

Homework 4

Due on 12/9/2023, 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 G7-8-26-49'. 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.

Scenario 4.1: Consider the market demand for cameras is $p = 900 - 5q$ and the marginal cost of production is $MC = 5q$.

1. According to scenario 4.1, how much is the VC for producing 5 cameras?
 - A. Around \$15.
 - B. Around \$50.
 - C. Around \$75.
 - D. Around \$100.
2. According to scenario 4.1, how much is the AVC of the first 5 cameras?
 - A. Around \$5.
 - B. Around \$10.
 - C. Around \$15.
 - D. Around \$20.
 - E. Around \$25.
3. According to scenario 4.1, what is the PC quantity for maximizing profit?
 - A. Around 30 cameras.
 - B. Around 60 cameras.
 - C. Around 90 cameras.
 - D. Around 120 cameras.
 - E. Around 150 cameras.
4. According to scenario 4.1, what is the PC price?
 - A. Around \$50.
 - B. Around \$150.
 - C. Around \$300.
 - D. Around \$450.
 - E. Around \$600.

5. According to scenario 4.1, what is the monopolistic quantity?
 - A. Around 30 cameras.
 - B. Around 60 cameras.
 - C. Around 90 cameras.
 - D. Around 120 cameras.
 - E. Around 150 cameras.

6. According to scenario 4.1, what is the monopolistic price?
 - A. Around \$50.
 - B. Around \$150.
 - C. Around \$300.
 - D. Around \$450.
 - E. Around \$600.

7. According to scenario 4.1, how much is the consumer surplus if the market is a monopoly?
 - A. Zero.
 - B. Around 3,000.
 - C. Around 6,000.
 - D. Around 9,000.
 - E. Around 12,000.
 - F. Around 15,000.

8. According to scenario 4.1, how much is the DWL if the market is a monopoly?
 - A. Zero.
 - B. Around 1,500.
 - C. Around 3,000.
 - D. Around 4,500.
 - E. Around 6,000.
 - F. Around 7,500.

9. According to scenario 4.1, how much will the monopolist's profit be, if $FC = 12,000$?
 - A. Around \$3,000.
 - B. Around \$6,000.
 - C. Around \$9,000.
 - D. Around \$12,000.
 - E. Around \$15,000.
 - F. Around \$18,000.

10. According to scenario 4.1, how much more profit does the monopolist earn compared to the market being perfectly competitive, if $FC = 12,000$?
 - A. Around \$3,000.
 - B. Around \$5,000.
 - C. Around \$7,000.
 - D. Around \$9,000.
 - E. Around \$12,000.
 - F. Around \$15,000.

11. Which of the following is accurate regarding monopolies?
- A. A monopolist will always make positive profits.
 - B. Monopolistic markets generally have lower gains of trade than PC markets.
 - C. Both A and B.
 - D. None of the above.

Scenario 4.2: The table below shows the quantity, total revenue and variable cost of a monopolist. Fixed cost is \$20.

Quantity	1	2	3	4	5	6
Total Revenue	120	200	270	330	370	400
Variable Cost	50	80	120	180	260	360

12. 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.

13. According to scenario 4.2, how much will the monopolist charge?
- A. Around \$50.
 - B. Around \$75.
 - C. Around \$100.
 - D. Around \$125.
 - E. Around \$150.

q	0	1	2	3	4	5	6	7
p	80	68	57	48	40	34	29	25

Table 4.1: The demand schedule for a monopolist

14. According to table 4.1, what is the profit maximizing quantity for the monopolist if the total cost is $C = 5q$?
- A. Zero.
 - B. 1 unit.
 - C. 2 units.
 - D. 3 units.
 - E. 4 units.
 - F. 5 units.
 - G. 6 units.
 - H. 7 units.
15. According to table 4.1, how much will the monopolist's profit be if the total cost is $C = 5q$?
- A. Around \$50.
 - B. Around \$75.
 - C. Around \$100.
 - D. Around \$125.
 - E. Around \$150.

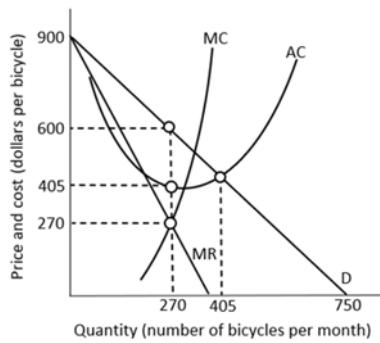


Figure 4.1: the demand and cost curves for a monopolist, who produces bicycles

16. According to figure 4.1, how many bicycles will the monopolist produce in a month?
 - A. Less than 270 bicycles.
 - B. 270 bicycles.
 - C. Between 270 and 405 bicycles.
 - D. 405 bicycles.
 - E. Above 405 bicycles.

17. According to figure 4.1, how much will the monopolist charge per bicycle?
 - A. Less than \$270.
 - B. \$270.
 - C. Between \$270 and \$405.
 - D. \$405.
 - E. Between \$405 and \$600.
 - F. \$600.
 - G. Above \$600.

18. According to figure 4.1, how much will the monopolist's monthly profit be?
 - A. Around \$10,000.
 - B. Around \$20,000.
 - C. Around \$30,000.
 - D. Around \$40,000.
 - E. Around \$50,000.

19. Which of the following is accurate for a sales tax on a perfectly competitive product?
 - A. It will move the supply curve of the product to the right.
 - B. It will move the supply curve of the product to the left.
 - C. It will move the demand curve of the product to the right.
 - D. It will move the demand curve of the product to the left.

20. Which of the following is rent-seeking?
 - A. The high price a monopoly charges.
 - B. The high advertising costs for the public to become aware for a new product.
 - C. The large scale of production industrial companies use.
 - D. None of the above.

Good afternoon! Most people think that the key to success in life is making smart decisions. Actually, this could not be more wrong. People succeed in many different ways, following vastly dissimilar paths or even making opposite decisions. However, there exists one trait that all successful people have in common: developing winning habits. Either you like it or not, your habits is what makes you a winner or a loser, not your decisions. Losers learn to need reminders, to start working only if a deadline approaches, to do only the minimum necessary with as little effort as possible and their everyday goal is to 'get away with it'. On the other hand, winners have the habit to be on top of their own schedule, to not need a deadline to get the job done. Winners do always their best out of habit. You may not be ready to accept this now, but in the same way you will work today on this homework, tomorrow you will work 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 two 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 loser habits, and those will follow you forever. So, do yourself a favor and quit those now while it is still early.

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