ECON 1A – PLANNING FOR THE MIDTERM

1. Unable to take the exam?

As noted in the syllabus the midterm is optional – you do not need to take it. You should take it, but if you do not you don’t need to inform anyone.

2. What you need for the exam.

A pencil. We supply the scantrons. No calculators are allowed.

3. Material Covered

The exam will cover:

1. The material presented in the class lectures up to and including Friday, Feb 18
2. Problem sets 1-5.
2. Book chapters 2, 5-12, 21.

About 40% of the exam will be on the material covered in the first midterm, and 60% on the material covered since then.

4. Sample Exam Questions

The exam will consist of 15 multiple choice questions and one longer question.

Below are some sample multiple choice questions for the second midterm. These questions will be discussed by the TA’s in section this Wednesday or Thursday as part of the review for the test. The answers will be put up on the web page next Thursday.

5. Extra office hours

All the T.A.s will have some extra office hours next Thursday or Friday. There will thus be a TA on call Thursday 12-4, and Friday 10-1. These hours are:

Helen Han          Thur 2-4, Fri 11-12.
Nichole Renda      Wed 12-1, Thur 12-1
Seungjoon Lee      Thur 9:15-10:15, Fri 12-1
Jared Rodecker     Fri 10:30-12:30
Brian Rosario      Fri 10-11
Jennifer Woods     Thur 1-3, Fri 10:30-12
Sample Problems

1. A competitive market is
A. A market in which there are many buyers and sellers and many sellers so that each has a negligible impact on price.
B. A market where consumers can freely interact with sellers.
C. A market where producers are under no government restrictions.
D. A market where firms compete directly with one another.
E. A market where competition between firms keeps prices as low as possible.

2. Suppose a consumer consumes only two goods, donuts and diet soda. Suppose the price of soda halves with income unchanged. What happens to the budget constraint?
A. It rotates away from the origin around the intercept on the donut axis.
B. It rotates away from the origin around the intercept on the soda axis.
C. It rotates towards the origin around the intercept on the donut axis.
D. It shifts towards the origin, but stays parallel to the original constraint.
E. It rotates towards the origin around the intercept on the soda axis.

3. Suppose your income doubles. Using the method of budget constraints and indifference curves we can conclude that
A. You consume twice as much of every good.
B. You are twice as happy as you were before.
C. You are more than twice as happy as you were before.
D. You are happier, but less than twice as happy.
E. You are happier.

4. Suppose a firm has a demand curve of \( P = 100 - Q \). Which of the following will be FALSE.
A. The firm maximizes profits by setting marginal revenue equal to marginal cost.
B. The firm may have many competitors.
C. The price charged by the firm will be greater than marginal costs.
D. The price charged by the firm will equal marginal costs.
E. The price charged by the firm will be inefficient.

5. Suppose the demand curve of a firm is \( P = 12 - 2Q \). Suppose the Total Cost of the firm is \( 6+4Q \). The EFFICIENT output price for the firm is:
A. 4
B. 6
C. 8
D. 9
E. 10
6. Suppose the demand curve of a firm is \( P = 12 - 2Q \). Suppose the Total Cost of the firm is \( 6 + 4Q \). The price that maximizes PROFIT is:

A. 4  
B. 6  
C. 8  
D. 9  
E. 10

7. Suppose the demand curve of a firm is \( P = 12 - 2Q \). The price that maximizes REVENUE is:

A. 4  
B. 6  
C. 8  
D. 9  
E. 10

8. Economists believe all publicly traded firms will maximize profits because:

A. Most managers have some knowledge of economics.  
B. Managers want to make as much money as possible.  
C. Managers like most people are selfish.  
D. Managers who fail to maximize profits will be ousted by takeover bids.  
E. Most corporate managers are still male.

9. If the demand curve in a market is horizontal then the PRICE ELASTICITY OF DEMAND is:

A. -1  
B. 0  
C. 1  
D. Infinite  
E. Varies between 0 and infinity.

10. A firm which engages in PERFECT PRICE DISCRIMINATION will

A. Cause deadweight loss.  
B. Cause rent seeking loss.  
C. Reduce consumer surplus to zero.  
D. Produce an inefficient level of output.  
E. Generate more than maximum profits.