Econ 202 Quiz 5

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

Figure 8-4

1. Figure 8-4 shows the industry's supply and demand curves in panel (1) and the cost curves of a firm in the industry in panel (2). At $S_1$, the firm is
   a. shut down.
   b. incurring losses.
   c. earning zero economic profits.
   d. earning economic profit greater than zero.

2. Figure 8-4 shows the industry's supply and demand curves in panel (1) and the cost curves of a firm in the industry in panel (2). At $S_2$, the firm is
   a. shut down.
   b. incurring losses.
   c. earning zero economic profits.
   d. earning economic profit greater than zero.

3. When a firm leaves a perfectly competitive industry,
   a. the individual demand curves facing remaining firms shift up in the long run.
   b. short-run industry equilibrium is re-established at a new point along the original short-run industry supply curve.
   c. the short-run industry supply curve shifts to the right.
   d. at the new long-run equilibrium, the remaining firms in the industry will each receive a higher profit.

4. The market for a perfectly competitive industry clears at a price of $3, and the minimum average cost for all firms is $2.50. In the long run, we would expect an increase in
   a. each firm's output.
   b. the number of firms.
   c. each firm's profit.
   d. each firm's average cost.

5. Which of the following can serve as an entry barrier?
   a. legal restrictions
   b. patents
c. control of scarce resources or inputs
d. All of the above are correct.

6. A market structure in which only one firm has survived because of its economies of scale is called a
   a. natural monopoly.
   b. planned monopoly.
   c. structural monopoly.
   d. free monopoly.
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Answer Section

MULTIPLE CHOICE

1. D
2. C
3. A
4. B
5. D
6. A