

Monopoly

1. Sean owns the only pool cleaning service in his town. If he charges \$50 per cleaning, he has 10 weekly customers. If he wants to add an 11th customer, he needs to drop his price to \$45. What is Sean's marginal revenue for the 11th customer?

- a) negative \$5***
- b) \$5
- c) \$45
- d) \$495

2. Digiano's Pizza Buffet charges \$15 for adults and \$10 for senior citizens. The goal of price discrimination is to increase *by charging more to those who have* demand.

- a) consumer surplus; less elastic
- b) consumer surplus; more elastic
- c) producer surplus; less elastic***
- d) producer surplus; more elastic

3. Of these, which has the largest monopoly in Canada?

- a) NHL
- b) canada Post
- c) google

4. To maximize profits a Monopolist can charge whatever price he/she wants.

- a) true
- b) false

5. Consider the following: The profit-maximizing price charged for goods produced is \$16. The intersection of the marginal-revenue and marginal-cost curves occurs where output is 10 units

and marginal cost is \$8. Average total cost for 10 units of output is \$6. What is the monopolist's profit under these conditions?

- a) \$20
- b) \$80
- c) \$100***
- d) \$160

6. Is it fair to charge two buyers different price for the same product?

- a) yes, it is fair.
- b) no, it is not fair.

7. Which of these can be considered Price Discrimination?

- a) first class passengers pay more.
- b) babies eat free at restaurants
- c) wealthier looking people pay more at flea markets
- d) all of the above.***

8. Should universities use price discrimination when charging students tuition? For instance, they could charge students different tuition based on their parent's income.

- a) yes, universities should use price discrimination.
- b) no, everyone should pay the same tuition.