|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | In \_\_\_\_ price discrimination, it is possible for the entire consumer surplus to be captured by the seller. |  |  |  |  |
| Question 1 answers

|  |  |  |
| --- | --- | --- |
|  |  | first-degree |
|  |  | second-degree |
|  |  | third-degree |
|  |  | a and b |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 2 text  Question 2  |   |     |
|   | Which of the statements about price discrimination is FALSE? |  |  |  |  |
| Question 2 answers

|  |  |  |
| --- | --- | --- |
|  |  | It must be possible to segment the market. |
|  |  | It must be difficult to transfer the seller's product from one market segment to another. |
|  |  | Public utilities practice first-degree price discrimination. |
|  |  | There must be differences in the elasticity of demand from one customer segment to another. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 3 text  Question 3  |    |     |
|   | What, according to economists, is a problem with uniform pricing? |  |  |  |  |
| Question 3 answers

|  |  |  |
| --- | --- | --- |
|  |  | It is illegal. |
|  |  | It does not allow the seller to use markup pricing. |
|  |  | It is often not the most profitable method for pricing. |
|  |  | It is hard to charge all customers the same amount for a product. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 4 text  Question 4  |    |    |
|   | Mapleville Tennis & Golf Club offers golf and tennis memberships to the residents of Mapleville. Market research has found there are two types of families living in the city: 120 golf-oriented families and 100 tennis-oriented families. Information on the demand prices for golf and tennis memberships by family type is given below. It is not possible to identify family types for pricing purposes, and all costs are fixed so that maximizing total revenue is equivalent to maximizing profit.

|  |  |  |
| --- | --- | --- |
| **Type of family**  | **Tennis membership only**  | **Golf membership only** |
| Tennis-oriented                              | $150 | $50 |
| Golf-oriented                                   | $75 | $200 |

If Mapleville Tennis & Golf Club plans to offer bundled golf and tennis memberships, what price should it charge to maximize profits? |  |  |  |  |
| Question 4 answers

|  |  |  |
| --- | --- | --- |
|  |  | $350 |
|  |  | $200 |
|  |  | $275 |
|  |  | $250 |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 5 text  Question 5  |    |     |
|   | Which of the following is an example of two-part pricing? |  |  |  |  |
| Question 5 answers

|  |  |  |
| --- | --- | --- |
|  |  | In order to buy a cell phone, you must buy a package that contains other features, such as voice mail and text messaging. |
|  |  | A firm, e.g., Sam's Club or Costco, charges a membership fee that is separate from the price paid for items purchased from the firm. |
|  |  | You pay full price for the first pair of shoes and half price for the second pair. |
|  |  | Tickets for matinees are less expensive than tickets for evening performances when demand is higher. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 6 text  Question 6  |     |     |
|   | Other things being equal, a firm's profits will be greatest when it practices |  |  |  |  |
| Question 6 answers

|  |  |  |
| --- | --- | --- |
|  |  | first-degree price discrimination. |
|  |  | second-degree price discrimination. |
|  |  | third-degree price discrimination. |
|  |  | no price discrimination. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 7 text  Question 7  |     |     |
|   | Second-degree price discrimination |  |  |  |  |
| Question 7 answers

|  |  |  |
| --- | --- | --- |
|  |  | is also known as block rate setting. |
|  |  | captures all consumer surplus. |
|  |  | sets a different price for each customer. |
|  |  | can only be used when customers can be segmented into groups. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 8 text  Question 8  |     |    |
|   | \_\_\_\_\_\_\_ is a pricing strategy for newly introduced products that results in a high initial product price. This price is reduced over time as demand at the higher price is satisfied. |  |  |  |  |
| Question 8 answers

|  |  |  |
| --- | --- | --- |
|  |  | Prestige pricing |
|  |  | Price lining |
|  |  | Skimming |
|  |  | Incremental pricing |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 9 text  Question 9  |    |   |
|   | If the price elasticity of demand for bananas is -1.5 and the price elasticity of demand for grapefruit is -2.5, and the marginal cost of producing each of the items is $0.50 each, what is the profit-maximizing price for each? |  |  |  |  |
| Question 9 answers

|  |  |  |
| --- | --- | --- |
|  |  | Bananas: $1.50; Grapefruit: $0.83 |
|  |  | Bananas: $0.75; Grapefruit: $1.25 |
|  |  | Bananas: $0.34; Grapefruit: $0.20 |
|  |  | Bananas: $0.75; Grapefruit: $1.25 |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 10 text  Question 10  |     |     |
|   | Many years ago, the Wall Street Journal published an article about a dating service. The article noted that men were charged $300, above the $250 charged for women. The dating service’s owner said that the difference in price compensated for inequities in pay scales between men and women. Which of the following statements below is an alternative explanation that an economist would look for? |  |  |  |  |
| Question 10 answers

|  |  |  |
| --- | --- | --- |
|  |  | Men have a higher (or more elastic) price elasticity of demand for dating services than do women. |
|  |  | More women than men use dating services. |
|  |  | More men than women use dating services. |
|  |  | Men have a lower (or less elastic) price elasticity of demand for dating services than do women. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 11 text  Question 11  |     |    |
|   | Which of the following is considered a necessary condition for successful price discrimination? |  |  |  |  |
| Question 11 answers

|  |  |  |
| --- | --- | --- |
|  |  | A firm's customers must all have the same price elasticity of demand. |
|  |  | Firms must be able to determine each customer's maximum willingness to pay for the product in question. |
|  |  | Firms are able to prevent resale among different groups of customers. |
|  |  | Firms must operate in a perfectly competitive market. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 12 text  Question 12  |     |     |
|   | The segmenting of customers into several small groups such as household, institutional, commercial, and industrial users, and establishing a different rate schedule for each group is known as |  |  |  |  |
| Question 12 answers

|  |  |  |
| --- | --- | --- |
|  |  | first-degree price discrimination. |
|  |  | market penetration. |
|  |  | third-degree price discrimination. |
|  |  | second-degree price discrimination. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 13 text  Question 13  |    |    |
|   | Which of the following is an example of bundling? |  |  |  |  |
| Question 13 answers

|  |  |  |
| --- | --- | --- |
|  |  | Charging an admission to a nightclub as well as requiring patrons to pay for their drinks. |
|  |  | Charging students and seniors a lower price for movie tickets than adults. |
|  |  | Purchasing a cell phone plan that includes texting and internet access. |
|  |  | Charging $5 per pair of socks and also offering a bag of 5 pairs for $15. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 14 text  Question 14  |    |    |
|   | Which of the following is NOT considered to be a form of price discrimination? |  |  |  |  |
| Question 14 answers

|  |  |  |
| --- | --- | --- |
|  |  | Declining block pricing |
|  |  | Group pricing |
|  |  | Bundling multiple products |
|  |  | Personalized pricing |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 15 text  Question 15  |     |    |
|   | Which of the following is NOT a shortcoming of cost-plus pricing? |  |  |  |  |
| Question 15 answers

|  |  |  |
| --- | --- | --- |
|  |  | Most often the actual profit margin will be less than profit maximizing margin. |
|  |  | Cost-plus pricing allows firms to set prices equal to a predetermined markup above average costs. |
|  |  | It is unlikely that arbitrary rules or historical precedent to choose a markup will product the maximum profit. |
|  |  | Because cost-plus pricing involves average rather than marginal cost, it does not use the MR=MC rule to find the profit maximizing rate of production. |

 |  |  |  |  |