shift to the left.
(C) The industry supply curve shifts to the right.

19. What is the relationship between price and marginal revenue for a price searcher?

(A) Marginal revenue < price.

(B) Marginal revenue > price.

(C) Marginal revenue = price.

20. 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.

21. In a market characterized by monopolistic competition, which of the following statements about advertising costs is least accurate?

(A) The average total cost attributable to advertising will increase as output increases.

(B) Many firms spend a significant portion of their advertising budget on brand name promotion.

(C) Firms' advertising costs tend to be greater than those for firms in perfect competition.

22. 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.

23. Which of the following is most likely the long-term adjustment in a perfectly competitive industry that is characterized by firms incurring economic losses?

(A) Equilibrium price will decrease.

(B) Some existing firms will exit the market.

(C) The industry supply curve will shift downward and to the right.

24. In the dominant firm model of oligopoly, it is least likely that one firm:

(A) has a significant cost advantage over its competitors.

(B) effectively sets the price in the market.

(C) is the innovation leader in product development.

25. Which of the following is /east accurate regarding the allocative efficiency associated with price discrimination? Price discrimination:

(A) results in gains to the discriminating firm by selling to consumers with relatively inelastic demand.

(B) leads to production where the sum of consumer surplus and producer surplus is greater than it would be otherwise.

(C) leads to a decrease in allocative efficiency.

26. Which of the following is least likely a barrier to entry?

(A) Economies of scale.

(B) Few sellers.
(C) Government licensing and legal barriers.

27. For price discrimination to work, the seller must face a market with all of the following characteristics EXCEPT:
(A) high barriers to entry.
(B) a downward sloping demand curve.
(C) a way of preventing customers from purchasing the product at a lower price and reselling it at a higher price.

28. A firm operating under perfect competition will experience economic losses under which of the following conditions?
(A) Marginal cost is less than average total cost.
(B) Marginal revenue is greater than average total cost.
(C) Market price is less than average total cost.

29. Under perfect competition, a firm will experience zero long term economic profit when:
(A) MC = ATC = MR = price.
(B) MC is less than ATC.
(C) price is less than average total cost.

30. 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.

31. To benefit from price discrimination, a monopolist least likely needs to have:
(A) a way to prevent reselling between types of consumers.
(B) two identifiable groups of consumers with different price elasticities of demand for the product.
(C) a higher-quality product at a premium price and a lower-quality alternative.

32. Which of the following situations is least likely to lead to high barriers to entry and monopoly supply?
(A) Economies of scale are present.
(B) Natural resources are spread among many firms.
(C) Governmental licensing and regulations are present.

33. Which of the following statements about the efficiency of monopolistic competition in allocating resources is most accurate?
(A) Advertising expenditures under monopolistic competition represent a deadweight loss to society.
(B) Because economic profits in the long run are positive for firms in monopolistic competition, there are efficiency losses.

(C) Product differentiation under monopolistic competition offers benefits that tend to offset inefficiency from the reduction in output compared to perfect competition.

34. Which of the following statements about a monopolist is least accurate?
(A) The monopolist faces a downward sloping demand curve.
(B) Unlike an oligopolist, a monopolist will always be able to earn economic profit.
(C) A profit-maximizing monopolist will expand output until marginal revenue equals marginal cost.

35. In a perfectly competitive industry, the short-run supply curve for the market is the:
(A) marginal cost curve above the average variable cost curve.
(B) marginal cost curve above the average total cost curve.
(C) sum of the individual supply curves for all firms in the industry.

36. Monopolistic competition differs from pure monopoly in that:
(A) monopolistic competitors have low barriers to entry and monopolists do not.
(B) monopolistic competitors are price takers and monopolists are not.
(C) monopolists maximize profits and monopolistic competitors do not.

37. Which of the following is /east accurate with regard to advertising for firms operating under monopolistic competition?
(A) Advertising expenses are high relative to perfect competition and monopoly.
(B) Advertising may decrease average total cost.
(C) The increase to average total costs associated with advertising increases as output increases.

