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SINGAPORE MANAGEMENT UNIVERSITY

**Economics & Society**
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# Homework 4

## Due on 7/2/2023, by 23:00

This assignment is optional but STRONGLY RECOMMENDED. If you do not submit the answers till the deadline, the score of your final exam will substitute for the score for this assignment. Submit only the correct letter for each task on eLearn under 'Quizzes' within 'COR2100-Economics and Society G9-10-11-12'. Note that the actual text of questions and answers is not supposed to appear on the eLearn quiz. You have unlimited attempts. The system is programmed to credit your last attempt. Be informed that if you submit an attempt and afterwards you re-open the quiz, you must submit your answers AGAIN. Otherwise, the system will grade the unfinished attempt with 0 (because it is the last one) and there is NOTHING I can do to fix this after the fact. Late homework or homework submitted outside eLearn cannot be accepted as this would violate SMU official policy for fairness and transparency in grading. This assignment is protected by Grade Insurance™: If the assignment's average turns out to be below 75, an equal amount of bonus points will be given to every work, for the average to become 75. Direct any homework questions to your TA.

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***Scenario 4.1:*** *Consider the market demand for tables is* $p = 900 - 3q$ *and the marginal cost of production is* $MC = 3q$.

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1. According to scenario 4.1, how much is the average variable cost of the first 5 tables?
    A. Around $5.
    B. Around $10.
    C. Around $15.
    D. Around $20.
    E. Around $25.

2. According to scenario 4.1, what is the PC quantity?
    A. Around 50 tables.
    B. Around 100 tables.
    C. Around 150 tables.
    D. Around 200 tables.
    E. Around 250 tables.
    F. Around 300 tables.

3. According to scenario 4.1, what is the PC price?
    A. Around $150.
    B. Around $300.
    C. Around $450.
    D. Around $600.
    E. Around $750.

4. According to scenario 4.1, what is the monopolistic quantity?
    A. Around 20 tables.
    B. Around 40 tables.
    C. Around 60 tables.
    D. Around 80 tables.
    E. Around 100 tables.

5. According to scenario 4.1, what is the monopoly price?
    A. Around $200.
    B. Around $400.
    C. Around $600.
    D. Around $800.
    E. Around $1000.

6. According to scenario 4.1, how much the is the consumer surplus if the market is a monopoly?
    A. Around 0.
    B. Around 5,000.
    C. Around 10,000.
    D. Around 15,000.
    E. Around 20,000.
    F. Around 25,000.
    G. Around 30,000.

7. According to scenario 4.1, how much the is the DWL if the market is a monopoly?
    A. Around 0.
    B. Around 2,500.
    C. Around 5,000.
    D. Around 7,500.
    E. Around 10,000.
    F. Around 12,500.
    G. Around 15,000.

8. According to scenario 4.1, who receives the value of the DWL?
    A. The monopolist.
    B. The consumers.
    C. The government.
    D. None.

9. According to scenario 4.1, how much will the monopolist's profit be, if FC = 5,000?
    A. Around 0.
    B. Around 10,000.
    C. Around 20,000.
    D. Around 30,000.
    E. Around 40,000.
    F. Around 50,000.

10. Which of the following is true for a monopolist?
    A. A change in the market demand does not affect the price.
    B. The monopolist controls the whole supply of the market.
    C. Both A and B.
    D. None of the above.

*The table below shows the quantity, total revenue and marginal cost of a monopolist.*

| Quantity | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Total Revenue | 150 | 250 | 325 | 375 | 400 | 420 |
| Marginal Cost | 30 | 25 | 40 | 49 | 58 | 65 |

