

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE**  
**WEST UKRAINIAN NATIONAL UNIVERSITY**  
***FACULTY OF ECONOMICS AND MANAGEMENT***

*Department of Economics and Economic Theory*

# **Methodical recommendations and tests**

on course

## **“MICROECONOMICS”**

<b>Degree of higher education:</b>	<i>Bachelor</i>
<b>Branches of knowledge:</b>	<i>05 Social and Behavioral Sciences 29 International Economic Relations 07 Management and Administration</i>
<b>Specialties:</b>	<i>051 Economics 292 International Economic Relations 073 Management</i>
<b>Educational and professional programs:</b>	<i>International Economics International Economic Relations International Management</i>

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# **PURPOSE AND TASKS OF THE COURSE “MICROECONOMICS”**

## **Purpose of the course**

The purpose of the course “Microeconomics” is the formation of students’ knowledge and forming the behavior and decision-making by individual economic micro agents in order to achieve the goal for the available limited resources, which may alternatively apply.

The program of the course is focused on deep learning of the theory of functional analysis, the main appointment of which is to analyze the functional relationships between key economic variables. This enables one to predict the chain of causality in the economy, determining in advance the expected results of decisions made.

The focus of Microeconomics is the consumer behavior model that generates demand for the desired preferences and budget, the activity of the manufacturer and its optimization, market demand and supply, factors determining the price and sales volumes at the market of a particular product, profit maximization due to the type of market structure, resource allocation efficiency, etc.

The methodical recommendations’ main purpose is to provide students with knowledge of the behavior of economic agents in market conditions, to equip them with a universal instrument for the adoption of optimal economic decisions making due to the limited resources. The consequences of these decisions are reflected in the person’s everyday life through a thoughtful and meaningful attitude to the economic environment phenomena, ability to solve economic problems, ability to apply elements of economic knowledge to specific economic situations.

The methodical recommendations explore the following main problems of Microeconomics such as: consumer behavior theory, production theory, peculiarities of cost forming in short and long-term market periods, the company's decision on prices and production volumes in conditions of different market models: perfect competition, monopoly, monopolistic competition and oligopoly, the origin of the demand for resources and the mechanism of formation of prices for them, as well as the mechanism for achieving the general equilibrium and the efficiency of the market system functioning at the macro level.

## **Tasks of the course**

Tasks of the course are to equip the student a clear idea that success of any business depends not only on the availability of starting capital and entrepreneurial talent, but also on knowledge of the economic laws of micro systems in different market situations and their ability to be applied effectively. Mastering the course should develop students' skills in practical use of microeconomic analysis in decision-making. Acquired knowledge should become a part of general culture of specialist.

**The name and description of competences the formation of which provides the study of discipline:**

- ability to understand the peculiarities of functioning of modern economy at micro and macro levels;
- understanding of the main peculiarities of the leading scientific schools and directions of economic science;
- ability to define the segmentation of the labor market, the structure of demand and supply, employment and unemployment.

**Prerequisites for studying the discipline:**

Prerequisite for studying the discipline are other disciplines that have been studied before, as: "Economic Theory", "Macroeconomics", "Mathematics" and other.

The learning outcomes obtained before: to know and use the economic terminology and categories obtained while studying the disciplines, be able to analyze certain economic processes and phenomena, understand peculiarities of the market economy functioning, ability to make own scientific assessment of any economic phenomena, ability to solve complicated specialized tasks and practical problems in economic sphere that are characterized by conditions complexity and uncertainty that requires the usage of theories and methods of economic science.

**Results of study:**

- to know and use the economic terminology, explain basic concepts of microeconomics and macroeconomics;
- to explain the models of social and economic phenomena from the view of fundamental principles and knowledge on the basis of understanding of the main directions of the developing economic science;
- to define demand and supply at the labor market, analyze the structure of employment and unemployment.

The structure of the methodical recommendations contains 15 themes each of which explores specific phenomena. Each theme ends with a training course that includes the main economic terms, questions for students' self-control, test and tasks. There are glossary and references at the end of the methodical recommendations.

# TESTS ON COURSE “MICROECONOMICS”

## *Theme 1*

### **Subject and Methodology of Microeconomics**

**Purpose:** to understand what does Microeconomics study, reveal the difference between normative and positive microeconomics, research methods, subject and object of microeconomics.

**Issues:**

1. Microeconomics as a science and the main stages of its historical development.

2. Microsystem: the essence and structure.

3. Subject and methods of microeconomic researches.

*Literature: 1, 3, 9, 13, 15.*

### **Tests**

**1. Which one from the following problems is a microeconomic problem?**

- a) correlation between inflation and unemployment;
- b) correlation between price and demand for product;
- c) correlation between income and savings;
- d) correlation between interest rate and monetary demand.

**2. The principle of rational behavior means that:**

- a) each economic subject spends money economically;
- b) each human makes a choice maximizing his own benefit;
- c) each subject has to act according to existed rules that reflect the optimal variant of choice;
- d) all the people act similar when they are in similar conditions.

**3. Microeconomics studies how the market mechanism determines:**

- a) price of products;
- b) price of services;
- c) price of economic resources;
- d) any price.

**4. The main motive of economic subjects' behavior is:**

- a) benefit maximization;
- b) help to neighbor;
- c) risk minimization;
- d) production of commodities.

**5. Which one from the following problems is microeconomic problem?**

- a) impact of monetary supply on inflation;
- b) impact of government expenditures on the level of employment;
- c) impact of products deficit on savings;
- d) impact of the change of price of oil on automobile production.

**6. Microeconomics:**

- a) operates by concepts of general production level, employment and income;
- b) researches the behavior of consumers and firms in different market structures;
- c) studies the behavior of individual economic subjects in open economic system.
- d) researches the behavior of individual economic subjects in closed economic system.

**7. If the economy moves along the bound of production opportunities from the top to the bottom, then:**

- a) alternative cost decrease;
- b) alternative cost increase;
- c) alternative cost are not changed;
- d) the movement along the curve isn't connected with alternative cost.

**8. Microeconomics studies:**

- a) behavior of the economy as a whole;
- b) behavior of individual economic subjects in different market structures;
- c) behavior of consumers at commodity and services markets;
- d) behavior of firms at commodity and resources markets.

**9. Microeconomics as independent part of economic science appeared:**

- a) at the end of XX century;
- b) at the end of XIX century;
- c) in XVI century;
- d) in XVII century.

**10. Normative analysis – is:**

- a) explanation of accuracy or fallacy of economic actions;
- b) explanation and forecast of economic actions;
- c) study of laws;
- d) there is no correct answer.

**11. The term “economics” got it general recognition after it had been used in scientific work of:**

- a) J.B. Sey;
- b) J.S. Mill;
- c) A. Marshall;
- d) J.M. Keynes.

*Theme 2*  
**The Marginal Utility and Consumer Behavior Theories**

**Purpose:** to reveal the content of marginal utility and show its difference from total utility, the law of diminishing marginal utility and formulate the rule of utility maximization according to the cardinal theory.

**Issues:**

1. Human's needs, its classification and structure. The law of unlimited increase of needs.

2. Utility and its functions. Marginal utility of product. The first law of Hossen.

3. The concept of consumer's equilibrium. The second law of Hossen.

*Literature:* 2, 3, 8, 14, 19, 20.

**Tests**

**1. Choose the right definition of the term "goods":**

- a) lack of something necessary, subjective perception of some lack;
- b) solvent need;
- c) something that can satisfy human's need;
- d) sum of money that consumer is ready to pay for the product.

**2. Which indicator characterizes the limitation of product:**

- a) utility;
- b) rareness;
- c) economy;
- d) price.

**3. The theory of consumer's behavior predicts that consumer tries to maximize:**

- a) difference between total and marginal utility;
- b) total utility;
- c) marginal utility;
- d) all indicators.

**4. The principle of consumer's behavior rationality means that:**

a) each subject should act according to current rules that reflect optimal variant of choice;

b) each economic subject spends money economically;

c) each human makes a choice maximizing his own benefit;

d) all people act similar in similar conditions.

**5. Alternative value is measured by:**

a) the quantity of one product from which consumer has to refuse to get additional unit of another product;

b) the consumption prices index;

c) the price of product;

d) the quantity of resources necessary for production of this product.

**6. The product has a utility if it:**

- a) corresponds to the law of demand;
- b) is able to satisfy any need of consumer;
- c) needs the increasing quantity of resources for production;
- d) is available for consumer because of its price.

**7. Utility – is:**

- a) maximal satisfaction that consumer gets from consumption of some product;
- b) quantity of products that can satisfy human needs;
- c) minimal satisfaction that consumer gets from consumption of some product;
- d) satisfaction that human gets from consumption of some products.

**8. Marginal utility is determined as:**

- a) the growth of total utility at the increase of consumption by one unit;
- b) ratio between total utility and the amount of consumption;
- c) the sum of total demand for product;
- d) utility from which consumer refuses in favor to get additional unit of another product.

