1. Which of the following is not characteristic of perfect competition?

A) a differentiated product B) no barriers to entry or exit

C) large number of buyers D) complete knowledge of market price

2. Which of the following conditions would definitely cause a perfectly competitive company to shut down in the short run?

A) P < MC B) P = MC < AC C) P < AVC D) P = MR

3. When MR = MC,

A) marginal profit is maximized. B) total profit is maximized.

C) marginal profit is positive. D) total profit is zero.

4. Which of the following characteristics is most important in differentiating between perfect competition and all other types of markets?

A) whether or not the product is standardized

B) whether or not there is complete market information about price

C) whether or not firms are price takers

D) All of the above are equally important.

5. Which of the following is true about a monopoly?

A) Its demand curve is generally less elastic than in more competitive markets.

B) It will always earn economic profit.

C) It will try to charge the highest possible price.

D) It will always be subject to government regulation.

E) None of the above is true.

6. A perfectly competitive firm has total revenue and total cost curves given by:

TR = 100Q

TC = 5,000 + 2Q + 0.2 Q2

a. Find the profit-maximizing output for this firm.

b. What profit does the firm make?

a. Q = \_\_\_\_\_\_\_\_\_\_\_ b. $\_\_\_\_\_\_\_\_\_\_\_\_\_

7. A monopolist has demand and cost curves given by:

Qd = 1000 - 2P

TC = 5,000 + 50Q

a. Find the monopolist's profit-maximizing quantity.

b. Find the monopolist's profit.

a. Q = \_\_\_\_\_\_\_\_\_\_ b. Profit = $\_\_\_\_\_\_\_\_\_\_\_

8. If firms are earning economic profit in a monopolistically competitive market, which of the following is most likely to happen in the long run?

A) Some firms will leave the market.

B) Firms will join together to keep others from entering.

C) New firms will enter the market, thereby eliminating the economic profit.

D) Firms will continue to earn economic profit.

9. The main difference between perfect competition and monopolistic competition is

A) the number of sellers in the market.

B) the ease of exit from the market.

C) the degree of information about market price.

D) the degree of product differentiation.

10. Mutual interdependence means that

A) all firms are price takers.

B) each firm sets its own price based on its anticipated reaction by its competitors.

C) all firms collaborate to establish one price.

D) all firms are free to enter or leave the market.

11. The demand curve, which assumes that competitors will follow price decreases but not price increases, is called

A) an industry demand curve. B) an inelastic demand curve.

C) a kinked demand curve. D) a competitive demand curve.

12. In the long run, the most helpful action that a monopolistically competitive firm can take to maintain its economic profit is to

A) continue its efforts to differentiate its product.

B) raise its price.

C) lower its price.

D) do nothing, because it will inevitably experience a decline in profits.

13. The demand curve facing a firm in a monopolistically competitive market versus that facing that in a pure monopoly:

A) is less elastic

B) has the same elasticity

C) is more elastic

D) this comparison cannot be made

14. A monopoly does not have to worry about suffering losses because:

A) it has the power to set its prices at any level it desires

B) government regulation of monopolies is not very effective

C) it can always operate where MR > MC

D) this statement is false, monopolies do have to worry

15. Which of the following are risks for multinational corporations but not risks for domestic corporations?

A) changes in government rules and regulations

B) capital controls

C) changes in tax laws

D) government red tape and corruption

16 Which of the following represent capital budgeting problems for multinational corporations but not for domestic corporations?

A) determining the cost of capital

B) calculating after-tax cash flows

C) selecting the appropriate risk-adjusted rates of return

D) None of the above.

17. Which of the following represent ways in which multinational corporations can protect themselves from exchange rate risks?

A) forward markets B) futures markets

C) currency options D) all of the above.

18. Which of the following is not an argument in favor of the globalization of business?

A) more efficient use of resources lowers operating costs and selling prices

B) more products are made available and new markets are opened

C) economic and political security is enhanced

D) technology transfers improve living standards in poorer countries

19. Which of the following products is the best example of perfect competition?

A) automobiles B) apples

C) soap D) video cassettes

20. If a perfectly competitive firm incurs an economic loss, it should

A) shut down immediately.

B) try to raise its price.

C) shut down in the long run.

D) shut down if this loss exceeds fixed cost.

21. Foreign direct investment means that

A) we buy the US subsidiary of a foreign company.

B) a foreign company buys a US-only company.

C) the investment is made in a foreign currency.

D) we start a subsidiary of our company in a foreign country.

22. Among the factors to be considered when preparing the budget for a foreign subsidiary is:

A) comparative tax rates in the home versus the foreign country.

B) the language to be used in the budget.

C) the resistance of the foreign consumer to our product.

D) comparative income standards.

23. Outsourcing occurs when

A) globalization has happened.

B) the purchasing department decides.

C) production is transferred to another company.

D) China is involved.

24. A futures contract differs from a forward contract because

A) forward contracts are marked to market but futures aren’t.

B) forward contracts are for standard amounts but futures aren’t.

C) future contracts are marked to market but forwards aren’t.

D) forwards and futures are two names for the same thing.

25. Today the XYZ Corporation shipped goods value at 1 million Euros, to a customer in Belgium. Payment is due in 90 days, and the Belgium firm will make the payment in euros. Today spot rate is euros1 / $ 1.40. the 90 day forward rate is euros1 / $1.38

1. How many dollars would XYZ receive if payment were made today?
2. If XYZ has no hedged in the forward market and the spot rate 90 days from now is

Euro 1 / $1.39. how much would XYZ receive in U.S.dollars?