11. According to scenario 4.2, how many units will the monopolist produce?

    A. 1 unit.

    B. 2 units.

    C. 3 units.

    D. 4 units.

    E. 5 units.

    F. 6 units.

12. According to scenario 4.2, how much will the monopolist charge?

    A. Around $70.

    B. Around $80.

    C. Around $90.

    D. Around $110.

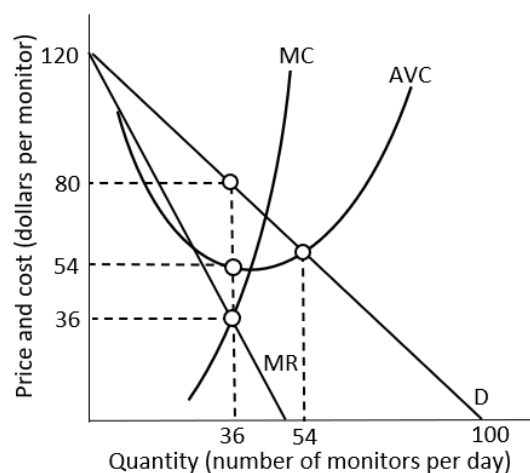    E. Around $130.

    F. Around $150.



Figure 4.1: The demand and cost curves for a monopolist, who produces monitors

13. According to figure 4.1, how many monitors will the monopolist produce daily?

    A. Less than 36 monitors.

    B. 36 monitors.

    C. Between 36 and 54 monitors.

    D. 54 monitors.

    E. More than 54 monitors.

14. According to figure 4.1, what price will the monopolist charge per monitor?

    A. $36.

    B. Between $36 and $54.

    C. $54.

    D. $80.

    E. None of the above.

15. According to figure 4.1, how much will the monopolist's daily profit be if the fixed cost is $500?
    A. Around $200.
    B. Around $400.
    C. Around $600.
    D. Around $800.
    E. Around $1,000.

16. Why does every monopolist always choose to supply quantity at the elastic range of the market demand?
    A. Because if the monopolist supplied quantity at the inelastic range, he could increase profit by cutting quantity and increasing the price further.
    B. Because if the monopolist supplied quantity at the inelastic range, he could increase profit by increasing quantity and price further.
    C. Because if the monopolist supplied quantity at the inelastic range, he could increase profit by cutting quantity and decrease price further.
    D. Because the monopolist wants to deter entry by potential entrants.

17. A monopolist charges a price that does not maximize profit. Which of the following is necessarily true?
    A. Price exceeds the MR.
    B. Price exceeds the MC.
    C. Both A and B.
    D. None of the above.

18. Which of the following could increase a firm's market power?
    A. Product differentiation.
    B. Advertisement.
    C. Both A and B.
    D. None of the above.

| Q | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|---|
| p | 55 | 50 | 47 | 42 | 38 | 34 | 30 | 26 |

Table 4.1:  The demand schedule for a monopolist.

19. According to table 4.1, if the marginal cost is constant at $9, what is the profit maximizing quantity for the monopolist?
    A. Zero.
    B. 1 unit.
    C. 2 units.
    D. 3 units.
    E. 4 units.
    F. 5 units.
    G. 6 units.
    H. 7 units.

20. According to table 4.1, how much will the monopolist's profit be if the marginal cost is constant at $9 and the fixed cost is $20?

   A.  Zero.
   B.  Around $20.
   C.  Around $40.
   D.  Around $60.
   E.  Around $80.
   F.  Around $100.

*Good afternoon! Most people believe that the key to success is making smart decisions. This could not be further from the truth. Successful people succeed in different ways, following different paths. Sometimes a decision may seem smart for years but turn out to be a disaster later on. There is, however, a specific trait that all successful people have in common: developing winning habits. Either you want it or not, your habits -not your decisions- is what makes you a winner or a loser, a leader or a follower. Followers need reminders, they go back to work only if a deadline forces them to. They do only the minimum necessary with as little effort as possible. Their everyday goal is to 'get away with it'. Not because they cannot do better than that but because this is how they are used to be. On the other hand, leaders are on top of their own schedule. They do not need a deadline to finish the job. They always do their best and try to get the most out of their work. Their everyday goal is to become a bit better than the person they were yesterday. You may not be ready to accept this now, but in the same way you will work today on your homework, most likely, in the same way you will work tomorrow on a business project, or on your own company. So, do not fool yourself by thinking: "Well, I will half-ass it in this homework which does not matter much, but I will do my best later when it will really matter". This never works for 2 reasons. First, in real life you never know from before how much something will turn out to matter in the end. Second, because it makes you form bad habits, and those tend to follow you forever. So, do yourself a favor and quit them now while you still can.*                                                                    *Kosmas*