38. In order for effective price discrimination to occur the seller must:
(A) have more than one identifiable group of customers with the same price elasticities of demand for the product.
(B) maximize revenue by selling at the highest price possible.
(C) face a demand curve with a negative slope.

39. The short-run supply curve to a firm operating under perfect competition is most accurately described as the segment of the:
(A) average total cost (ATC) curve above the average variable cost (AVC) curve.
(B) marginal cost (MC) curve above the average variable cost (AVC) curve.
(C) marginal cost (MC) curve below the average total cost (ATC) curve.

40. In the long-run, a firm operating under perfect competition will:

(A) generate zero economic profit.

(B) produce a quantity at which marginal revenue is less than marginal cost.

(C) face a perfectly inelastic demand curve.

41. Which of the following is least likely to be considered a reason why regulation of monopolies is not effective?

(A) Regulation reduces the incentive for firms to reduce costs.

(B) Regulation shifts industry demand and increases prices.

(C) Regulators do not know the firm's cost structure.

42. In the long-run, after all firms in a perfectly competitive industry have adopted new technology, the:

(A) individual firm supply will increase as demand decreases.

(B) price will be set where average variable cost is equal to marginal revenue.

(C) price will equal minimum average total cost.

43. Even though the producer surplus increases under a monopoly scenario, relative to one of perfect competition, the consumer surplus decreases by:

(A) an equal amount.

(B) a lesser amount.

(C) a greater amount.

44. Under which market structure is the profit maximizing strategy to produce the quantity of output for which the price is equal to marginal cost?

(A) Monopoly.

(B) Monopolistic competition.

(C) Perfect competition.

45. Which of the following is least likely a characteristic of an oligopoly?

(A) Products can either be similar or differentiated.

(B) Relatively small economies of scale.

(C) There are few sellers.

46. Compared to a competitive market, a monopoly situation will produce:

(A) less output, and the sum of the consumer surplus and the producer surplus will be increased.

(B) less output, and the sum of the consumer surplus and the producer surplus will be reduced.

(C) more output, and the sum of the consumer surplus and the producer surplus will be reduced.

47. Under perfect competition, a firm will be inclined to increase output as long as which of the following conditions exists?

(A) Marginal revenue is greater than marginal cost.

(B) Marginal revenue is greater than the average cost.
(C) Marginal cost is less than average cost.

48. The practice of charging different consumers different prices for the same product or service is called:
(A) price searching.
(B) variable pricing.
(C) price discrimination.

49. A profit maximizing firm will expand output as long as marginal revenue is:
(A) greater than average fixed cost.
(B) greater than marginal cost.
(C) less than marginal cost.

50. Which of the following is least likely a barrier to entry?
(A) Allocative Efficiency.
(B) Economies of Scale.
(C) Patents.

51. In the short run, price searchers maximize profits by producing output where marginal revenue (MR):
(A) is greater than marginal costs (MC) and charging a price based on the demand curve.
(B) equals marginal costs (MC) and charging a price based on the average total cost (ATC) curve.
(C) equals marginal costs (MC) and charging a price based on the demand curve.

52. 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.

53. Which of the following most accurately describes a market with a single seller of a product that has no good substitutes?
(A) Monopolistic competition.
(B) Oligopoly.
(C) Monopoly.

54. A monopolist will expand production until:

(A) MR = MC and the price of the product will be determined by the MR curve.

(B) MR = MC and the price of the product will be determined by the demand curve.

(C) P = MC and the price of the product will be determined by the MC curve.

55. A competitive firm will tend to expand its output as long as marginal:

(A) cost is less than average cost.

(B) revenue is greater than marginal cost.

(C) revenue is greater than the average cost.

56. 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) Oligopoly.

(B) Perfect competition.

(C) Monopolistic competition.

57. The short-run supply curve for a purely competitive market:

(A) slopes upward to the right.

(B) slopes downward to the right.

(C) is a horizontal line.

58. 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.

59. Which of the following statements is /east accurate with regard to the efficiency of monopolistic competition?

(A) Consumers benefit from brand name promotion and advertising.

(B) Monopolistic competition is at least as efficient as perfect competition.

(C) The expense of advertising and promotion may not be justified by their benefit to consumers.

