

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 170 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 10-point question should take 5 minutes. I cannot give extra time because some students have a class after your class.

1) (12 points) Answer EITHER Part A OR Part B.

A) What is the *risk bearing* theory of economic profit. Make sure you explain why firms do not normally make profits.

B) What is wrong with this logic? “When the costs of production go up, the firm produces less, which moves the supply curve up/left. This causes the price to rise. Therefore, demand drops causing the demand curve to shift down/left and reduces the quantity even more.”

2) (14 points) Answer EITHER Part A OR Part B.

A) If $TC = 5Q^3 - 2Q^2 + Q + 100$, then what are the formulas for ATC and MC? Show all work.

B) Draw the TC curve and explain why it takes its shape.

3) (14 points) Answer EITHER Part A OR Part B.

A) Draw the demand curve for a product which has the *snob effect* and for a product which does not have the *snob effect*. Explain why the two curves look as drawn.

B) What is the *bandwagon effect*? Why is it important for a firm to know whether or not it exists with their product?

4) (16 points) Copy the table into your test booklet. Fill it in. Show the calculations which gave you the answers and briefly explain how you got the entries which have no calculations.

Q	TR	MR	AR
0			
2	100		
4			40
	210	25	

5) (18 points) Illustrate EITHER the event in Part A OR the event in Part B on the supply and demand for toilet paper. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

A) The price of note pads increases.

B) The government restricts the number of trees which can be cut down.

6) (26 points) Answer EITHER Part A OR Part B.

A) What is a *Learning Organization*? Why does it require *system thinking* and *shared vision*?

B) What is *TQM*? Why does it require *visible support from the administration* and *quick returns*?