**9. The first law of Gossen proves that:**

- a) each additional unit of product brings to consumer less satisfaction than previous one;
- b) the angle of slope of the total utility curve reflects the marginal utility;
- c) change of price of one of products leads to changes of the angle of slope of the budget line;
- d) change of consumer's income shifts the budget line parallel up or down.

**10. By the help of which formula the essence of quantitative approach to rational consumer's behavior can be expressed?**

- a)  $TU_x = TU_y = \dots = TU_z$ ;
- b)  $MU_x = MU_y = \dots = MU_z$ ;
- c)  $MU_x / P_x = MU_y / P_y = \dots = MU_z / P_z$ ;
- d)  $TU_x / P_x = TU_y / P_y = \dots = TU_z / P_z$ .

**11. There is a following dependence between utility and product consumption for consumer:**

Number of products, pc.	1	2	3	4	5
Total utility, utils	100	120	135	145	153

Marginal utility from consumption of the third unit of product is equal to:

- a) 20;
- b) 15;
- c) 10;
- d) 8.



**12. Which one from the following marginal utility values illustrates the law of diminishing marginal utility?**

- a) 200, 150, 100, 50;
- b) 200, 300 400, 500;
- c) 200, 200, 200, 200;
- d) 200, 250 270, 280.

**13. Price of product X is 1,5 m.u.. Price of product Y is 1 m.u. Consumer estimates marginal utility of product Y in 30 utils. Which marginal utility the consumption of product X brings him due to condition that he is in equilibrium state (he maximizes his utility):**

- a) 15 utils;
- b) 20 utils;
- c) 30 utils;
- d) 45 utils.

**14. Consumer buys two products X and Y. If to maximize the total utility he has to increase consumption of product X and decrease the consumption of product Y, then it means that in the beginning:**

- a)  $MU_x / P_x > MU_y / P_y$ ;
- b)  $U_x < U_y$ ;
- c)  $P_x > P_y$ ;
- d)  $MU_x < MU_y$ .

**15. What is the meaning of the law of decreasing marginal utility?**

- a) with the increase in the consumption of a certain good, the total utility increases, and the marginal utility decreases, due to saturation of the good;
- b) with the increase in the consumption of a certain good, the total utility decreases, and the marginal utility increases, due to saturation of the good;
- c) with the increase in the consumption of a certain good, both the total and marginal utility increases until the saturation of the good;
- d) with the increase in the consumption of a certain good both the total utility and marginal utility decreases until the saturation of the good

**16. One of the main disadvantages of the cardinal theory is that:**

- a) marginal utility decreases with the increase of consumption so it's impossible to reach the point of saturation;
- b) the total and marginal utility don't coincide as with the increase of consumption of goods the total utility increases and marginal utility decreases
- c) the utility is very subjective concept so it's difficult to measure it exactly
- d) all the answers are correct

*Theme 3*  
**The Ordinal Theory of Consumer Behavior**

**Purpose:** to get acquainted with the main axioms of ordinal approach, research indifference curves and characterize it, reveal the economic content of the marginal rate of substitution, learn how to represent consumer's equilibrium and its change under the impact of some factors graphically.

**Issues:**

1. Consumer's choice from the point of view of ordinal positions and axioms of rational consumer's behavior.
2. Indifference curves and their features.
3. Budget restrictions of consumer and their graphical representation. The budget line equation.

*Literature:* 2, 3, 4, 8, 14, 19, 20.

**Tests**

**1. Indifference curves have following features:**

- a) all answers are correct;
- b) they never intersect;
- c) for the vast majority of products they have negative slope;
- d) indifference curves that are situated farther from the origin, correspond to sets of products with higher utility level.

**2. The map of indifference curves – is:**

- a) the totality of total and marginal utility curves;
- b) the totality of curves of different income levels each of which represents different income level of consumer;
- c) the totality of curves of similar income levels of consumer each of which represents the same income level;
- d) the totality of curves of similar utility levels each of which represents different level.

**3. The position and slope of indifference curve for particular consumer can be explained by:**

- a) only his preferences;
- b) only prices of products;
- c) income level of consumer;
- d) preferences, income level and prices of products.

**4. Budget lines:**

- a) are always straight lines;
- b) are always broken lines;
- c) at any circumstances cannot be broken;
- d) can be both straight and broken.

**5. Budget limitation of consumer – is:**

- a) income of consumer;
- b) prices of products;
- c) the totality of consumption baskets, available for consumer at given price level and his budget;
- d) consumer's income, prices of products and its utility.

**6. Increase of consumer's income at other unchanged conditions graphically corresponds to:**

- a) parallel shift of the budget line to the right;
- b) parallel shift of the budget line to the left;
- c) decrease of slope of budget line;
- d) increase of slope of budget line.

**7. Marginal rate of substitution of product A by product B means:**

- a) how many units of product A consumer buys when price of product B decreases by 1 monetary unit;
- b) how much marginal utility increases if consumption of product A and B increases by 1 monetary unit;
- c) how many units of product B consumer buys if his income increases and consumption of product A is not changed;
- d) from which quantity of product A consumer is ready to refuse to get one more unit of product B, and total utility remain unchanged.

**8. Increase of consumer's income at other unchanged conditions graphically is expressed by:**

- a) the change of slope of budget line;
- b) parallel shift of budget line to the right;
- c) decrease of slope of budget line;
- d) parallel shift of budget line to the left.

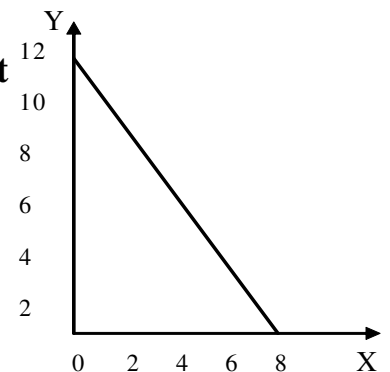
**9. Increase of price of one product leads to the shift of consumer's equilibrium at the map of indifference curves (at other unchanged conditions):**

- a) up to the right;
- b) down to the right;
- c) to the left, up or down;
- d) shift along the same indifference curve.

**10. The picture describes the budget line of household that consumes two products X and Y**

**If income of the household is 600 UAH, then**

- a)  $P_x = 75$  UAH.,  $P_y = 50$  UAH.;
- b)  $P_x = 100$  UAH,  $P_y = 75$  UAH.;
- c)  $P_x$  i  $P_y$  cannot be determined;
- d)  $\frac{P_y}{P_x} = \frac{3}{2}$ .



**11. What does the situation of consumer's equilibrium mean?**

- a) each product brings same marginal utility;
- b) if consumer buys one product more than he buys less another product;
- c) consumer spends equal sum of money for purchase of each type of product;
- d) maximization of total utility at current budget limitation.

**12. Budget line of consumer is described by equation:  $15X + 25Y = 900$ . Optimal basket of consumer contains 30 units of product Y. What will be the quantity of product X in this basket?**

- a) 10 units;
- b) 30 units;
- c) 50 units;
- d) 60 units.

**13. Decrease of consumer's income at other unchanged conditions graphically is expressed by:**

- a) the change of slope of budget line;
- b) parallel shift of budget line to the right;
- c) decrease of slope of budget line;
- d) parallel shift of budget line to the left.

**14. Increase of price of product X is graphically expressed by:**

- a) the change of slope of budget line to the left along the axis X;
- b) the change of slope of budget line to the right along the axis X;
- c) parallel shift of budget line to the right;
- d) parallel shift of budget line to the left.

**15. What does the situation of consumer's equilibrium mean according to the ordinal theory?**

- a) consumer chooses such a set of two goods X and Y that brings him the maximal utility level due to his limited budget
- b) consumer chooses such a set of two goods X and Y that brings him the maximum utility level
- c) consumer spends equal sum of money for purchase of each type of product;
- d) maximization of total and marginal utility

**16. According to the ordinal theory consumer has to take into account:**

- a) his preferences and tastes
- b) *his preferences and limited income*
- c) utility that the product will bring to him
- d) the possibilities of the consumer, based on his available income, which always has a limited value.

*Theme 4*  
**The analysis of consumer's behavior**

**Purpose:** to declare the economic essence of curves “income-consumption” and “price-consumption”, reveal the essence of the effect and substitution effects and their impact on demand of consumer.

**Issues:**

1. Change of the optimal condition of consumer as a result of the change of its income. The curve “income-consumption”.

2. Change of the consumer's choice as a result of change of one of commodities and both products. The curve “price-consumption”.

3. The income and substitution effects. Single- and multidirectional impact of the effects. Paradox of Giffen.

4. Formation of “surplus of consumer” as a result of excess of utility of products by price.

*Literature: 7, 11, 12, 13, 17.*

**Tests**

**1. Curve “income-consumption” shows:**

- a) all points of consumer's equilibrium according to increase of income;
- b) dependence of utility level on income;
- c) dependence of products consumption on prices;
- d) set of products that bring certain level of satisfaction to consumer.

