



Economics and Business – Extra Questions

Meeting 5



Welcome To Success Formula Extra Questions

What Is It?

This free set of custom questions gives you a clear taste of what to expect on the exam and helps you check if you are keeping up with the material. They are based on our Weekly Meetings and cover the key topics you need to know. The difficulty of each question is shown in the corner by the number of lit Success Formula logos. Share, discuss, and have fun testing your knowledge with them! 😊

How Does It Work?

Give the questions a go on your own! We are not giving the answers on purpose. Peeking would make it way too easy. Stuck or unsure? Come into into our WhatsApp group and discuss them with us. The link/QR is on the last slide if these questions were shared with you.



Exam Time!



Question

In the short run, monopolistically competitive firms:

Answers

- A. Always earn zero economic profit.
 - B. Face perfectly elastic demand curves.
 - C. Can earn positive economic profits.
 - D. Produce at minimum average total cost.
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Exam Time!



Question

Two firms compete in quantities. Firm 1's cost function is $C_1(q_1) = 10q_1$, and Firm 2's cost function is $C_2(q_2) = 5q_2$. The market price is $P = 100 - (q_1 + q_2)$. What is the Nash equilibrium quantity for Firm 1?

Answers

- A. 30
- B. 40
- C. 50
- D. 60



Exam Time!



Question

In an extensive game, a firm threatens to enter a market unless a competitor reduces prices. What is required for the threat to be credible?

Answers

- A. The threat must be part of a Nash equilibrium.
 - B. The firm must have a dominant strategy.
 - C. The payoff from the threat must exceed the payoff from not threatening.
 - D. The threat must be observable by the competitor.
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Exam Time!



Question

Two firms compete in quantities. Firm 1's cost function is $C_1(q_1) = 10q_1$, and Firm 2's cost function is $C_2(q_2) = 10q_2$. The market price is $P = 100 - (q_1 + q_2)$. What is the equilibrium price if both firms compete on price?

Answers

- A. 10
- B. 20
- C. 30
- D. 40



Exam Time!



Question

Why is collusion among oligopolists typically unstable?

Answers

- A. It leads to legal sanctions.
 - B. Firms have incentives to deviate for higher profits.
 - C. Collusion reduces deadweight loss.
 - D. It increases marginal costs for all firms.
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