



## **AP<sup>®</sup> Microeconomics 2006 Scoring Guidelines**

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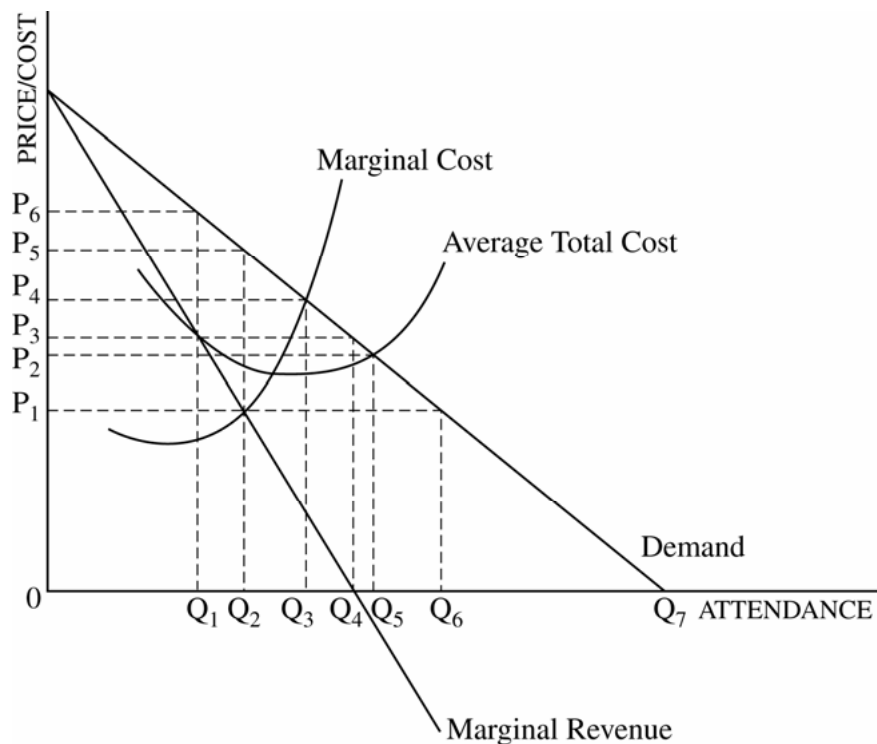
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**Question 1**

**11 points** (4 + 2 + 2 + 3)



(a) 4 points:

- One point is earned for indicating  $P_5, Q_2$ .
- One point is earned for indicating  $P_3, Q_4$ .
- One point is earned for indicating  $P_4, Q_3$ .
- One point is earned for indicating  $P_2, Q_5$ .

(b) 2 points:

- One point is earned for stating that demand is elastic at  $Q_1$ .
- One point is earned for explaining that MR is greater than zero, OR  $Q_1$  is to the left of the midpoint, OR  $Q_1$  is in the upper half of the demand curve.

(c) 2 points:

- One point is earned for stating that accounting profits are positive.
- One point is earned for explaining that economic profits are zero, opportunity costs exist, and economic profits = accounting profits - opportunity cost.

(d) 3 points:

- One point is earned for indicating  $Q_7$ .
- One point is earned for concluding that the outcome is not allocatively efficient.
- One point is earned for explaining that  $MC > P$  or  $MSC > MSB$ .

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**Question 2**

**7 points** (1 + 1 + 2 + 2 + 1)

(a) 1 point:

- One point is earned for indicating that TFC is \$20.

(b) 1 point:

- One point is earned for indicating that MC of the first unit is \$7.

(c) 2 points:

- One point is earned for indicating that the profit-maximizing output=4 units (or between 4 and 5 units).
- One point is earned for explaining that  $MR > MC$  for all units until  $Q=5$  (or direct calculation of  $TR-TC$ ).

(d) 2 points:

- One point is earned for concluding that the number of firms will increase.
- One point is earned for explaining that profits will attract new firms to enter.

(e) 1 point:

- One point is earned for stating that there is no change in the profit-maximizing output.

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**Question 3**

**6 points** (2 + 2 + 2)

(a) 2 points:

- One point is earned for showing a rightward shift of the demand curve.
- One point is earned for showing that equilibrium price increases and quantity increases.

(b) 2 points:

- One point is earned for showing a rightward shift of the supply curve.
- One point is earned for showing that equilibrium price decreases and quantity increases.

(c) 2 points:

- One point is earned for indicating that  $MSC$  is greater than  $MPC$ .
- One point is earned for stating that the conversion of land to residential development is not socially optimum because  $MSC > MSB (P)$ .