**2. Curve “price-consumption” combines:**

- a) all points of consumer's equilibrium connected with change of price of both products;
- b) all points of consumer's equilibrium connected with change of income;
- c) all points of consumer's equilibrium that are connected with change of one product;
- d) all combinations of two products that provide the same utility level.

**3. Which curve is the basis for creation of the individual demand curve:**

- a) curve “price-consumption”;
- b) curve “income-consumption”;
- c) Engel's curve;
- d) indifference curve.

**4. Engel's curves characterize:**

- a) dependence of the amount of product consumption on income of consumer;
- b) dependence of the amount of product consumption on its price;
- c) dependence of utility of product on the amount of it consumption;
- d) dependence of cost of consumer on the price of product.

**5. For the commodity of Giffen typically is:**

- a) amount of consumption of product increases with the decrease of price;
- b) amount of consumption of product increases with the increase of price;
- c) amount of consumption increases with the increase of income;
- d) amount of consumption increases with the decrease of income.

**6. Which of the following curves can be called as a curve of life level:**

- a) Engel's curve;
- b) curve "income-consumption";
- c) curve "price-consumption";
- d) indifference curve.

**7. The substitution effect – is a growth of demand for product caused by:**

- a) the change of general price level of all products;
- b) the change of tastes of consumer who became to prefer products-substitutes;
- c) the change in real income caused by decrease of price of the product;
- d) the decrease of price of this product.

**8. At given prices the state of family budget for food consumption has a tendency to:**

- a) increase because of the increase of income
- b) decrease because of the increase of income
- c) increase because of the decrease of income
- d) there is no correct answer

**9. If for product A the demand increases with the increase of price, then this product is:**

- a) commodity of Giffen
- b) low-quality product
- c) normal product
- d) there is no correct answer

**10. Commodity of Giffen is characterized by the fact that:**

- a) substitution effect is more than the effect of income
- b) substitution effect is less than the effect of income
- c) amount of consumption increases with the increase of income
- d) amount of consumption increases with increase of price

**11. For which category of products the Engel's curve can be used?**

- a) for normal goods
- b) for low-quality goods
- c) for neutral goods
- d) all answers are correct

**12. The curve “income-consumption” for normal goods is:**

- a) permanently growing curve
- b) has a negative slope
- c) is a straight line
- d) depends on income of consumer

**13. The curve “income-consumption” looks like a straight line for:**

- a) normal goods
- b) low-quality goods
- c) neutral goods
- d) Giffen goods

**14. The model “income-consumption” can be used for construction of:**

- a) Engel curves
- b) demand curve
- c) supply curve
- d) the curve “price-consumption”

**15. What kind of goods seems to be low-quality?**

- a) goods for which demand of consumer increases in case of increase of his income level
- b) goods the consumption of which decreases when income of consumer increases
- c) goods the consumption of which sharply increase in case if consumer’s income increases as well
- d) goods the consumption of which won’t be changed in case of consumer’s income growth

**16. The effect of income – is:**

- a) the only changes in the consumption of goods caused by changes in real income, caused by the movement of prices
- b) only those changes in the consumption of goods that are the result of changes in the price of this product relative to the prices of other goods
- c) the only changes in the consumption of goods caused by changes in consumer’s income
- d) there is no correct answer

**17. Changes in the consumption of goods that are the result of changes in the price of this product relative to the prices of other goods are caused by:**

- a) the effect of income
- b) substitution effect
- c) the effect of Veblen
- d) Engel’s laws

*Theme 5*  
**The Market Demand and Supply and its Elasticity**

**Purpose:** to determine the concepts of demand and supply, to reveal the main factors effecting it, research methods of representation of the market equilibrium and factors of it change, reveal the essence of the demand and supply elasticity and factors effecting it.

**Issues:**

1. Demand and factors that have impact on it. The law of demand.
2. Supply and factors that have impact on it. The law of supply.
3. Interaction of demand and supply.
4. Demand elasticity: indicators and factors of influence.
5. Supply elasticity.

*Literature: 5, 6, 7, 11.*

**Tests**

**1. The law of demand proves that:**

- a) excess of demand over supply leads to the decrease of price;
- b) if income of consumers increases so then they buy more products;
- c) demand curve has positive slope;
- d) demand of product increases when its price decreases;

**2. How can the shift of demand curve for product X be explained?**

- a) supply of product X has been decreased
- b) price of product X has been increased and as a result of this consumers purchase less amount of this product
- c) tastes of consumers attracted interest to the product X and that's why they want to buy it at any price
- d) price of product has been decreased, that's why consumers decided to buy this product more than before.

**3. The increase of price of materials that are necessary for production of product X will lead to:**

- a) the shift of demand curve up to the right;
- b) the shift of supply curve up to the left;
- c) the shift of demand and supply curve up;
- d) the shift of supply curve up to the right.

**4. Which term represents the ability and desire of consumer to pay for the product?**

- a) need
- b) demand
- c) necessity
- d) desire



**5. Market demand is not affected by changes of:**

- a) income of consumers
- b) prices for products-substitutes
- c) prices for resources
- d) number of customers in the market

**6. Demand for product seems to be elastic if:**

- a) the coefficient of price elasticity is less than 1
- b) total income of seller increases if the price rises
- c) consumers almost don't react on the change of price
- d) change of the amount of demand is more than change of price

**7. If decrease of price by 5 % leads to decrease of the amount of supply by 8 % so this supply is:**

- a) inelastic
- b) of unitary elasticity
- c) elastic
- d) absolutely inelastic

**8. The commodity seems to be the priority product if the coefficient of demand elasticity by income is:**

- a) is equal to 0
- b) is equal to 1
- c) more than 1
- d) there is no correct answer

**9. Elasticity of demand depends on following factors:**

- a) income of producers of commodity of big demand
- b) the necessity of the product
- c) supply elasticity
- d) resource productivity from which the product is produced

**10. The supply curve looks like:**

- a) horizontal line
- b) curve with negative slope
- c) curve with positive slope
- d) vertical line

**11. The technology improvement causes the shift of:**

- a) the demand curve up to the right
- b) the demand curve down to the left
- c) the supply curve down to the right
- d) the supply curve up to the left

**12. The product may be referred to luxury products if the coefficient of demand elasticity by income:**

- a) more than 0, but less than 1;
- b) less than 0;
- c) equals to 0;
- d) more than 1.

**13. Then decrease of price of product X from 4 UAH to 3 UAH will definitely lead to:**

- a) increase  $Q_D$  of product X by 4%;
- b) increase  $Q_D$  by 40 %;
- c) increase  $Q_D$  by 80 %;
- d) there is no correct answer

**14. If the demand decreases so that it's impact of such factors as:**

- a) a tax for the product is introduced
- b) income of consumers has decreased
- c) the price of resources has risen
- d) the number of consumers has increased

**15. The market of goods and services is in equilibrium if:**

- a) demand is equal to supply
- b) price is equal to cost plus profit
- c) the technology level is being changed gradually
- d) the amount of supply exceeds the amount of demand

**16. The price-cross elasticity of demand shows:**

- a) how the amount of demand will be changed if the price for the product is being changed by 1%
- b) how the income of sellers will increase because of the realization of this product
- c) how the demand for product Y will be changed because of the change of price of product X
- d) how the amount of supply will be changed because of the change of price of this product by 1 %

**17. If the market price exceeds the equilibrium price, so that it will cause:**

- a) the surplus of goods
- b) the deficit of goods
- c) the emergence of the market of customers
- d) the price of resources will decrease

**18. If supply and demand of product rise, so it means that:**

- a) the price will increase
- b) the total amount of goods will increase
- c) the price will be stable
- d) the welfare of population increase

**19. The demand curve shows:**

- a) the increase of consumption of goods in case of increase of its price
- b) decrease in consumption of goods in case if the income of consumers decreases
- c) decrease in consumption of goods in case if the price of good increases
- d) there is no correct answer

**20. Substitute goods – are those pair of goods for which:**

- a) rise of price for one of them leads to increase of demand for another one
- b) rise of price for one of them leads to decrease of demand for another one
- c) decrease of price of one of them leads to decrease of demand for another good
- d) there is no correct answer

**21. Then decrease of price of product X from 4 UAH to 3 UAH will lead to:**

- a) increase  $Q_D$  of product X by 4 %;
- b) increase  $Q_D$  by 40 %;
- c) increase  $Q_D$  by 80 %;
- d) there is no correct answer.

**22. Demand is represented by equation  $Q_D = -120 - 4P$ .**

**If price of product decreases then till which level of the decrease of price will be profitable for producers?**

- a) 30 UAH;
- b) 25 UAH;
- c) 20 UAH;
- d) 15 UAH.

