Name	Number

Note that:

- You have 45 minutes to complete this test.
- Calculators are not allowed.
- You should hand in the whole test.
- You should signal the correct answer with an **X** always using the table that follows.
- A correct answer is worth 1,25 points; 0,25 points will be discounted for each wrong answer.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)
b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)
c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)
d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)

1. In the short run, when the average total cost (ATC) is increasing:

a) The average fixed cost (AFC) is also increasing.
b) The average fixed cost (AFC) is higher than the average variable cost (AVC).
c) The marginal cost (MC) is higher than the average total cost (ATC).
d) Tha marginal cost (MC) is equal to the average variable cost (AVC).

2. In a perfectly competitive market, the market price for a firm's product is 14 euros and the firm's break even price is 12 euros. If the market price decreases to 11 euros, in the short run, the firm should:

a) Continue to produce as long as the average fixed cost is higher than 11 euros.
b) Increase production.
c) Keep the level of production constant since the market price will rise to 14 euros.
d) Continue to produce as long as the average variable cost is lower than 11 euros.

3. Alvin only consumes two goods - bananas and DVD's – and he is currently consuming a bundle of goods that belongs to the highest attainable indifference curve. Bundles A (5 bananas and 2 DVD's) and B (3 bananas and 3 DVD's) belong to this indifference curve. What is this consumer's marginal rate of substitution of DVD's in place of bananas?

a) 1.
b) 3.
c) 4/3.
d) 2.

4. The assumption of free entry and exit of firma in a perfectly competitive market implies that:

a) In the short run every firm in the industry will have positive profits.
b) In the short run every firm in the industry will have zero profits.
c) In the long run every firm in the industry will have positive profits.
d) In the long run every firm in the industry will have zero profits.

5. In the short run, a firm produces 250 units of a good facing total costs of 150.000 euros. Knowing that fixed costs amount to 50.000 euros, what is this firm's average fixed cost (AFC)?

a) 200 euros.
b) 400 euros.
c) 600 euros.
d) 50.000 euros.

6. Which statement, among the following, is correct?

a) When marginal cost is decreasing, average variable cost is decreasing.
b) Average total costs increase whenever marginal costs increase.
c) Average total cost is minimum when marginal cost is minimum.
d) Since fixed costs are constant, average fixed costs are constant.

7. Two goods, *X* and *Y*, are perfect substitutes if:

a) Consumers buy the same amount of each goods.

b) When the price of good X increases, the price of good Y decreases to keep utility constant.
c) The marginal rate of substitution between the goods is constant.
d) Whenever a consumer consumes more of Y and less of X, his utility increases.

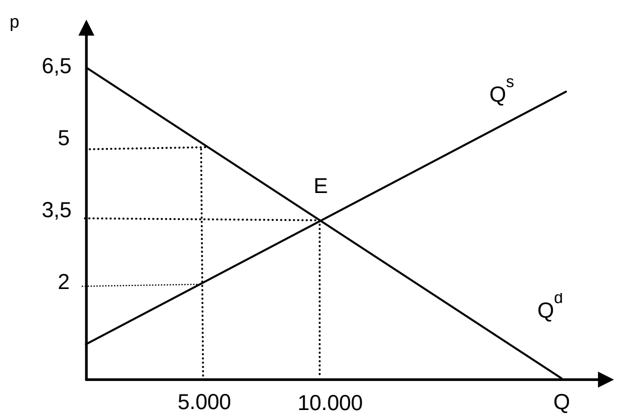
8. An excise tax leads to less deadweight loss when:

a) Demand and supply are elastic.
b) Demand and supply are inelastic.
c) Demand is elastic and supply is inelastic.
d) Demand is inelastic and supply is elastic.

9. Which of the following characterizes a perfectly competitive market?

a) Small number of firms.
b) Big market shares.
c) No barriers to entry and exit.
d) Heterogeneuos product.

10. The diagram below represents the market for cigarettes *Cigarette*. To prevent people from smoking, the government imposes an excise tax in this market. The diagram shows the effects of this tax.



Knowing that the after-tax equilibrium quantity is 5.000, tax revenue is:

a) 7.500 euros.
b) 3.750 euros.
c) We cannot compute tax revenue with the information given aboved) 15.000 euros.

11. The marginal utility of consumption of good W is a measure:

a) of how sensitive the consumption of W is to percentual changes in the price of W.
b) that relates changes in the consumption of W with changes in the consumer's income.
c) None of the remaining alternatives is correct.
d) of the increase in the consumer's satisfaction when he consumes one more unit of W.

12. A firm in a perfectly competitive market faces a price higher than its minimum average total costs (ATC). In the short run, the firm should:

a) Keep the level of production constant since revenues pay for the variable costs.
b) Decrease production to a level lower than long run equilibrium production.
c) Shut down because its revenues do not cover the fixed costs.
d) None of the remaining alternatives is correct.

13. In the optimum consumption bundle, which alternative is FALSE?

a) Price-elasticity of demand is the same for every good.
b) The marginal rate of substitution between any pair of goods equals the ratio of their prices.
c) The budget line is tangent to an indifference curve.
d) Marginal utility per euro is the same fr every good.

14. A condição de optimização do monopolista corresponde a:

a) CMg= P (em inglês: MC=P).
b) RMg=P (em inglês: MR=P).
c) CMg=CTMe (em inglês: MC=ATC).
d) CMg=RMg (em inglês: MC=MR).

15. Comparing with a perfectly competitive market, a monopoly leads to inefficiency because:

a) the reduction in consumer surplus is higher than the increase in the producer's profits.
b) consumer surplus is zero in a monopoly.
c) consumer surplus is smaller.
d) a monopolist has high profits.

16. There are economies of scale when:

a) The long run average total cost curve is decreasing.
b) The long run average total cost curve is increasing.
c) There are diminishing marginal returns.
d) Firms decide to shut down.

Please hand in this sheet