

# Economics for Business: Microeconomics

*Prof. Eloisa Campioni*

EXAM Sample

Hand in within: 120 minutes

Name and Surname: .....

Matricola: .....

Question	Mark	Final Mark
1	3	
2	3	
3	3	
4	9	
5	12	
<b>Total</b>	30	

*Answer within the given space limit.*

1. [3 points] Consider the Bertrand version of a duopolistic market in which firms produce a homogeneous good. If the two firms have the same cost structure, at equilibrium the competitors will not be able to extract any consumer's surplus.

A. True    B. False

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2. [3 points] Consider the following normal form game, with two players and payoff matrix given by:

		<i>Player 2</i>		
		<i>L</i>	<i>M</i>	<i>R</i>
<i>Player 1</i>	<i>U</i>	(1,0)	(1,2)	(0,5)
	<i>D</i>	(3,-2)	(0,1)	(3,-1)

The game has no strictly dominated strategies.

A. True    B. False

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3. [3 points] The optimal quantity produced by a monopolist who maximizes profits is determined by the equalizing price with marginal costs.

A. True    B. False

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4. [9 points] If consumers' preferences are heterogeneous and observable, the (maximum) profits that a monopolist firm achieves by means of a non-linear tariff or of a two-part tariff are equal. Explain and provide a graphical illustration of your arguments *in the case of two-types*. Is there any difference between the two-part tariff and the non-linear tariff?

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5. [12 points] Consider the following extensive form game. Let the first element of every array of payoffs represent the payoff of player 1.

1. Identify the strategy set of every player.
2. Represent the game in strategic form. Explain what is the appropriate solution concept for such games.
3. Characterize the pure strategy Nash equilibria.
4. Characterize the subgame perfect Nash equilibria in pure and in mixed strategies, if any.
5. Compare the results you get in 3. and in 4. and explain.