**23. The income elasticity of demand shows:**

- a) how the amount of demand will be changed if the price for the product is being changed by 1%
- b) how the income of sellers will increase because of the realization of this product
- c) how the demand for product Y will be changed because of the change of price of product X
- d) how the amount of demand will be changed because of the change of consumer's income by 1 %.

**Theme 6**  
**The Microeconomic Model of the Enterprise**

**Purpose:** to reveal the essence of enterprise, its peculiarities and motives of activity, indicators of income and profit.

**Issues:**

1. Firm and enterprise: distinctive features of microeconomic characteristics.
2. Enterprise as a part of microeconomic system. Types of enterprise.
3. Momentary, short-term and long-term market periods of the enterprise functioning.
4. The essence of production functions, its features, types and forms of representation.

*Literature: 2, 4, 7, 15, 16.*

**Tests**

**1. The main purpose of enterprise is:**

- a) satisfaction of social needs and getting profit
- b) effective use of fixed and current assets
- c) increase of labor productivity and effective use of the system of labor motivation
- d) increase of the quality of production that is produced

**2. The enterprise is characterized by following feature:**

- a) production unity
- b) organization unity
- c) technical unity
- d) social unity
- e) all the answers are correct

**3. The simplest form of association of enterprises is:**

- a) concern
- b) corporation
- c) association
- d) holding

**4. Business partnership has following disadvantages:**

- a) decrease of financial and economic independence
- b) impossibility to predict financial losses
- c) impossibility of involvement of professional managers
- d) impossibility to involve foreign investments

**5. The main purpose of any firm is:**

- a) to achieve a maximal norm of profit

- b) to control the activity of enterprise
- c) to have minimal losses
- d) to involve a big number of workers into production processes

**6. Contractual associations that are created on the basis of a combination of industrial, scientific and commercial interests of the united enterprises, delegated by them separate powers of the centralized regulation of the activities of each of the participants, are called...:**

- a) associations
- b) corporations
- c) consortia
- d) concerns

**7. By the type of production structure firm can be classified as:**

- a) collective, private, state, communal, municipal, joint-stock companies, limited liability companies
- b) joint-stock companies, limited liability companies
- c) objective, technological, mixed
- d) objective, technological, collective

**8. The unity of the plan, accounting and analysis, evaluation of the results of activities, the community of material, labor and financial resources is called...:**

- a) economic unity of enterprise
- b) technical unity of enterprise
- c) financial unity of enterprise
- d) organizational unity of enterprise

**9. What kind of time period do we talk about if it's a time during which the production capacities of the firm are fixed, but the volume of production can be expanded or reduced at the expense of more or less labor, raw materials, etc?**

- a) instant period
- b) short-term period
- c) medium period
- d) long-term period

**10. Long-term period – is characterized by:**

- a) this period of time is sufficient to change the amount of all resources, including production capacities
- b) this is a period of time during which the production capacities of the firm are fixed, but the volume of production can be expanded or reduced at the expense of more or less labor, raw materials, etc
- c) this is a period of time when there are no any changes in production
- d) all the answers are correct
- e) there is no correct answer

**11. Which assumption is not used in the analysis of mechanisms of action of productive factors?**

- a) assumption of absolute necessity of the main factors
- b) assumption of monotony
- c) assumption of interchangeability of the main factors of production
- d) assumption about immutability of goods

**12. The production function of Cobb-Douglas describes:**

- a) the dependence of production on two factors: capital and labor
- b) the dependence of production on two factors: capital and land
- c) the ratio of two factors of production: labor to capital
- d) the dependence of production on three factors: capital, labor and technological innovations

**13. Any production function represents:**

- a) technological method of production chosen by the firm
- b) what kind of goods the enterprise produces
- c) what kind of materials enterprise uses to produce goods
- d) what kind of function the enterprise performs

**14. What are the elements of internal environment of the enterprise?**

- a) staff, information, money
- b) staff, information, money, means of production
- c) staff, information, means of production, consumers of production
- d) consumers of production, suppliers of resources, money, information

**15. What are the elements of external environment of the enterprise?**

- a) staff, information, money, means of production
- b) consumers of production, suppliers of resources, money, information
- c) consumers of production, suppliers of resources, local authorities, competitors
- d) consumers of production, suppliers of resources, central and local authorities, competitors

**16. The main organizational and legal form of firms is:**

- a) individual firm,
- b) partnership
- c) corporation
- d) all the answers are correct
- e) there is no correct answer

**17. The enterprise can be small, medium or large depending on:**

- a) the number of employees
- b) the amount of production
- c) the amount of capital
- d) all the answers are correct

## *Theme 7*

### **The Variation of Production Factors and the Optimum of Producer**

**Purpose:** to research the function of production, represent dependence between the structure of cost and output, to learn to represent the production function with one and two variable factors graphically, the producer's equilibrium (graphically and analytically).

**Issues:**

1. The function of production with one variable factor. Total, average and marginal product.

2. The function of production with two variable factors. The curve of similar product – isoquant curve.

3. The choice of combination of production factors due to the criteria of cost minimization or output maximization. Izocost curve.

4. The producer's optimum: graphical, algebraic, economic form of interpretation of it equilibrium functioning.

*Literature: 2, 3, 4, 8, 14.*

### **Tests**

**1. Any point on isoquant or izocost curve means:**

- a) the number of products
- b) the amount of products in monetary expression
- c) combination of physical amount of resources
- d) the sum of variable cost

**2. If the total product gets maximal value then in this case:**

- a) average product equals to marginal product
- b) marginal product (MP) is equal to 0
- c) average product (AP) equals 0
- d) fixed cost are minimal

**3. If with the increase of output the angle of slope of the total product curve increases then the marginal product curve that corresponds to this segment will be:**

- a) vertical
- b) horizontal
- c) has a positive slope
- d) has a negative slope

**4. Isoquant curve illustrates:**

- a) the curve of total and marginal amount of output
- b) the function of production
- c) different amount of output that can be produced by given number of resources;
- d) the only one amount of output but with different combinations of resources can be used in production

**5. The function of production shows:**

- a) cost that provides the amount of output
- b) the most profitable amount of the output for the firm at given prices of resources;
- c) the maximal number of products can be produced by using different combinations of resources
- d) minimal amount of products can be produced by using a certain quantity of resources

**6. In the short-term period:**

- a) all resources are fixed
- b) the amount of at least one of resources can be changed
- c) all resources are variable
- d) it's impossible to change the number of resources

**7. Long-term period of the firm functioning – is ...:**

- a) the longest period of enterprise activity
- b) maximally possible period of the firm functioning in this industry
- c) the period necessary for substitution of all resources
- d) the time period during which the firm can get economic profit

**8. Average product of variable factor gets its maximum in case if:**

- a) total product of variable factor is maximal
- b) marginal product of variable factor is maximal
- c) marginal product of variable factor equals to 0
- d) marginal product is equal to average product

**9. Marginal product of variable factor – is ...**

- a) the ratio of total output to cost of variable factor
- b) additional product got from the use of additional unit of variable factor
- c) amount of the output produced per one unit of variable factor
- d) the ratio of labor productivity to the amount of output

**10. Izoquant curve illustrates:**

- a) the curve of total demand
- b) different combinations of resources used for the output production
- c) different amounts of product can be produced at given number of resources
- d) the curve of average product

**11. The total output per one unit of input – is called...**

- a) average product of variable factor
- b) marginal product of variable factor
- c) total product of variable factor
- d) the production function



**12. When MP is equal to 0, so it means that TP will:**

- a) increase
- b) decrease
- c) will be constant
- d) there is no correct answer

**13. With a certain amount of production, the next increase in the use of an alternating factor, for constant volumes of use of other production factors, is accompanied by a decrease in the marginal product of the variable factor, so that it is:**

- a) the law of decreasing marginal productivity
- b) the law of decreasing marginal utility
- c) the Engel's law
- d) the Gossen's first law
- e) the Gossen's second law

**14. Who established the law of decreasing marginal productivity?**

- a) A. Smith
- b) T. Malthus
- c) D. Ricardo
- d) J. B. Say

**15. What is the feature of isoquant curve?**

- a) isoquants do not intersect
- b) isoquants have a negative slope
- c) isoquants are convex to the origin
- d) the further the isoquant is located from the origin, the greater the output corresponds to this curve is
- e) all the answers are correct

**16. What does the marginal rate of technological substitution show?**

- a) it shows from which quantity of one factor the producer should refuse to engage in the production of an additional unit of another factor
- b) it shows from which unit of resource the producer has to refuse in order to economize money
- c) it shows from which unit of goods the producer has to refuse in order to buy more other goods
- d) it shows the problem of decrease of the marginal productivity

**17. What kind of effect of scale can be observed if the growth rate of output exceeds the growth rate of resources?**

- a) negative effect of scale
- b) positive effect of scale
- c) permanent effect of scale
- d) marginal effect of scale.