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

(A) Monopolistic competition.

(B) Perfect competition.

(C) Oligopoly.

61. A perfectly competitive firm will continue to increase output so long as which of the following conditions exists?

(A) Marginal revenue is greater than price.

(B) Market price is greater than marginal cost.

(C) Marginal revenue is positive.

62. Consider the following statements:

Statement 1: "When oligopoly firms cheat on price fixing agreements, the result increases economic efficiency."

Statement 2: "Monopolistic competition is inefficient because a large deadweight loss from advertising and marketing costs is a characteristic of this form of competition." With respect to these statements:

(A) both are incorrect.

(B) both are correct.

(C) only one is correct.

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

(A) Different firms sell their output at different prices.

(B) Barriers to entry are not a significant factor.

(C) The number of firms in the market is small.

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

(A) perfect competition.

(B) monopolistic competition.

(C) monopoly.

65. Consider the following statements:

Statement 1: "The sum of consumer and producer surpluses is maximized under both monopoly and perfect competition."

Statement 2: "All else being equal, a monopolist that practices price discrimination will be more allocatively efficient than a single-price monopolist."

With respect to these statements:

(A) both of these statements are accurate.

(B) neither of these statements is accurate.

(C) only one of these statements is accurate.

66. Under perfect competition, the short-run market supply curve is most accurately described by which of the following statements? The market short-run supply curve is the:

(A) average of the quantities at each price along the marginal cost curve for all firms in a given industry.

(B) sum of the quantities at each price along the average total cost curve for all firms in a given industry.

(C) sum of the quantities at each price along the marginal cost curves for all firms in a given industry.

67. The short-run supply curve for a price taker firm is the portion of the marginal cost (MC) curve:

(A) above the average total cost (ATC) curve.

(B) below the average variable cost (AVC) curve.

(C) above the average variable cost (AVC) curve.

68. A monopolist will maximize profits by:

(A) producing at the point where price is equal to MR.

(B) producing at the output level where marginal revenue equals marginal cost and charging a price on the demand curve that corresponds to the output rate.

(C) producing at the output level where marginal revenue equals average variable cost and charging a price along the demand curve that corresponds to the output rate.

69 When a firm operates under conditions of perfect competition, marginal revenue always equals:

(A) average variable cost.

(B) price.

(C) total cost.

70. A competitive firm will tend to expand its output as long as:

(A) its marginal revenue is greater than the market price.

(B) its marginal revenue is positive.

(C) the market price is greater than the marginal cost.

71. When firms are earning positive economic profits in an industry characterized as monopolistic competition, it is most likely that:

(A) price takers will lose market share to price searchers.

(B) new competitors will enter the industry.

(C) these economic profits can be sustained in the long run.

72. Which of the following statements about a monopolist is least accurate?

(A) A profit-maximizing monopolist will supply less of his product than the amount consistent with the conditions of ideal static efficiency for an economy.

(B) A profit-maximizing monopolist will expand output until marginal revenue equals marginal cost.

(C) A monopolist will always be able to earn economic profit.

73. The kinked demand model assumes that below the current price, the demand curve becomes:

(A) less elastic because competitors will decrease their prices.
(B) less elastic because competitors will not decrease their prices.
(C) more elastic because competitors will decrease their prices.

74. Which of the following most accurately describes why firms under monopolistic competition face elastic demand for their products?
(A) High barriers to entry.
(B) Allocative efficiency.
(C) Availability of substitutes.

75. Which one of the following is most likely to contribute to the presence of monopoly in an industry?
(A) Inefficiency attributable to bureaucratic decision-making procedures in the industry.
(B) Legal barriers to entry into the industry.
(C) Diseconomies of scale.

76. A market that is characterized by monopolistic competition is least likely to feature:
(A) sellers that produce a differentiated product.
(B) low barriers to entry.
(C) a small number of independent sellers.

77. In the long run, a perfectly competitive firm will earn:
(A) zero economic profits.
(B) sustainable economic profits.
(C) incremental economic profits.

