



AP[®] Microeconomics 2004 Scoring Guidelines Form B

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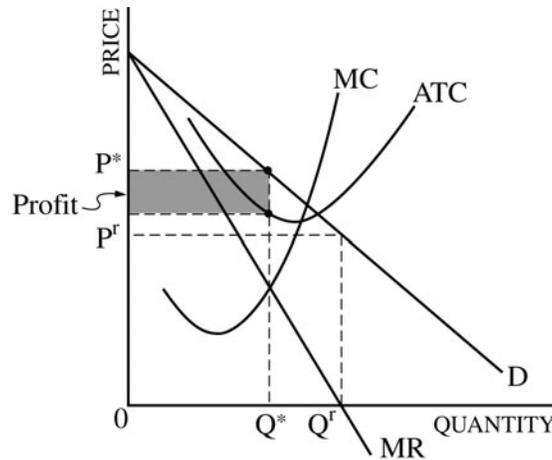
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AP[®] MICROECONOMICS
2004 SCORING GUIDELINES (Form B)

Question 1

9 points (1+4+2+1+1)

(a) 1 point: Brunelle must lower its price on all units to sell additional units. Thus, the additional revenue from the last unit sold is the price *minus* the loss on units that would otherwise sell at a higher price.



(b) 4 points:

- 1 – Correctly labeled graph with downward-sloping demand and marginal revenue below demand
- 1 - For Q^* at $MC=MR$
- 1 - For P^* at the height of the demand curve above $MC=MR$
- 1 - For shading the correct area of profit $(P^*-ATC)Q^*$

(c) 2 points:

- 1 - For Identifying Q^r at $MR = 0$
- 1 - For identifying P^r at the height of the demand curve above Q^r

(d) 1 point: Brunelle is not producing the allocatively efficient level of output because $P > MC$ ($MSB > MSC$)

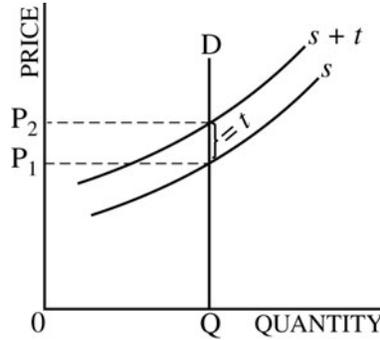
(e) 1 point: Brunell's demand curve will shift inward to the left

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Question 2

6 points (2+2+2)

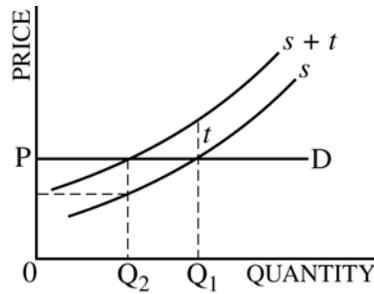
(a) 2 points:



1 - Perfectly inelastic demand curve showing that Q does not change

1 - Since producers can raise the price by the full amount of the tax, the tax falls entirely on buyers

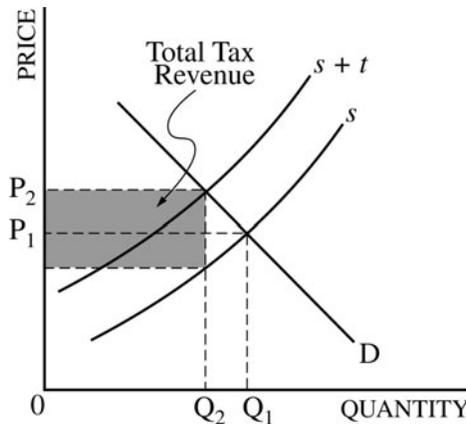
(b) 2 points:



1 - Horizontal demand curve showing that price does not change

1 - The tax falls entirely on sellers, since they can't charge more and thus must absorb the entire amount of the tax

(c) 2 points:



1 - For shifting either the supply curve or the demand curve inward to the left

1 - For shading the correct profits area

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Question 3

6 points (2+1+2+1)

(a) 2 points:

1 – Placonia imports the good

1 – The domestic opportunity cost of producing good X is higher than the world price (P_w) for unit JN. Or, they can get it cheaper at the world price.

(b) 1 point: They import 300 (=350 - 50) units or JN units

(c) 2 points:

1 – Consumer surplus decreases from P_wNH to P_tMH , or a decrease of MNP_wP_t

1 – Producer surplus increases by JKP_tP_w

(d) 1 point: Employment would increase because domestic production of good X increases in Placonia