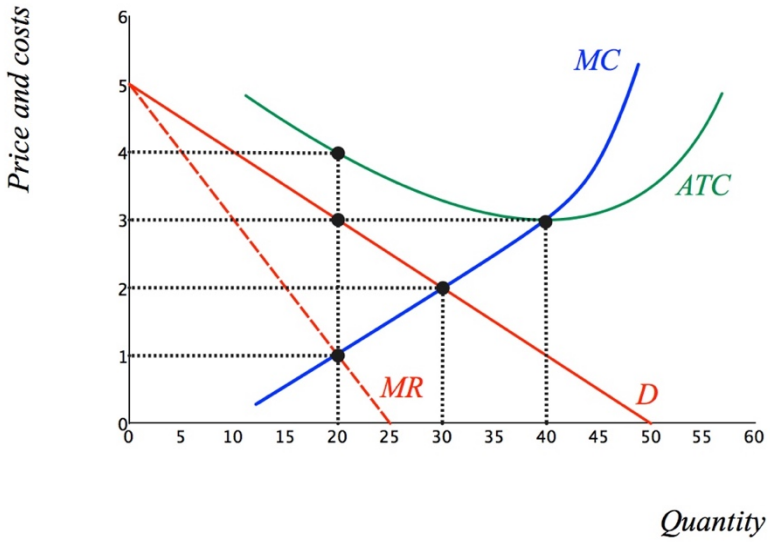
CB2400 Micro-Economics
Tick & Learn
Monopolistic Competition

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.



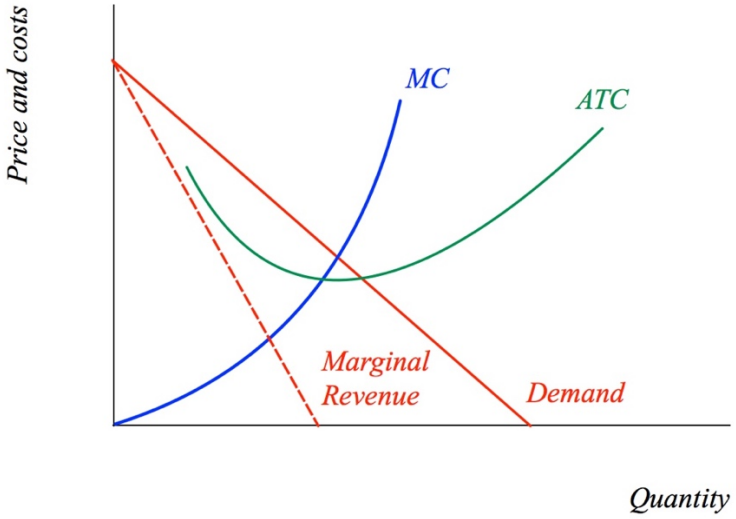
4) In the figure above (cost curves and demand curve for a firm in monopolistic competition), the firm's economic

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.