CollegeBoard
Advanced Placement Program

AP® Microeconomics
2008 Scoring Guidelines

The College Board: Connecting Students to College Success

The College Board is a not-for-profit membership association whose mission is to connect students to college success and opportunity. Founded in 1900, the association is composed of more than 5,400 schools, colleges, universities, and other educational organizations. Each year, the College Board serves seven million students and their parents, 23,000 high schools, and 3,500 colleges through major programs and services in college admissions, guidance, assessment, financial aid, enrollment, and teaching and learning. Among its best-known programs are the SAT®, the PSAT/NMSQT®, and the Advanced Placement Program® (AP®). The College Board is committed to the principles of excellence and equity, and that commitment is embodied in all of its programs, services, activities, and concerns.
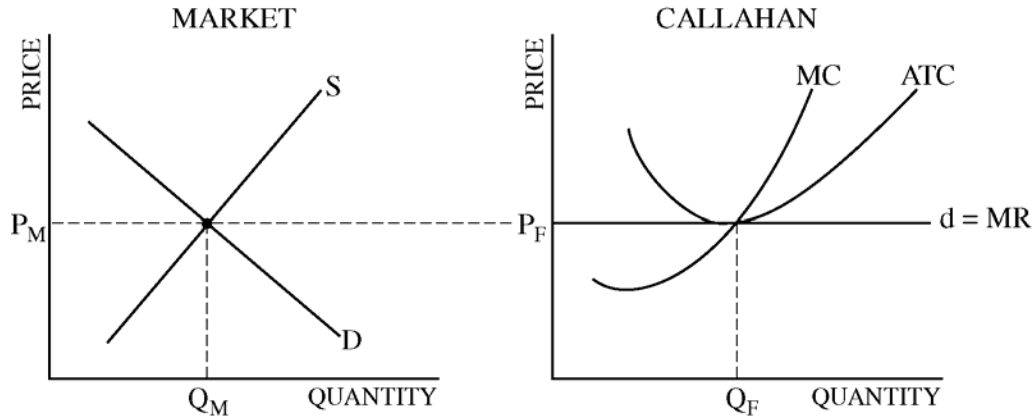
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12 points (4 + 4 + 4)

(a) 4 points:
- One point is earned for a correctly labeled graph of the apple market, with P_M and Q_M properly indicated.
- One point is earned for showing that the firm's price equals the market price.
- One point is earned for the tangency of flat firm demand (P_F) and ATC.
- One point is earned for Q_F where MR (P) = MC.

(b) 4 points:
- One point is earned for concluding that the lump-sum subsidy will have no impact on Callahan's output.
- One point is earned for explaining that the lump-sum subsidy will not affect MC (or MR).
- One point is earned for concluding that Callahan's profit will increase.
- One point is earned for concluding that the number of firms in the industry will not change.

(c) 4 points:
- One point is earned for concluding that the number of firms in the industry will increase.
- One point is earned for explaining that the existence of profits attracts new firms.
- One point is earned for concluding that the price will fall.
- One point is earned for concluding that industry output will increase.

Question 2

5 points (1 + 2 + 2)

(a) 1 point:
  - One point is earned for defining marginal utility as the extra satisfaction received from consuming an additional unit of a good or service.

(b) 2 points:
  - One point is earned for concluding that Mandy should purchase more fudge and less coffee.
  - One point is earned for explaining that the per dollar MU for fudge is greater than the per dollar MU for coffee.
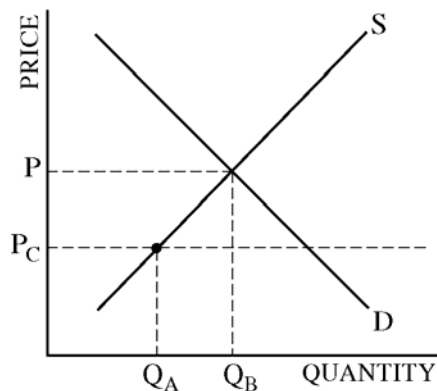
(c) 2 points:
  - One point is earned for stating that the price elasticity of demand for good R is zero.
  - One point is earned for stating that none of the tax will be paid by the seller of good R, or that buyers pay all of the tax.

Question 3

7 points (3 + 4)

(a) 3 points:
- One point is earned for a correctly labeled supply and demand graph with a price ceiling indicated below the market equilibrium.
- One point is earned for correctly labeling Q_A.
- One point is earned for correctly labeling Q_B.

(b) 4 points:

(i) 2 points:
- One point is earned for identifying Q_1 as the profit-maximizing output.
- One point is earned for identifying Q_3 as the socially efficient output.

(ii) 2 points:
- One point is earned for recognizing that at Q_3, the monopolist incurs a loss.
- One point is earned for identifying the area of loss, P_1P_3DF.