78. Which of the following statements about monopolies is most accurate?
(A) A monopoly structure is characterized by a well-defined product for which there are no good complements.
(B) A monopolist's optimal production quantity is at the point where marginal revenue equals marginal cost.
(C) Monopolists charge the highest possible price.

79. In a study seminar, the following comments were made:
Comment 1: "In the short run, an increase in demand in a perfectly competitive industry will result in negative economic profit for some firms in the industry."
Comment 2: "In the long run, a permanent increase in demand in a perfectly competitive industry will result in zero economic profit for the firms in the industry."
With respect to these comments:
(A) only one is correct.
(B) both are incorrect.
(C) both are correct.

80. Oligopolists have an incentive to cheat on collusive agreements in order to:
   (A) avoid competitive practices.
   (B) increase their individual share of the joint profit.
   (C) restrict output and put upward pressure on price.

81. 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.

82. 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.

83. 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.

84. Which of the following is least likely a barrier to entry?
   (A) Resource controls.
   (B) Price controls.
   (C) Economies of scale.

85. Characteristics of monopolistic competition include all of the following EXCEPT:
   (A) differentiated products.
   (B) large numbers of independent sellers.
   (C) high barriers to entry.

86. Which of the following statements regarding a monopolist is most accurate?
   (A) A monopolist will maximize the average profit per unit sold.
   (B) A monopolist, like any other profit-maximizing firm, will sell at the output level where marginal revenue equals marginal cost.
   (C) A monopolist will charge the highest price for which he can sell his product.

87. Which of the following is most likely to be a characteristic of an oligopolistic industry?
   (A) Interdependence among firms.
   (B) Many sellers.
   (C) Low barriers to entry.

88. The demand curve for a firm in a perfectly competitive market is:
    (A) downward sloping.
    (B) horizontal.
    (C) upward sloping.

89. In a natural monopoly:
    (A) one firm controls all natural resources.
    (B) the average total cost of production continually declines with increased output.
    (C) the price charged by a monopolist is determined by the intersection of the demand curve with the marginal cost curve.

90. A perfect competition has all of the following characteristics EXCEPT:
    (A) a differentiated product.
    (B) a large number of independent firms.
    (C) barriers to entry don't exist.

91. Which of the following is least likely a characteristic of perfect competition?
    (A) The products produced within a given market are homogenous.
    (B) The demand curve for an individual firm is a vertical line.
    (C) The size of each firm is small relative to the size of the overall market.

92. Which of the following is most likely to be considered a characteristic of monopolistic competition?
    (A) Inelastic demand curves.
    (B) High barriers to entry and exit.
    (C) Differentiated products.

93. A monopolist will continue expanding output as long as:
    (A) marginal revenue is greater than marginal cost.
    (B) economic profit is greater than zero.
    (C) marginal revenue is positive.

94. Which of the following is least relevant when explaining why monopoly firms can earn positive economic profits over the long term?
    (A) The ability to use price discrimination.
    (B) The existence of economies of scale.
    (C) Control over production input resources.

95. In which of the following market structures is price least likely to be greater than marginal cost?
    (A) Monopolistic competition.
    (B) Monopoly.
    (C) Perfect competition.

96. The difference in production outcomes between monopolistic firms and purely competitive firms is best explained by the fact that:
    (A) monopolists maximize profits by setting output such that marginal revenue exceeds marginal cost.
    (B) monopolists maximize profits by setting output such that marginal revenue is maximized.
    (C) the profit maximizing output level for monopolists occurs at lower levels of production than for purely competitive firms.

97. Natural monopolies exist because they can produce at lower costs with greater output, which means there are economies of scale. Which of the following industries is typically a natural monopoly?
    (A) Oil.
    (B) Technology.
    (C) Utilities.

98. Compared to a competitive market result, a single-price monopoly will most likely:
    (A) result in lower output, deadweight loss, and less producer and consumer surplus.
    (B) result in a higher price, less consumer surplus, and more producer surplus.
    (C) adopt a marginal cost pricing strategy, which will decrease consumer surplus.

99. If an industry features differentiated products but has low barriers to entry, in the long run the firms in the industry will experience:
    (A) zero economic profits.
    (B) economic losses.
    (C) sustainable economic profits.