*Theme 8*  
**Cost and Revenue of the Enterprise**

**Purpose:** to reveal the essence of cost in short-term and long-term periods, show the interdependence between average and marginal cost, learn to assess the final result of enterprise activity through revenue and cost fluctuation.

1. The essence of cost of enterprise and its types. Economic and accounting approaches to the determination of cost.

2. Cost of enterprise in the short-term market period.

3. Cost of enterprise in the long-term market period. The choice of production factors combinations due to the criteria of cost minimization.

4. The concept of minimally effective size of the company and structure of the industry.

5. The essence and forms of the revenue of enterprise in microeconomics.

*Literature: 4, 5, 7, 8, 9, 11.*

**Tests**

**1. If  $MC > AVC$ , then:**

- a) MC should decrease with the amount of output;
- b) ATC should decrease with the amount of output;
- c) ATC should increase with the amount of output;
- d) MC should increase with the amount of output.

**2. Choose the content of total cost:**

- a) accounting and internal cost;
- b) cost for organization of firm and output of production;
- c) individual and social cost;
- d) fixed and variable cost.

**3. In which case average total cost have minimal value?**

- a) when they are equal to marginal cost;
- b) when total output is minimal;
- c) when average cost are minimal;
- d) when total output is minimal.

**4. If AVC decrease with the increase of growth of output, then:**

- a)  $MC < AVC$ ;
- b) FC decrease;
- c) TC decrease;
- d) MC get minimal value.

**5. Which cost belong to average cost?**

- a) interest for banking loan and cost for raw materials;
- b) rent and cost for equipment;
- c) wages, cost for electricity and materials;
- d) all cost for production.

**6. In the long-term period:**

- a) average fixed cost are changed;
- b) average fixed cost are constant;
- c) all cost are fixed;
- d) all cost are variable.

**7. Fixed cost – are ...:**

- a) cost for resources according to prices at the moment of it purchase;
- b) cost that exist even when production is stopped;
- c) external cost;
- d) cost for raw materials at fixed prices.

**8. If enterprise wants to determine how will its cost increase in case of refuse from production of one unit of product, then it shout estimate:**

- a) marginal cost;
- b) average variable cost;
- c) average fixed cost;
- d) average total cost.

**9. Graphically average variable cost illustrates the distance between curves...:**

- a) of average total cost and marginal cost;
- b) average total cost and average fixed cost;
- c) average variable cost and average fixed cost;
- d) average total and average variable cost.

**10. Decrease of average cost per one unit of output in the long-term period can be explained by:**

- a) the decrease of average fixed cost;
- b) the law of diminishing marginal productivity;
- c) the impact of the economy of scale effect;
- d) the increase of the amount of capital resources.

**11. Which one from following cost may belong to fixed cost:**

- a) wages of managers;
- b) tax for land;
- c) payments for rent;
- d) all answers are correct.

**12. Total cost are calculated as:**

- a)  $VC - FC$ ;
- b)  $FC + VC$ ;
- c)  $FC + VC + MC$ ;
- d)  $\frac{(FC + VC)}{Q}$ .

**13. Total cost of firm for any amount of output equals to:**

- a) average total cost multiplied to the amount of output;
- b) average total cost minus average variable cost;
- c) average variable cost multiplied to the amount of output;
- d) average fixed cost plus average variable cost.

**14. Marginal cost are...**

- a) growth of TC as a result of growth the amount of output per one unit;
- b) growth of variable cost as a result of growth of the amount of output per one unit of product;
- c) additional cost connected with production of additional unit of product;
- d) all answers are right.

**15. What is the right example of the variable cost?**

- a) interests on loans and cost for raw materials;
- b) payments for rent;
- c) wages, cost for electricity and raw materials;
- d) all cost for output production.

**16. If the enterprise wants to find out, how its own cost will increase in case of refuse from production of one unit of output, so it should evaluate:**

- a) marginal cost;
- b) average variable cost;
- c) average total cost;
- d) average fixed cost.

**17. Increase of the average cost per one unit of output in the lon-term period can be explained by:**

- a) decrease of average total cost;
- b) action of the law of decreasing effect of scale;
- c) impact of the effect of production scale;
- d) increase of the amount of capital.

**18. What type pf income do you know?**

- a) usual income;
- b) capital income;
- c) dividend income;
- d) all the answers are correct.

**Theme 9**  
**The Market of Perfect Competition**

**Purpose:** to catch out the main features of the market of perfect competition, to show in which conditions the firm maximizes its profit, minimizes losses or becomes a bankrupt at the market, to find out the long-run equilibrium is established in some particular industry.

**Issues:**

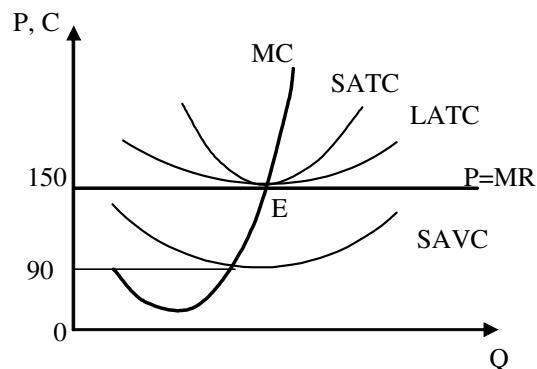
1. Features and conditions of the competitive market model functioning.
2. Demand for products, income and profit of competitive firm.
3. Maximization of profit of the firm in conditions of perfect competition.
4. Short-term equilibrium and products supply of the firm and industry in the model of perfect competition.
5. Equilibrium of competitive firm in long-term period.
6. The efficiency of the market of perfect competition.

*Literature: 11, 13, 14.*

**Tests**

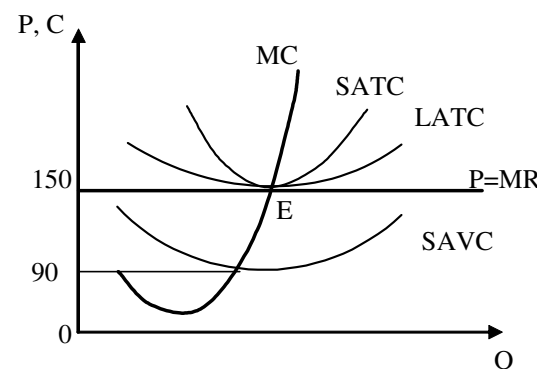
**1. The firm is functioning at the market of perfect competition in the long-term period. Which one from the following features characterizes the equilibrium of firm in the long-term period?**

- a)  $MC = SATC = LATC$ ;
- b)  $P = MC = SATC = LATC$ ;
- c)  $MC = SATC = LATC = 150$ ;
- d)  $P = MC = MR$ .



**2. The firm is functioning at the market of perfect competition in the long-term period. Which conditions are necessary for the entrance of new firms into the industry?**

- a)  $P < ATC$ ;
- b)  $P < 90$ ;
- c)  $P > 90$ ;
- d)  $150 > P > 90$ .



**3. Which features characterize the market of perfect competition?**

- a) demand curve of some firm has a positive slope;
- b) there are 2-3 big and a lot of small firms in the industry;
- c) particular firm doesn't has impact on the price of product and doesn't take part in non-price competition;
- d) marginal revenue of firm is always less than average revenue.

**4. When for competitive firm  $TR > TC$ :**

- a) if  $MC < P$ ;
- b) if  $MR > MC$ ;
- c) if the firm has economic profit;
- d) if  $P < ATC$ .

**5. In which cases for competitive firm  $P > MR$ :**

- a) for products with high cross elasticity;
- b) when the amount of output exceeds the equilibrium amount;
- c) when the amount of output is less than equilibrium amount;
- d) never as in condition of perfect competition for any amount of output this values are equal.

**6. For competitive firm in short-term period the profit maximization is provided by condition:**

- a)  $P = MR$ ;
- b)  $P = MC = MR$ ;
- c)  $P > ATC$ ;
- d)  $ATC > P > LAVC$ .

**7. If at the market of perfect competition price of product X is 20 UAH, so that means that one particular firm:**

- a) will extend amount of output until  $AR=20$  UAH;
- b) will extend the amount of output until  $TR=TC$ ;
- c) will achieve equilibrium when  $P=MR$ ;
- d) will achieve equilibrium when  $P=MC$ .

**8. If firm is in equilibrium in the long-term period and it average cost are not changed with the change of output, so that the supply curve:**

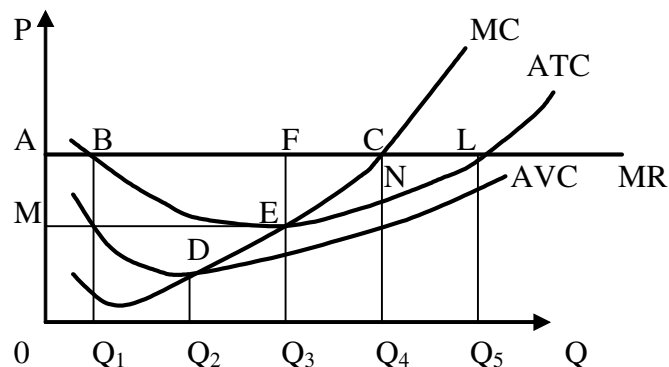
- a) has a negative slope;
- b) has a positive slope;
- c) is horizontal;
- d) is vertical.

