Unit 4.4 Monopolistic Competition

AP Microeconomics Homework

Multiple-Choice Questions

1. 2021 AP Micro MCQ Q33

Which of the following is true of the marginal revenue curve for a monopolistically competitive firm?

(A) It is the same as the demand curve because there are many firms in the market.

(B) It is the same as the demand curve because marginal revenue is always equal to price.

(C) It is upward sloping because total revenue increases as the quantity sold increases.

(D) It lies below the demand curve because the firm must lower its price for all units in order to increase sales.

(E) It lies below the demand curve because marginal revenue decreases when price decreases.

2. 2021 AP Micro MCQ Q34

Which of the following is true about price (P), marginal cost (MC), marginal revenue (MR), and economic profit of a monopolistically competitive firm in long-run equilibrium?

(A) P > MC; Marginal revenue is below demand; Economic profit is zero

(B) P < MC; Marginal revenue is below demand; Economic profit is positive

(C) P > MC; Marginal revenue is above demand; Economic profit is positive

(D) P = MR = MC; Marginal revenue is equal to demand; Economic profit is zero

(E) P = MR = MC; Marginal revenue is above demand; Economic profit is positive

3. 2022 AP Micro MCQ Q32

Which of the following is true for a monopolistically competitive firm that is in short-run equilibrium and earning a positive economic profit?

(A) Accounting profits are less than economic profits.

(B) Marginal cost is greater than price.

(C) Marginal revenue is less than price.

(D) Average total cost is greater than price.

(E) Marginal revenue is less than marginal cost.

4. 2023 AP Micro MCQ Q10

Daily Tools is a typical firm in a monopolistically competitive market that produces tool kits for everyday use. Which of the following explains why Daily Tools is inefficient in long-run equilibrium?

(A) The entry of more efficient firms is blocked.

(B) The firm produces the quantity at which marginal cost equals average total cost.

(C) The firm does not produce the quantity that results in minimum average total cost.

(D) The firm does not produce the quantity that minimizes total cost.

(E) The firm's customers value the last unit of output at less than its cost.

5. 2023 AP Micro MCQ Q23

Greencom is currently producing 20 units of output. At this level of output, Greencom's marginal revenue is $6, marginal cost is $6, and average total cost is $9. If Greencom operates in a monopolistically competitive market and sells all 20 units of output for $10 per unit, it can be concluded that

(A) Greencom would earn more profit by decreasing output

(B) Greencom would earn more profit by increasing output

(C) Greencom is earning zero economic profit

(D) Greencom is earning negative economic profit

(E) Greencom is earning positive economic profit

6. 2023 AP Micro MCQ Q26

The table provided shows price and cost data for Howell's Toy Hoops, a typical profit-maximizing firm that sells its toys in a monopolistically competitive market. At the profit-maximizing quantity, the economic profit for Howell's Toy Hoops is

Quantity	Price ($)	Total Cost ($)
1	10	11
2	8	14
3	7	18
4	5	25
5	3	34

(A) −$19

(B) −$5

(C) −$1

(D) $2

(E) $3

7. 2023 AP Micro MCQ Q53

Toby's Toy Trains produces train sets in a monopolistically competitive market. If Toby increases the price of a train set by 5 percent, causing a 10 percent decrease in the quantity demanded of train sets, which of the following will occur?

(A) Toby's total revenue will increase.

(B) Toby's total revenue will decrease.

(C) Toby's total revenue will remain the same.

(D) The demand for Toby's train sets will increase.

(E) The demand for Toby's train sets will decrease.

8. 2024 AP Micro MCQ Q44

Garafob produces shoes in a monopolistically competitive market. Currently, Garafob is producing 100 pairs of shoes. Its marginal cost is $15, price is $20, marginal revenue is $15, and average total cost is $17. What is Garafob's total economic profit?

(A) $3

(B) $5

(C) $300

(D) $500

(E) $2,000

9. 2024 AP Micro MCQ Q46

Which of the following is a difference between monopolies and firms in monopolistic competition?

(A) Firms in monopolistic competition can earn negative economic profit in the short run, but monopolies cannot.

(B) Firms in monopolistic competition set marginal revenue equal to marginal cost to maximize profit, but monopolies do not.

(C) Firms in monopolistic competition produce the socially optimal quantity of output in the long run, but monopolies do not.

(D) Monopolies charge a price that is greater than marginal cost, but firms in monopolistic competition do not.

(E) Monopolies can earn positive economic profit in the long run, but firms in monopolistic competition cannot.

10. 2025 AP Micro MCQ Q33

Brass With Class is a profit-maximizing firm that produces trumpets in a monopolistically competitive market. Brass With Class currently produces 100 trumpets and sells each trumpet at a price of $50. If the

average total cost when producing 100 trumpets is $45, what is Brass With Class's total economic profit in the short run, and what adjustment will happen in the trumpet market in the long run?

	Economic Profit	Long Run Adjustment
(A)	−$500	Existing firms will exit the market.
(B)	−$5	Existing firms will exit the market.
(C)	$0	The market will be in long-run equilibrium.
(D)	$5	New firms will enter the market.
(E)	$500	New firms will enter the market.

11. 2025 AP Micro MCQ Q38

A firm in a monopolistically competitive market is producing the profit-maximizing quantity at 60 units of output at a price of $12 per unit. What is the firm's economic profit if the firm's average variable cost is $8, its marginal cost is $7, and its average fixed cost is $2 at 60 units of output?

(A) −$300

(B) $120

(C) $180

(D) $240

(E) $300