



**Damietta University**  
**Faculty of Commerce**  
**Department of Economics**  
**2<sup>nd</sup> Semester Final Exam 2021/ 2022**



**English Section**  
**Contemporary Economic Issues**  
**Date 29/ 5 / 2022**  
**Time: 90 Minutes**

**MODEL D**

**Level: Fourth year**  
**Course Code: ECON401**  
**Total Marks: 50**  
**Total Pages: 3**

**Shade the Box A for the correct sentence and Box B for the wrong one**

1. Three conditions must be fulfilled for third-degree price discrimination; demand must be homogeneous, managers must be able to identify and segregate(isolate) the different segments, and markets must be successfully sealed
2. The optimal solution for third-degree price discrimination is : $MR_1(Q_1) + MR_2(Q_2) = MC(Q_1 + Q_2)$
3. Two-part tariffs pricing strategy occurs when managers set prices so that consumers pay an entry fee and then a use fee for each unit of the product they consume.
4. A two-part tariffs is difficult for managers to implement than first-degree price discrimination because they charge individuals different prices for each unit of the good consumed.
5. An isoquant is a curve that shows any combination of labor and capital that can produce a single level of output.
6. If isoquants are crossing, intersections are consistent with requirement that the firm always produces efficiently.
7. Differences among firms regarding applied technologies and methods of organizing production, the amount of output that a firm produces from a given amount of inputs may differ from that produced by another.
8. In less competitive market with few firms and no possibility of entry by new ones, a less productive firm may be able to survive.
9. Technical progress is a technological invention that changes the production process.
10. Non-neutral technological changes are the changes that don't entail the alteration of inputs' proportions due to changes in technology.
11. Post-merger HHI between 1,000 & 1,800 means that these markets are moderately concentrated whereas post-merger HHI above 1,800 indicates that these markets are not concentrated.
12. Monopolistically competitive firms do not produce at minimum average total cost.
13. Horizontal merger is a merger, between firms at different stages of production of a good whereas vertical merger is a merger between firms in the same industry.

**Answer the following questions (MCQ)**

**Questions from 14 to 19**

Ali has an apparel firm. He manufactures shirts and trousers that are cut from the same fabrics. Such products are jointly produced in equal quantities. Managers face total cost function:  $TC = 50 + Q + Q^2$ . The demand curves for Ali's two products are:  $P_{Shirts} = 100 - 0.5 Q_{Shirts}$ ,  $P_{Trousers} = 76 - Q_{Trousers}$ , where  $P_{Shirts}$  and  $Q_{Shirts}$  are the price and quantity for shirts and  $P_{Trousers}$  and  $Q_{Trousers}$ , are price and quantity for trousers.

Ali managers want to know how many units of shirts and trousers they should produce to maximize profit for his firm and how much this profit is? Bear in mind that the firm's total revenue is equal to the total revenues from its two products.

14. The joint quantity can Ali produce from shirts and trousers  
a. 42                      b. 37                      c. 35                      d. 31
15. The price for shirts will be  
a. 82.5                      b. 85                      c. 88.5                      d. 92
16. The price for trousers will be

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- a. 37.5                      b. 39                      c. 40                      d. 41
17. Total revenues Ali earn  
a. 3920                      b. 4322.5                      c. 4451.5                      d. 4750
18. Total costs Ali incur  
a. 1460                      b. 1390                      c. 1310                      d. 1250
19. Total profits could Ali earn from producing both products jointly  
a. 3012.5                      b. 3061.5                      c. 3290                      d. 2670

### Questions from 20 to 11

The demand for electricity is given by:  $P = 245 - Q$  where  $Q$  is the number of electricity demanded if the price is  $P$  per cell. The total cost of the Bright lights company (a monopolist) is given by:

$TC = 25 + 12.5Q + 0.25 Q^2$  where  $Q$  is the number of produced electricity and put on the market by the company. Suppose the government could force Bright lights to behave as if it was a perfect competitor, via regulation,

- 1- What is the social welfare when Bright lights acts as a monopolist?
- 2- What is the social welfare when Bright lights behaves as a competitor?
- 3- How much does social welfare increase when Bright lights firm moves from monopoly to perfect competition?

#### Bright lights firm acts as a monopolist:

20. The required quantity for profit maximization for a monopolist is:  
a. 96                      b. 93                      c. 88                      d. 100
21. The required price for profit maximization for a monopolist is:  
a. 90                      b. 132                      c. 152                      d. 155
22. Consumer surplus for a monopolistic market is:  
a. 7440                      b. 5254.5                      c. 4500                      d. 4324.5
23. Producer surplus for a monopolistic market is:  
a. 10811.25                      b. 12272.5                      c. 14136                      d. 17460.75
24. Social welfare for a monopolistic market is:  
a. 24900.75                      b. 18636                      c. 17527                      d. 15135.75

#### Bright lights firm acts as a competitor:

25. The required quantity for profit maximization for a competitor is:  
a. 155                      b. 136                      c. 124                      d. 96
26. The required price for profit maximization for a competitor is:  
a. 149                      b. 121                      c. 90                      d. 109
27. Consumer surplus for a competitive market is:  
a. 4608                      b. 7688                      c. 9248                      d. 12012.5
28. Producer surplus for a competitor market is:  
a. 7943.75                      b. 6006.25                      c. 12012.5                      d. 13101.5
29. Social welfare for a competitive market is:  
a. 16620.5                      b. 17191.75                      c. 18018.75                      d. 20769.5
30. social welfare for competitive market increased by (Deadweight loss)  
a. 4131.25                      b. 2883                      c. 1444.5                      d. 907

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### Questions from 31 to 40

Omar sells ancient Clocks and the market demand for his Clocks is  $P = 18 - 3Q$ , where  $P$  the price,  $Q$  is the quantity of sold Clocks per month.

Omar has two strategies for selling his ancient papyrus; the first, he behaves as a monopolist and he can set a price and the total cost of selling each Clocks under such arrangement is \$3, and he incurs a monthly fixed cost of \$7.5.

The second strategy, he can behave as discriminator. In this case he hires a salesman who can well estimate a customer's WTP for a Clocks and he paid him \$ 1.5 per each unit he sells. He incurs the same fixed cost. Calculate Omar total profit if he acts as a monopolist and if he acts as discriminator

### The first strategy; Omar behaves as a monopolist

31. The quantity ( $Q$ ) equals:  
a. 2.5                      b. 3                      c. 3.5                      d. 4
32. The price per unit is:  
a. 9.5                      b. 10                      c. 10.5                      d. 11
33. Total revenues for Omar as a monopolist are:  
a. 24.75                      b. 25.25                      c. 25.75                      d. 26.25
34. Total costs for Omar are:  
a. 14.5                      b. 15                      c. 16                      d. 16.25
35. Total profits for Omar as a monopolist are:  
a. 10.25                      b. 11.25                      c. 9.5                      d. 9.25

### The second strategy; Omar behaves as a discriminator

36. The quantity( $Q$ ) for a discriminator is:  
a. 3                      b. 3.5                      c. 4                      d. 4.5
37. The price per unit for a discriminator is:  
a. as quantity                      b. less quantity                      c. varied                      d. greater than quantity
38. Total revenues for Omar as a discriminator are:  
a. 50.625                      b. 52.250                      c. 54.875                      d. 56.625
39. Total costs for Omar as a discriminator are:  
a. 25.25                      b. 27.75                      c. 26.25                      d. 26.75
40. Total profits for Omar as a discriminator are:  
a. 29.125                      b. 28.625                      c. 27.875                      d. 22.875

Best Wishes

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