

## **ARE 201 Sample Final Exam Answer Sheet**

### **MULTIPLE CHOICE (2 points each)**

1. b
2. c
3. c
4. c
5. c
6. a
7. c
8. b
9. c
10. c
11. b
12. c
13. a
14. a
15. b
16. c
17. d
18. c
19. c
20. c
21. c
22. a
23. c
24. b
25. b
26. a
27. a

### **TRUE/FALSE (2 points each)**

1. T
2. T
3. T
4. F
5. T
6. T
7. F
8. F
9. F

### **SHORT ANSWER**

**APPLICATION/SCENARIO (6 points for No.1 and 11 points each for No.2 and No.3)**

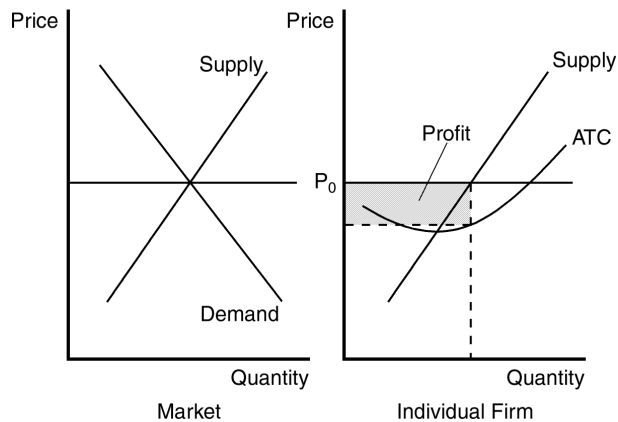
1. ANSWER:

Quantity produced	Fixed cost	Variable cost	Total cost	Averaged fixed cost	Average variable cost	Average total cost	Marginal Cost
0	1	0	1	-----	-----	-----	-----
1	1	0.2	1.2	1	0.2	1.2	0.2
2	1	0.5	1.5	0.5	0.25	0.75	0.3

2. ANSWER:

- a. 40
- b. \$10.00
- c. \$80.00.
- d. 40
- e. \$5
- f. \$200
- g. It would fall from \$80 to only \$20.
- h. It would fall from \$120 to only \$30.
- i. At quantities less than the equilibrium quantity, the value to buyers exceeds the cost to sellers. Increasing the quantity in this region raises total surplus until equilibrium quantity is reached. At quantities greater than the equilibrium quantity, the cost to sellers exceeds the value to buyers and total surplus falls.

3. ANSWER:



In a competitive market where firms are earning economic profits, new firms will have an incentive to enter the market. This entry will expand the number of firms, increase the quantity of the good supplied, and drive down prices and profits.