

Economics and Business – Extra Questions

Answers – All Weeks

If you have any questions, feel free to ask on the group chat 😊

Meeting 1:

1. B

Comment: An increase in supply shifts the supply curve to the right, resulting in a lower equilibrium price and a higher equilibrium quantity, assuming demand remains constant.

2. B

Comment: Calculate the total cost of living in each apartment and select the one with the lowest cost:

$$\text{Apartment 1: } 30\text{€} \times 5 + 1,050\text{€} = 1200\text{€}$$

$$\text{Apartment 2: } 30\text{€} \times 10 + 890\text{€} = 1190\text{€}$$

$$\text{Apartment 3: } 30\text{€} \times 15 + 870\text{€} = 1320\text{€}$$

$$\text{Apartment 4: } 30\text{€} \times 20 + 750\text{€} = 1350\text{€}$$

3. B

Comment: A surplus occurs when producers supply more of a good than consumers are willing to buy at a given price, often leading to a reduction in price to reach equilibrium.

4. D

Comment: Production technology affects supply, not demand. Determinants of demand include factors that influence consumers' willingness to buy e.g. tastes, income, prices of substitutes and compliments, and the number of buyers.

5. A

Comment: If the price of a substitute good increases, consumers are more likely to switch to the original good, increasing its demand.

Meeting 2:

1. A

2. A

3. B

4. A

5. D

Meeting 3:

1. B

Comment: In the short run, a firm should shut down if it cannot cover its variable costs, as it would incur even greater losses by operating.

2. A

Comment: In perfect competition, price equals marginal cost, ensuring that resources are allocated efficiently, which maximizes social surplus.

3. B

Comment: To maximize profit, set $MC = P$. The marginal cost is derived from the total cost function as $MC = d(TC)/dQ = 10 + 2Q$. Setting $MC = 30$, $10 + 2Q = 30 \Rightarrow Q = 10$.

4. D

Comment: The average total cost is minimized where the derivative of ATC with respect to Q is zero. First, find $ATC = (100 + 5Q + 0.2Q^2) / Q = 100/Q + 5 + 0.2Q$. Take the derivative and set it = 0 to solve for Q , which gives $Q = 25$.

5. C

Comment: A binding price floor reduces the quantity traded below the equilibrium level, resulting in deadweight loss due to lost consumer and producer surplus.

Meeting 4:

1. A

Comment: The Nash equilibrium occurs when both firms advertise. Advertising is the dominant strategy because each firm maximizes its payoff by advertising regardless of the other's choice.

2. A

3. C

Comment: A monopoly faces a downward-sloping demand curve, so marginal revenue is less than price due to the need to lower the price to sell additional units.

4. B

Comment: Import quotas limit the quantity of goods that can be imported, reducing consumer surplus by increasing prices and limiting supply.

5. A

Comment: The monopolist maximizes profit where $MR=MC$.

The total revenue $TR=P \cdot Q=(100-2Q)Q=100Q-2Q^2$, so $MR=100-4Q$.

Setting $MR=MC$:

$$100-4Q = 20 \Rightarrow Q=20$$

Meeting 5:

1. C

2. A

3. A

4. A

5. B

Meeting 6:

1. C

2. D
3. A
4. C
5. C