



AP[®] Microeconomics 2009 Scoring Guidelines

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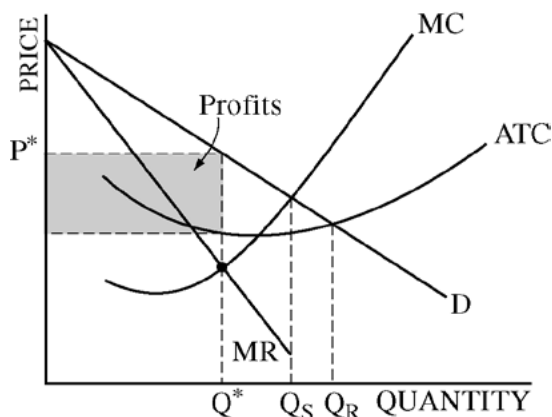
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Question 1

11 points (5 + 2 + 1 + 2 + 1)



(a) 5 points:

- One point is earned for a correctly labeled graph for CableNow, with a downward-sloping demand curve and with the marginal revenue curve below the demand curve.
- One point is earned for identifying the profit-maximizing quantity of cable services, Q^* , at $MC = MR$.
- One point is earned for identifying the profit-maximizing price of cable services, P^* , on the demand curve above Q^* .
- One point is earned for showing the area of economic profit, completely shaded.
- One point is earned for identifying the socially optimal level of cable services, Q_S , where the MC curve intersects the demand curve.

(b) 2 points:

- One point is earned for stating that the lump-sum subsidy will have no impact on the quantity of services CableNow produces.
- One point is earned for explaining that the lump-sum subsidy will not affect MC .

(c) 1 point:

- One point is earned for identifying the quantity of cable services, Q_R , where the ATC curve intersects the demand curve.

(d) 2 points:

- One point is earned for stating that accounting profit is positive.
- One point is earned for explaining that accounting profit excludes implicit costs.

(e) 1 point:

- One point is earned for stating that the socially optimal quantity will be larger than Q_S .

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Question 2

6 points (1 + 3 + 1 + 1)

(a) 1 point:

- One point is earned for the correct calculation of the producer surplus: $(1/2) \times \$3 \times 90 = \135 .

(b) 3 points:

- One point is earned for the correct calculation of the amount of tax revenue: $\$2 \times 60 = \120 .
- One point is earned for the correct calculation of the after-tax price received by sellers: \$4.
- One point is earned for the correct calculation of the producer surplus: $(1/2) \times \$2 \times 60 = \60 .

(c) 1 point:

- One point is earned for concluding that the demand price is elastic AND showing the correct calculation of the elasticity coefficient using endpoint or midpoint method, or the correct calculation using the total revenue formula.

(d) 1 point:

- One point is earned for concluding that, owing to the tax, the market is no longer allocatively efficient AND that total surplus decreases or the tax creates a dead-weight loss.

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Question 3

6 points (2 + 2 + 1 + 1)

(a) 2 points:

- One point is earned for stating that north will be better for Blue Mart.
- One point is earned for explaining that Blue Mart earns a higher profit by locating north than it does by locating south (\$4,000 versus \$1,000).

(b) 2 points:

- One point is earned for stating that choosing south is not a dominant strategy for Red Shop.
- One point is earned for explaining that if Blue Mart chooses south, Red Shop is better off choosing north. (Red Shop's best strategy depends on Blue Mart's move.)

(c) 1 point:

- One point is earned for stating that Red Shop chooses south and Blue Mart chooses north.

(d) 1 point:

- One point is earned for redrawing the table with the correct entries:

		Blue Mart	
		North	South
Red Shop	North	\$900, \$1,800	\$3,000, \$5,500
	South	\$7,000, \$4,000	\$3,500, \$3,000