100. **Statement 1:** "The kinked demand curve model of oligopoly assumes that a decrease in price will not be followed by other firms in the industry, but a price increase will."
    Statement 2: "Firms in monopolistic competition have high advertising expenses because they want to create the perception that their product is different from their competitors' products when the competing products are actually quite similar."
    With respect to these statements:
    (A) both are correct.
    (B) both are incorrect.
    (C) only one is correct.

101. Assume that the market for paper supplies and the market for toothpicks have the following characteristics:
    The Market for Paper Supplies is comprised of:
    - A large number of independent sellers
    - Differentiated products
    - Low barriers to entry/exit

The Market for Toothpicks is comprised of:

- A large number of independent sellers
- Homogeneous products
- No barriers to entry/exit

The Papyrus Company operates in the market for paper supplies and Wudden Floss operates in the toothpick market. The sales managers for both companies want to know how a change in price will affect the quantity sold.

Which of the following choices best completes the following sentence? If both firms increase prices, the quantity sold by Papyrus Company will:

(A) increase, and the quantity sold by Wudden Floss will decrease.

(B) decrease, and so will the quantity sold by Wudden Floss.

(C) decrease, and Wudden Floss will sell nothing.

102. 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.

103. When a regulatory agency requires a monopolist to use average cost pricing, the intent is to produce the quantity where the:

(A) average total cost curve intersects the marginal revenue curve.

(B) marginal revenue curve intersects the marginal cost curve.

(C) the market demand curve intersects the average total cost curve.

104. The short-run supply curve for a firm under perfect competition is the firm's:

(A) marginal cost curve above average variable cost.

(B) marginal cost curve above average total cost.

(C) average variable cost curve above marginal revenue.

105. An oligopoly is least likely characterized by:

(A) barriers to entry.

(B) a large number of sellers.

(C) economies of scale.

106. 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.

107. A firm operating as a price taker will produce the quantity at which:
   (A) it earns long-run economic profit.
   (B) marginal revenue equals marginal cost.
   (C) revenue is maximized.

108. The kinked demand model assumes that at prices above the current price, the demand curve becomes:
   (A) more elastic because competitors will not increase their prices.
   (B) less elastic because competitors will not increase their prices.
   (C) more elastic because competitors will increase their prices.

109. If the market demand for a product increases in a competitive market, then price:
   (A) will decrease and quantity will increase.
   (B) will increase and quantity will decrease.
   (C) and quantity will increase.

110. Which of the following is most likely a characteristic of monopolistic competition?
   (A) Producers face horizontal demand curves.
   (B) Producer decisions are interdependent.
   (C) Each producer offers a differentiated product.

111. 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.

112. Which of the following statements regarding monopolies is least accurate?
   (A) For price discrimination to increase economic profit, the seller must identify at least two groups of customers, each with a different price elasticity of demand.
   (B) If a monopolist produces the quantity of output for which marginal cost equals marginal revenue, it will earn an economic profit.
   (C) Monopolists are price searchers and must experiment with different prices to find the one that maximizes profit.

113. Under monopolistic competition, companies can earn positive economic profits in:
   (A) the short run and in the long run.
   (B) the short run but not in the long run.
   (C) neither the short run nor the long run.

114. The short-run supply curve for a firm in a perfectly competitive market is equal to the firm's:
   (A) ATC curve.
   (B) MC curve.
   (C) AVC curve.

115. 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.

116. Which of the following is least likely a necessary condition for a monopolist to realize increased profits from price discrimination?
   (A) A product for which the demand curve is downward sloping.
   (B) The ability to prevent trading between customers in different price groups.
   (C) Two different costs of production.

117. A perfectly competitive firm will choose to produce the quantity for which:
   (A) its marginal revenue is zero.
   (B) the marginal cost is less than marginal revenue.
   (C) the market price is equal to its marginal cost.

118. Which of the following is least likely to be considered a necessary condition for a monopolist to realize profits from price discrimination?
   (A) A product for which the demand curve is downward sloping.
   (B) The ability to prevent trading between customers in different price groups.
   (C) Two different costs of production.