AP Microeconomics
2000 Scoring Guidelines

Scoring Guideline for Microeconomics Question 1:

> **[2+2+1+2+1+1+2=11]**

Part (a)
> (i) MR = MC for output   (1 point)
> (ii) P from Demand curve (1 point)

Part (b)
(i)   Q1 and P5 (or Point B)   (1 point)
> ii) A to D (or range for which MR > 0)   (1 point)
- It is not necessary for them to acknowledge that D technically shouldn't be included in this line segment.
- While other line segments (AB, AC, BC, BD, CD) are elastic, they include only a portion of the line segment that is elastic and should not be given credit.
- **Often, the answer to A) will be found in B), and can be acceptable as a correct answer to A).**
  - **Also, the student may attempt to answer this (and other) part of the question with a simplified graph of his/her/its own, such as the one below. If it is correctly labeled and is correct, this is acceptable.**

P

MC

P_1 .... A

Demand

Output

Q_1 \ MR
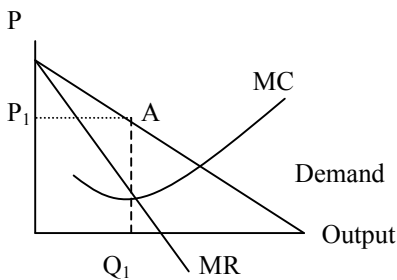
Profit maximizing output here is Q1
Profit maximizing price is P1
A is the profit-maximizing point

Part (c)
> Q2 and P4, (or point C) (1 point).

Part (d)
> (i) ABP_5 (monopoly)   (1 point)
- If the answer to d) I) is incorrect but consistent with the student's answer in b), credit should be given.
> (ii) ACP_4 (perfect competition)   (1 point)
- Again, there is a consistency problem; if the answer to ii) is incorrect but is consistent with the (incorrect) answer the student gave in c), credit should be given.

Part (e)
> P = MC ,or
> MB = MC (1 point)
- This definition is entirely self-contained; there need be no reference to the graph to get full credit.

Part (f)
    Q2 (1point)
• If this answer is incorrect the student receives no credit *even if it is consistent with part e)*

Part (g)
    A per-unit subsidy. Merely the word "subsidy" is sufficient. (1 point).
    ii) An explanation that the subsidy either (1 point)
                1) lowers MC, or
                2) raises MR, or
                3) shifts the demand curve out.
• **A statement that output increases is not sufficient.**

Scoring Guideline for Microeconomics Question 2:

Question 2   [1+1+2+1+1 = 6 Points]

Part (a)
(1 point) Perfect competition (or pure competition) since price of output is given to the firm
• "Because the firm is a price-taker" is also acceptable.

Part (b)
(1 point) Perfect competition since the wage rate is given to the firm (1 point)
• "Because the firm is a wage-taker" is also acceptable.

Part (c)
(2 points) 1 point for 5 workers; 1 point for the explanation

    The MRP > w for 5 workers but not for 6.
• It is **not** sufficient to point out that the firm earns a profit (or its greatest profit) at 5 workers; some reference must be made to the fact that MRC (MFC, MC *of labor,* or wages) is closest to MRP and is still greater than MRP at that level of output.

• The student must use MRP in the answer; MR is not sufficient.

Part (d)
(1 point) for 46 units of output.   The output level must be consistent with the units of labor selected in part c. In this case, a student who has the wrong number of labor in part c. may still earn the point here if the output level is consistent with that quantity of labor indicated by the student in part c.

Part (e)
TR: $138 (46 x $3)   (1 point)
  - TVC   55   (5 x $11)
  - TFC   10
  = **Economic Profit $ 73**

- Must be consistent with the student's answer above.
- They do not have to show the actual profit; if they state that a profit is being earned because TR > TC they receive credit.

Scoring Guidelines for Microeconomics Question 3

   [2+1+2 = 5 Points]

Part (a) Market for Imported Shoes
        (i) Correct graph (Labels: D,S,P, & Q) that includes an inward shift in supply (1 point)
        (ii) P and Q changes correctly explained using the student's graph of a) i). (1 point)

Part (b) Market for Domestic Shoes
    Correct graph that includes a demand shift consistent with the price change in Part a with
    both P and Q consistent with the graph drawn (1 point)

Part (c)
        (i) With an elastic demand for imported shoes, the increased price of imported shoes will lead to a reduction in total expenditures (1 point).
- A student who has an incorrect answer in part a) may earn this point as long as the analysis is consistent with the answer in part a).

        (ii) Discussion of the proportional change in P and Q to explain the expenditure change. (1 point)

- **Be careful to work with the student's output change in Part a.**