**9. Which reason means that the firm in conditions of perfect competition has to stop production?**

- a) if  $P < ATC$ ;
- b) if  $P < AFC$ ;
- c) if  $P < AVC$ ;
- d) if at given market price it doesn't get any profit.

**10. The firm is in conditions of perfect competition in the short-term period. The supply curve is represented by:**

- the curve  $MC$ ;
- the curve  $ATC$  above point  $E$ ;
- the curve  $MC$  above point  $D$ ;
- the curve  $MC$  above point  $E$ .



**11. If at the market of perfect competition price of product X is 3 UAH, so that means that some particular firm will:**

- extend the amount of output until  $AR = 3$  UAH;
- extend the amount of output until  $TR = TC$ ;
- get equilibrium when  $P = MR$ ;
- get equilibrium when  $MC = 3$  UAH.

**12. Which feature characterizes the market of perfect competition?**

- demand curve of some firm has a positive slope
- there are 2-3 big and a lot of small firms in the industry
- particular firm doesn't have any impact on the price of product and doesn't take part in non-price competition
- marginal revenue of firm is always less than average revenue

**13. In which cases for competitive firm  $P > MR$ :**

- for products with high cross elasticity;
- when the amount of output exceeds the equilibrium amount;
- when the amount of output is less than equilibrium amount;
- never as in condition of perfect competition for any amount of output these values are equal.

**14. Suppose that company "Atlant" in the short-run period  $MC=AVC=30$  UAH,  $MC=ATC=50$  UAH i  $MC=MR=50$  UAH. Please, make some conclusions:**

- the firm maximizes profit, it is equal to 10 UAH per unit of output;
- the firm gets economic profit equal to 0
- the firm becomes a bankrupt
- the firm minimizes cost of production

**15. In conditions of the competitive market  $P = \min ATC$ :**

- in short-run market period;
- always;
- in long-run market period;
- never, firm should stop its activity

## **Theme 10**

### **The Monopoly Market**

**Purpose:** to find out the essence of the concept “monopoly”, types and conditions due to which it can exist, to research the methods of benefit maximization or cost minimization in short- and long-term periods, the practice of price discrimination and its consequences.

**Issues:**

1. The pure monopoly model and its distinctive features.
2. Demand for the products of monopoly and its revenue.
3. Short-term and long-term equilibrium of the monopoly market in context of profit maximization.
4. Pricing of monopoly. Price discrimination.
5. Economic consequences of market monopolization. Necessity and methods of antimonopoly regulation.

*Literature: 5, 7, 11, 14.*

### **Tests**

**1. The monopoly is characterized by the following features:**

- a) production of unique production;
- b) sellers and consumers accept equilibrium prices;
- c) there are no any barriers for the entrance to the market;
- d) the output of monopolist is less than the amount of output of the whole industry.

**2. The source of market power is:**

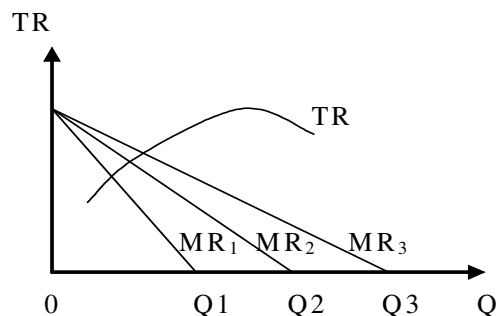
- a) the number of consumers at the monopoly market;
- b) the amount of market power;
- c) elasticity of market demand;
- d) the number of producers.

**3. The marginal costs of monopoly are less than price of product as:**

- a)  $P > MR$ ;
- b)  $P < MR$ ;
- c)  $MC > ATC$ ;
- d)  $MC < ATC$ .

**4. Which one of the following curves on the graph corresponds to the marginal revenue curve:**

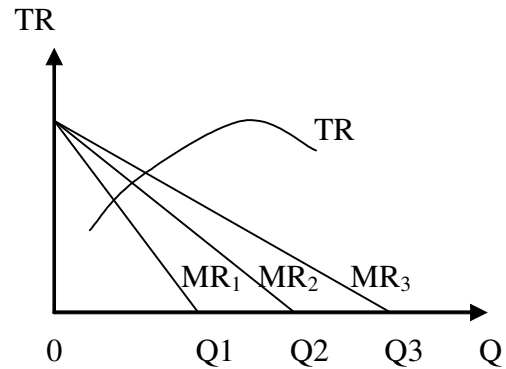
- a)  $MR_1$ ;
- b)  $MR_2$ ;
- c)  $MR_3$ ;
- d) all curves.





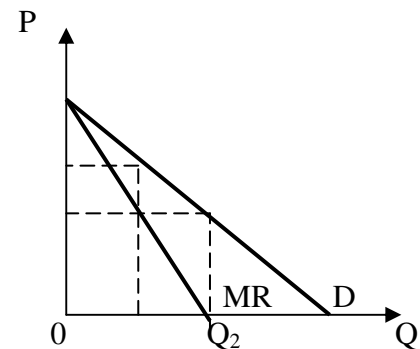
5. The firm will maximize its income if the amount of production corresponds to:

- a)  $Q_1$ ;
- b)  $Q_2$ ;
- c)  $Q_3$ ;
- d) on the district more than  $Q_1$ , but less than  $Q_2$



6. The picture represents the demand and marginal revenue curves of the firm-monopolist. By which amount of output can the firm maximize its profit:

- a) more than  $Q_2$ ;
- b) less than  $Q_2$ ;
- c) equal to  $Q_2$ ;
- d) there is no enough information to answer to this question.

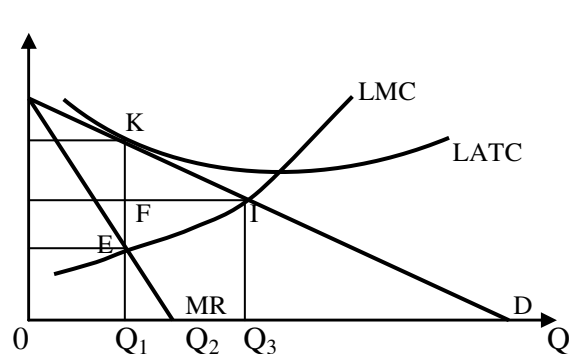


7. The demand curve for the product of monopoly is described by the following equation  $P = 85 - 2Q$ . Average variable cost 5 UAH and fixed cost are absent. What will be the price of product?

- a) 5 UAH;
- b) 75 UAH;
- c) 45 UAH;
- d) 10 UAH.

8. The graph represents curves of marginal revenue and long-term cost. Which amount of output will the firm-monopolist maximize?

- a) more than  $Q_1$ ;
- b) more than  $Q_3$ ;
- c) equal to  $Q_1$ ;
- d) equal to  $Q_2$ .



9. The total cost function of monopoly is  $TC = 100 + 3Q$ , the function of demand for the production of monopoly is  $P = 200 - Q$ . If the monopoly produces 10 units of products then its TR are equal to:

- a) 2000;

- b) 1770;
- c) 1900;
- d) 130.

**10. Price discrimination – is:**

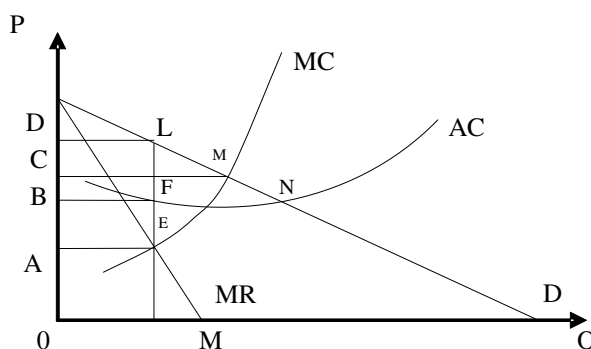
- a) increase of price of normal goods;
- b) high prices of consumption goods;
- c) surcharge to the price in case of different conditions of its realization;
- d) all answers are incorrect.

**11. The cost function of the monopoly production is  $TC = 20 + 2Q^2$ . In the long-run market period the firm produces 2,5 thousand units of goods. By realizing goods at price 13 monetary units, the firm will get:**

- a) 0,5;
- b) 0;
- c) 1;
- d) losses.

**12. The graph represents income and cost curves. The maximal profit that the monopoly firm may get, is determined by the:**

- a) square ADLE;
- b) square BDLF;
- c) square CDLM;
- d) square CDLN.



