

**AP Economics
Microeconomics
Unit 2 Exam: Review Sheet**

Chapter 3

What causes changes in quantity demanded? Quantity supplied?

What causes shifts of the demand curve? Of the supply curve?

How are the curves shifted by these changes?

What are “normal goods?” Inferior goods? Complimentary goods? Substitute goods?

What is allocative efficiency? Productive efficiency?

What are price floors? What effects do they have on market equilibrium?

What are price ceilings? What effects do they have on market equilibrium?

Chapter 6

What is price elasticity of demand? Income elasticity of demand? Cross-elasticity of demand?

What is price elasticity of supply? Differences between short and long run price elasticity of supply?

What is elastic demand? Inelastic demand? Unit elasticity? What do the graphs look like for elastic, inelastic, and unit elastic demand?

What do the graphs look like for perfect elasticity of demand/supply? Of perfect inelastic demand/supply? What are examples of products with perfect elasticity/inelasticity?

What is consumer surplus? What is producer surplus?

Chapter 7

What is total utility? What is marginal utility?

What is the Law of Diminishing Utility?

Chapter 8

What are explicit costs? What are implicit costs?

What are “normal profits?” What are “economic profits?”

What is the Law of Diminishing Returns?

How are fixed, variable, and total costs determined? How are Average Fixed Costs (AFC), Average Variable Costs (AVC), and Average Total Costs (ATC) computed?

How is Marginal Cost computed?

What are the shapes on a graph of the AFC, AVC, ATC, and MC curves?

What causes shifts in the cost curves?

What are economies and diseconomies of scale?

Chapter 9

What are the characteristics of pure competition?

What shape on a graph of the demand curve for a purely competitive firm? For a purely competitive industry?

How do you determine profit maximization in the short run of a perfectly competitive firm?

How do you determine profit maximizing output in a perfectly competitive firm?

What is the $MC = MR$ rule?

What determines if a perfectly competitive firm continues to produce or shutdown?

What are the differences in economic profits to a perfectly competitive firm in the long run versus the short run?

What are the characteristics, particularly in regards to economic profits, of a perfectly competitive firm in long run equilibrium?

What are the determinants of allocative efficiency in a perfectly competitive firm? Of productive efficiency?

Chapter 10

What are the characteristics of a pure/perfect monopoly?

What determines the profit maximizing output level of an unregulated monopoly? How does this relate to the price consumers pay? What does the profit maximizing graph of a monopolistic firm look like?

What are the differences between socially optimum price, fair return price, and the price monopolies charge?

How does allocative efficiency in a monopolistic firm differ from that of a perfectly competitive firm?

What can a government do to change the price a monopoly charges for the product? How does this change the profit maximization graph of the firm? How does this change the firm's allocative efficiency?

Why would a government intervene or regulate a monopoly?

Chapter 11

What are the characteristics of an oligopoly?

What is the relationship in terms of pricing between firms in an oligopoly?

How do the actions of one firm in a oligopoly affect the decisions of the other oligopolistic firms?