

June 07, 2012

Econ2020A Intermediate Microeconomics
Midterm2

•**Duration:** 1 Hour 45 Mins (6:05-7:50 PM) in class
Calculators allowed

•Syllabus: Chapters 8 & 11 (sections discussed in class)

Ch.8, pages (243-246, 248-265)

Ch.11, pages (358-366, 370-373, 378-380)

Part A

1. (6 marks) State whether you agree or disagree with each of the following statements. Using appropriate diagrams, explain your response:
 - a. A profit maximizing monopolist must operate on the elastic portion of the demand curve
 - b.
2. (12 marks) Theory + Calculation
 - a. Using the appropriate assumptions and diagrams, explain why a firm's demand curve under competition is horizontal but under monopoly is downward sloping.
 - b.
 - c.
 - d.

Part B

7 multiple choice questions (7 marks)

1. A monopolist maximizes profit by setting
 - A) price equal to marginal cost.
 - B) price equal to marginal revenue.
 - C) marginal revenue equal to marginal cost.**
 - D) marginal revenue equal to zero.