**13. The cost function of the monopoly firm is  $TC = 100 + 3Q$ , the demand function is  $P = 200 - Q$ . If the monopoly firm produces 1 units of goods, so its TR equals:**

- a) 2000;
- b) 1770;
- c) 1900;
- d) 130.

**14. The cost function of the monopoly firm is  $TC = 3Q^2$ , and the demand curve is  $P = 1200 - Q$ . What are the price and the amount of the output that maximize the profit?**

- a) 1000 i 200;
- b) 1050 i 150;
- c) 1100 i 100;
- d) 150 i 50.

## *Theme 11*

### The Market of Monopolistic Competition

**Purpose:** to reveal the peculiarities of market of monopolistic competition, explain how to determine price and output that maximizes profit of the firm, to define the main methods of non-price competition at this market.

**Issues:**

1. Peculiarities of monopolistic competition.
2. Equilibrium of monopolistic competitive producer in short-term and long-term market periods.
3. Non-price competition.
4. Public efficiency of monopolistic competition.

*Literature:* 7, 14, 18, 19, 20.

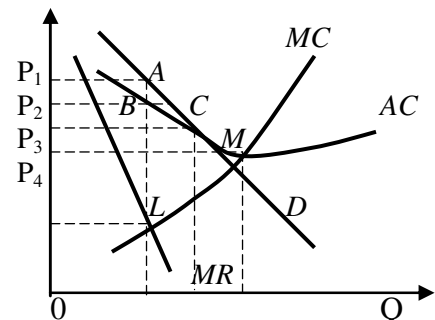
### Tests

**1. Which one of the following characteristics of the demand curve is inherent for monopolistic competition:**

- a) absolute elasticity;
- b) high elasticity;
- c) low elasticity;
- d) absolute inelasticity.

**2. The picture describes demand D, MC i ATC of the firm that functions at the market of monopolistic competition. Choose the correct statement:**

- a) firm gets positive economic profit in sum  $P_1ABP_2$ ;
- b) new firms enter the industry in the long-term period;
- c) firm gets losses in sum  $P_1ACP_3$ ;
- d) correct answers *a* and *b*.



**3. In the long-term period enterprises will:**

- a) leave the industry that will lead to the shift of the demand curve down to the left;
- b) enter the industry as a result of which the demand curve will shift down to the left;
- c) enter the industry causing shift of the demand curve up to the right;
- d) leave the industry that will lead to the shift of the demand curve up to the right;
- e) there is no correct answer.

**4. Following features are inherent for monopolistic competition:**

- a) production of differentiated product, large firms in the industry that react on actions of competitors;
- b) availability in the field of a lot of firms and significant barriers for the entering of new firms into the industry;
- c) absolutely elasticity of the demand curve as a result of production of differentiated product;
- d) production of differentiated product and low barriers for the entrance of new firms into the industry.

**5. In conditions of monopolistic competition the value of index of Lerner:**

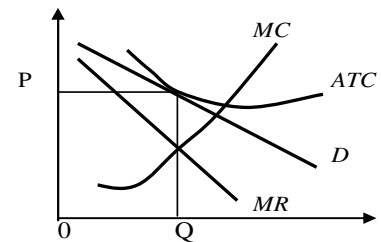
- a) more than 0, but less than 1;
- b) equal to 1;
- c) equal to 0;
- d) exceeds 1.

**6. Which one from the following features of the demand curve is inherent for monopolistic competition:**

- a) absolute elasticity;
- b) high elasticity;
- c) low elasticity;
- d) absolute inelasticity.

**7. What will be the action of firm in the long-term period:**

- a) leave the field that will lead to the shift of the demand curve down to the left;
- b) enter the field, demand curve will shift down to the left;
- c) enter the field, demand curve will shift up to the right;
- d) there is no correct answer.



**8. Which feature makes the market of monopolistic competition different from the oligopoly market most of all?**

- a) the demand curve of oligopoly is less elastic;
- b) there are more firms at the market of monopolistic competition comparing to the oligopoly market;
- c) the impact of price competition is stronger for the monopolistic competition comparing to the oligopoly market;
- d) there is at least one enterprise that considers its actions can cause an appropriate reaction of competitors

**9. Product differentiation in conditions of monopolistic competition is caused by:**

- a) different quality of goods because of different technologies, raw materials design;
- b) conditions of product realization: rapid services, delivery of goods to home, etc;
- c) advertisement, trade mark, design of packages;
- d) all the answers are correct.

**10. The judgment about the efficiency of monopolistic competition for consumers can be proved by the fact that:**

- a) the product differentiation leads to the realization of different tastes of consumers;
- b) enterprises produce the optimal amount of output;
- c) the effective resources allocation is achieved from the point of view of society;
- d) the economic efficiency of producer is achieved.

## ***Theme 12***

### **The Oligopoly**

***Purpose:*** to reveal peculiarities of the market of oligopoly, explain how the interaction of firms influences on price and output establishment, determine the main models of equilibrium at this market.

***Issues:***

1. Oligopoly, its essence and the main features.
2. Theoretical models of oligopoly. Duopoly by Cournot and Bertran.
3. The model of broken demand curve as a type of oligopoly pricing.
4. Secret agreements at the oligopoly market.
5. The game theory in oligopolistic strategy.
6. The efficiency of oligopoly.

*Literature:* 7, 8, 9.

### **Tests**

**1. Oligopoly – is a market structure at which:**

- a) a lot of competitive firms produce similar product;
- b) a lot of competitive firms produce differentiated product;
- c) a little number of competitive firms;
- d) the only one large firm.

**2. Oligopoly rather appears at the market of:**

- a) wheat;
- b) plans;
- c) chocolate;
- d) shampoo.

**3. Oligopoly market is similar to monopolistic market because:**

- a) there are only few sellers at the market;
- b) economic strategy of firm takes into account the behavior of competitors;
- c) the product the firm manufactures can be both standardized and differentiated;
- d) each of manufacturers can implement its own pricing policy.

**4. The existence of oligopoly is caused by:**

- a) barriers for the entrance into the industry;
- b) consequences of firms' merger;
- c) high level of firm's dependence on actions of competitors;
- d) correct answers are *a* and *b*.

**5. Market equilibrium according to the Cournot model provides:**

- a) amounts of output are more than according to secret conspiracy;

- b) amounts of output are equal to amounts at competitive equilibrium;
- c) amounts of output are less than amounts at competitive equilibrium;
- d) amounts of output are equal to amounts at secret conspiracy.

**6. «Broken» demand curve for oligopoly firm means:**

- a) equal demand elasticity along the whole curve;
- b) change of price for products at change of price for its production;
- c) gap of the marginal income curve;
- d) gap of the marginal cost curve.

**7. Conspiratorial oligopoly – is an open and hidden agreement about:**

- a) fixation of prices;
- b) division of market;
- c) restriction of competition between firms;
- d) all answers are correct.

**8. Under the term “pricing” was it is understood:**

- a) gradual decrease of current price level to average cost level with the aim to squeezing competitors out of the market;
- b) gradual decrease of price to the level that will provide maximal profit;
- c) division of markets where own prices of realization are established;
- d) economic strategy of producers that provides them maximal benefits while consumers don't get any benefits.

**9. The industry that consists of 50 producers of differentiated goods, the market share of which doesn't exceeds 3 %, belongs to: the market:**

- a) the market of perfect competition;
- b) the market of monopolistic competition;
- c) oligopoly market;
- d) monopoly market

**10. Which market belongs to the oligopoly market?**

- a) market of lipstick;
- b) market of gas;
- c) market of oil;
- d) market of wheat.

**11. What is the most widespread oligopoly model?**

- a) duopoly Cournot;
- b) duopoly Bertran model;
- c) broken demand curve model;
- d) correct answers are a, b;
- e) all the answers are correct.

### *Theme 13*

## **The Marker of Production Factors**

**Purpose:** to find out the peculiarities of demand for resources, factors that have impact on demand for productive factor, economic essence of the rule of optimal use of resources, research peculiarities of the labor market at different competition level, to reveal the essence of the loan interest and capital discounting, to study the peculiarities of the market of land resources.

**Issues:**

1. Factors (resources) of production, its types and classification. Derivative nature of demand for resources of production.
2. Demand for resources of production in conditions of perfect and imperfect competition. The law of using of resources.
3. The optimality of use of production resources in long-term market period.
4. The peculiarities of the labor market functioning: demand, supply and market equilibrium.
5. The labor market in conditions of monopsony, monopoly and bilateral monopoly.
6. Capital as a resource of long-term use. Forms of capital.
7. Foundation of investment decisions of use of production factors in the long-term market period.

*Literature: 3, 4, 7, 12, 15.*

### **Tests**

**1. Marginal product of factor of production in monetary form is equal to:**

- a) cost of the last unit of product;
- b) change of total income at use of additional unit of factor of production;
- c) amount of production at the use of additional unit of production factor;
- d) change of price for products manufactured with the help of given production factor.

