AP® Microeconomics
2004 Scoring Guidelines
Form B

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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' at MR =0
1 - For identifying P' at the height of the demand curve above Q'

(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
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
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 $P_w$NH to $P_t$MH, 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