

CB2400 Micro-Economics

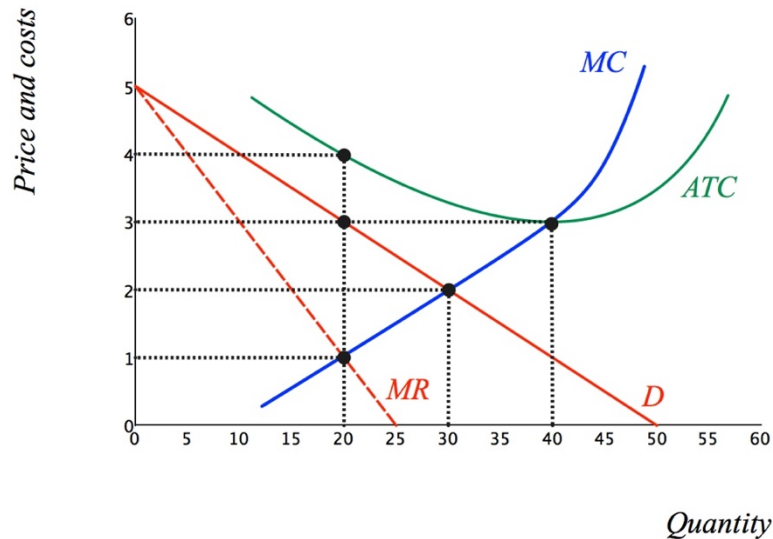
Tick & Learn

Monopolistic Competition

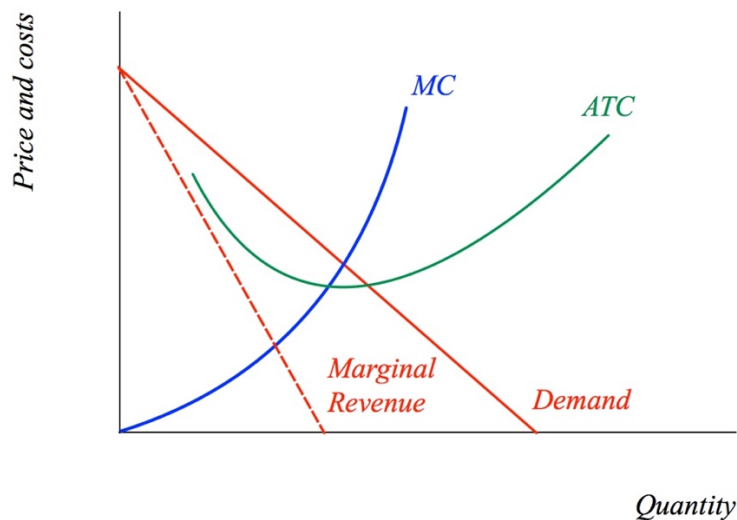
- 1) Firms in monopolistic competition make products that are
 - A) perfect complements.
 - B) close but not perfect complements.
 - C) perfect substitutes.
 - D) close but not perfect substitutes.

- 2) When firms in monopolistic competition incur an economic loss, some firms will
 - A) enter the industry and produce more products.
 - B) exit the industry, and demand curves will shift to the right for the firms that remain.
 - C) exit the industry, and demand curves will shift to the left for the firms that remain.
 - D) enter the industry, and demand will become more elastic for the original firms.

- 3) In long-run equilibrium, a firm in monopolistic competition earns
 - A) an economic profit but the economic profit is less than it would be if the firm was a monopoly.
 - B) an economic profit that is higher than what it would be if the firm was a monopoly.
 - C) a zero economic profit
 - D) an economic profit that is the same amount as it would be if the firm was a monopoly.



- 4) In the figure above (cost curves and demand curve for a firm in monopolistic competition), the firm's economic
- A) loss will be greater than \$30 per day.
 - B) loss will be \$30 or less per day.
 - C) profit will be between \$0 and \$30 per day.
 - D) profit will be greater than \$30.01 per day.



- 5) In the figure above (cost curves and demand curve for a firm in monopolistic competition) the firm will expect in the long run
- A) new firms to enter the market
 - B) some firms to exit the market
 - C) to increase the price of its product
 - D) the demand curve it faces shifts to the right.