**2. Demand for resources depends on:**

- a) price of product manufactured with the help of some resource;
- b) price of substitute resources;
- c) price of certain resource;
- d) all answers are correct.

**3. If the competitive firm maximizes its profit selling products by price 2 UAH per one unit and buys resource at price 10 UAH, then monetary expression of marginal product of resource is equal to:**

- a) 2 UAH;
- b) 5 UAH;
- c) 10 UAH;
- d) 20 UAH.

**4. Marginal cost of firm for resource – is:**

- a) additional cost per one additional unit of resource;
- b) additional cost connected with selling of additional unit of product;
- c) difference between total and average cost of firm for resource;
- d) sum of average and total cost of firm for resource.

**5. Derivative character of demand for resource means that:**

- a) demand of firm for resource depends on demand for production of the firm;
- b) demand of firm for resource depends on price of resource;
- c) demand of firm for resource depends on marginal productivity of resource;
- d) demand of firm for resource depends on marginal cost of it.

**6. The demand curve for resource of competitive firm is:**

- a) curve of marginal profitability of resource;
- b) curve of marginal cost for resource;
- c) utility curve of marginal product;
- d) correct answers are *a* and *b*.

**7. According to the law of optimal use of resource:**

- a) use of resource will be profitable if marginal profitability of resource is equal to marginal cost for it;
- b) use of resource will be profitable if prices of all involved resources are equal;
- c) use of resources will be profitable if the firm purchases it at the competitive market;
- d) use of resources will be profitable to the point where  $MR = MC$ .

**8. If nominal interest rate is 12 % and the inflation rate is 8 %, so the real interest rate equals to:**

- a) 3,7 %;
- b) 1,5 %;
- c) 4 %;
- d) 96 %.

**9. Norm of loan interest – is:**

- a) maximal amount of the loan fee established by government;
- b) ratio of loan interest to the amount of fee;
- c) the difference between sum of money that is returned and borrowed;
- d) the difference between nominal and real loan interest.

**10. The minimal wages established by government – is:**

- a) recommended lower limit of individual income;
- b) the size of the subsistence minimum;
- c) the lower limit of salary of an employee of any enterprise;
- d) the cost of the main consumption products for a certain period of time.



**Theme 14**  
**The General Equilibrium and the Welfare Economics**

**Purpose:** to pay attention to the difference between general and partial equilibrium, to reveal the efficiency of exchange, distribution and production, formulate conditions of Pareto-optimal condition of economy.

**Issues:**

1. The essence and analysis of market equilibrium. Partial and general equilibrium.
2. Equilibrium in the economy of exchange and the efficiency of resources distribution.
3. The welfare economy in the context of general market equilibrium.

*Literature: 2, 5, 6, 7, 12, 13.*

**Tests**

**1. When we talk about establishment of equilibrium price and equilibrium amount of output under the influence of factors acting only at given local market, so that we mean:**

- a) partial market equilibrium;
- b) general market equilibrium;
- c) perfect market equilibrium;
- d) imperfect market equilibrium

**2. General market equilibrium provides:**

- a) the equilibrium price formation and equilibrium amount of output at given market taking into account changes of equilibrium state at all other markets;
- b) establishment of equilibrium price and equilibrium amount of output under the influence of factors acting only at given local market;
- c) the equilibrium price formation and equilibrium amount of output at given market without taking into account changes of equilibrium state at all other markets;
- d) all the answers are correct.

**3. Which suggestion can't be used in the analysis of general market equilibrium?**

- a) all markets are competitive;
- b) natural monopolies are absent;
- c) each product is produced in case of constant or descending effect of scale;
- d) there is restrictive regulation of entrance into the market

**4. General market equilibrium determines prices and amounts of production in such a way that:**

- a) marginal utility of every product for consumers equals marginal cost of each product of output;
- b) marginal utility of production is less than marginal cost of each product of output;
- c) marginal cost are less than marginal revenue;
- d) marginal cost exceeds the marginal revenue.

**5. Who tried to describe the economic equilibrium with the help of equation system for the first time?**

- a) Leon Walras;
- b) Ronald Coase;
- c) Wilfredo Pareto;
- d) John Hicks.

**6. According to L. Walras, market economy price level determines:**

- a) the amount of output;
- b) the tax rate;
- c) the interest rate;
- d) the employment level.

**7. What does the model "Edjvort box" illustrate?**

- a) the optimization of solutions for the efficient distribution of goods in the process of exchange on a perfectly competitive market due to the ordinal version;
- b) the optimization of solutions for the efficient distribution of goods in the process of exchange on a perfectly competitive market due to the cardinal version;
- c) the optimization of solutions for the efficient distribution of goods in the process of exchange at the monopoly market according to the ordinal version;
- d) the optimization of solutions for the efficient distribution of goods in the process of exchange at the monopoly market according to the cardinal version

**8. What does each point on the contract curve correspond to?**

- a) the point of market equilibrium ;
- b) different sets of goods that have the same utility for consumer;
- c) the point of saturation of consumer's needs;
- d) all the answers are correct;
- e) there is no correct answer

**9. The ability to achieve Pareto-optimal resource allocation can be achieved in case if:**

- a) the marginal norm of goods substitution is equal to the marginal norm of transformation;
- b) the marginal norm of goods substitution is less than the marginal norm of transformation;
- c) the marginal norm of goods substitution exceeds the marginal norm of transformation;
- d) the marginal cost are equal to marginal revenue

**10. The optimization of the allocation of productive resources between industries is illustrated by:**

- a) the Edjvort resource box;
- b) the Walras' law;
- c) the theory of general market equilibrium;
- d) the Pareto-criterion.

**Theme 15**  
**The Institutional Aspects of the Market Economy**

**Purpose:** to reveal the essence of external and internal effects, research the methods of government impact on the decrease of consequences of action of negative external effects.

**Issues:**

1. Institutional environment of market economy. Transaction cost.
2. External effects and its correction. Coase theorem.
3. Peculiarities of public goods and conditions of its effective use.
4. The essence of the theory of public choice in institutional implementation of market economy.

*Literature: 1, 2, 3, 4, 17.*

**Tests**

**1. Positive external effects lead to the fact that private companies:**

- a) do not produce at all;
- b) produce extra quantity of goods and establish low prices;
- c) produce not enough quantity of goods and establish high prices;
- d) produce extra quantity of goods and establish too high prices.

**2. What is the difference between public and private goods?**

- a) impossibility of exclusion from consumption;
- b) non-competitiveness;
- c) collective nature of consumption;
- d) all the answers are correct.

**3. The position of economists regarding environmental pollution control is best characterized by the statement:**

- a) government programs aimed at reducing pollution have zero opportunity cost;
- b) all forms of environmental pollution should be eliminated;
- c) pollution control should be based on a comparison of societal aggregate, but not marginal income and costs;
- d) pollution must be reduced to a level at which the marginal social costs of pollution control are equal to the marginal social benefits from it.

**4. An external effect occurs when:**

- a) the manufacturer does not compensate for the damage caused to the third parties and does not receive remuneration for the beneficial effects accompanying its production;
- b) the production or consumption of the product does not directly affect the third parties who do not participate in the purchase and sale of this product;
- c) new goods are produced from production waste;
- d) the consequences of production or consumption were not foreseen.

**5. Methods of correction of external effects do not include:**

- a) market pricing;
- b) establishment of property rights;
- c) taxation;
- d) subsidy.

**6. If the production of a certain product is accompanied by negative externalities, then private firms will produce:**

- a) too much of this product at too high a price;
- b) too little of this product at too low a price;
- c) too much of this product at too low a price;
- d) too little of this product at too low a price.

**7. The conditions for ensuring the optimal structure of the economy are:**

- a) equality of marginal rates of technological substitution in the production of two goods;
- b) equality of the marginal rate of transformation to the marginal rate of substitution of goods for all consumers;
- c) equality of the marginal rate of substitution of goods for all consumers at their relative prices;
- d) equality of marginal rates of substitution of goods for all consumers.

**8. Which of the listed public goods is a service:**

- a) city streets and squares;
- b) armed forces;
- c) highway roads;
- d) reserves.

**9. The production of public goods belongs to the spheres of market failure because:**

- a) consumer needs for these goods do not take the form of market demand;
- b) in the markets of these goods, the price may deviate from the equilibrium price;
- c) social goods are economic goods;
- d) producers of public goods receive subsidies from the state.

**10. Transaction costs are:**

- a) alternative costs of wrong choice of firms or the state;
- b) additional costs of firms related to the establishment of property rights and measures aimed at reducing losses from external effects;
- c) additional costs of companies related to the sale of manufactured products;
- d) additional costs of the state related to the regulation of the economic activity of market entities.

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## **Methodical recommendations and tests**

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