Università di Roma "Tor Vergata"
Exam paper for Industrial organisation – MOCK EXAM

Name and surname: _____ **Reg. no.:** _____

- Write your answers to Section 1 and 2 on the sheets provided ONLY, using different sheets for the two answers.

- In Section 1, your answer should be maximum 2 pages long (with a reasonable sized handwriting).
- In Section 3, there are 4 possible answers to each question. Either: 1) one answer only is correct, or 2) more than one answer are correct but one is more complete than the others (since it encompasses other correct answers). Select your favourite answer and write the corresponding letter in the space provided on the right of the exam sheet.

- In Section 1 and 2, your grade will be between 12 and 32
- In Section 3, your maximal grade is 32 and it is computed as follows. You start with 12 points; you get 2 for each correct answer, -0.5 for each wrong answer and 0 when you do not give an aswer.
- Your final grade for this module is the average grade over the three Sections.
- You pass the exam for this module when i) your average grade is above 18, ii) your grade is above 18 in at least 2 Sections.

Section 1
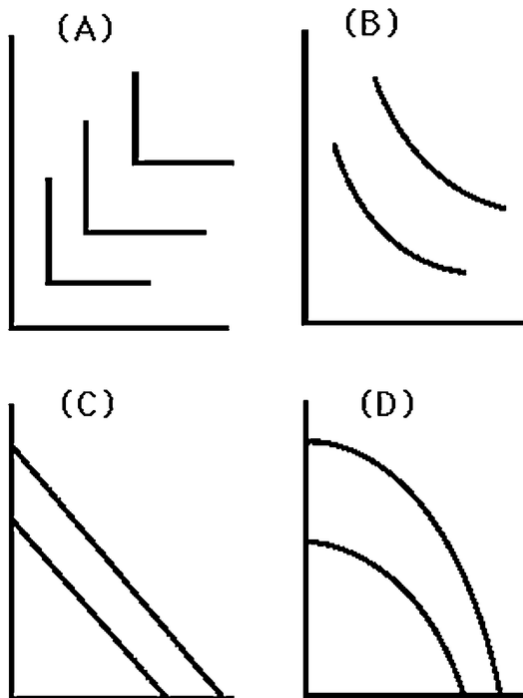Firms set prices in relation to the elasticity of demand. Discuss.

Section 2
A firm sells two products, X and Y, as a monopolist; manufacturing and selling involves no production cost. The firm knows that there are three different groups of consumers; the number of consumers to each group and their willingness to pay for the two goods offered by the firm is given in the following table

	#	X	Y
Customer Type A	40	50	0
Customer Type B	40	0	50
Customer Type C	20	30	30

a) Assume the firm sells the two products separately. What prices should it set for goods X and Y to maximize profit? How much are its profits?
b) Assume the firm sells the bundled product XY only. What prices should it set for the bundled good XY to maximize profit? How much are its profits?
c) Assume the firm sells the two products separately and also sells the bundled product XY. What prices should it set for goods X and Y and for the bundled good XY to maximize profit? How much are its profits?

1) If oranges were found to cure cancer   1) _____
   A) the equilibrium price of oranges would likely increase in the near term.
   B) the equilibrium quantity of oranges would likely increase.
   C) the equilibrium price of apples would likely fall.
   D) All of the above.

2) Joe's income is $500, the price of food (F, y–axis) is $2 per unit, and the price of shelter (S, x–axis) is   2) _____
   $100. Which of the following represents his marginal rate of transformation of food for shelter?
   A) –50   B) –.02
   C) –5   D) None of the above.

(A)   (B)

(C)   (D)

3) Lectures in microeconomics can be delivered either by an instructor (labor) or a movie (capital) or   3) _____
   any combination of both. Each minute of the instructor's time delivers the same amount of
   information as a minute of the movie. Which graph in the above figure best represents the
   isoquants for lectures in microeconomics when capital per day is on the vertical axis and labor per
   day is on the horizontal axis?
   A) Graph A   B) Graph B   C) Graph C   D) Graph D

4) Economic costs of an input include   4) _____
   A) only explicit costs.
   B) only implicit costs.
   C) both implicit and explicit costs.
   D) whatever management wishes to report to the shareholders.

5) If a monopoly's demand curve shifts to the right the monopoly   5) _____
   A) will sell more.   B) will charge a lower price.
   C) will charge a higher price.   D) decision cannot be determined.

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6) Purchasing a season pass to the local symphony 6) _____
    A) is an example of third degree price discrimination.
    B) is an example of first degree price discrimination.
    C) is an example of second degree price discrimination.
    D) All of the above.

7) If a monopolist faces entry by a potential rival, investing to lower its marginal cost 7) _____
    A) is credible but will not deter entry.
    B) is a credible way to deter entry.
    C) will not occur, even when there are no barriers to entry.
    D) is not a credible threat.

8) A disagreement point is 8) _____
    A) an item of contention between the two bargaining players.
    B) the outcome that occurs if there is no agreement in a bargain.
    C) a way of keeping score in a negotiation.
    D) the point in a negotiation where the players cannot reach an agreement.

9) The deadweight loss associated with output less than the competitive level can be determined by 9) _____
    A) summing the consumer and producer surplus associated with less output.
    B) summing the change in the total consumer and producer surplus from moving from the competitive level of output to less output.
    C) subtracting the competitive level producer surplus from the producer surplus associated with less output.
    D) subtracting the consumer surplus from the producer surplus associated with less output.

10) Mergers often increase profit by 10) _____
    A) producing economies of scope.   B) producing economies of scale.
    C) increasing efficiency of the firm.   D) All of the above.