CollegeBoard AP

AP® Microeconomics
2009 Scoring Guidelines
Form B

The College Board

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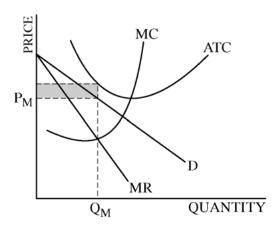
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Question 1

11 points (4 + 1 + 2 + 2 + 2)

(a) 4 points:
- One point is earned for a correctly labeled graph with a downward-sloping demand curve, with MR below demand.
- One point is earned for identifying the profit-maximizing output, Q_M, at MC = MR.
- One point is earned for identifying P_M on the demand curve above Q_M.
- One point is earned for showing the area of loss shaded completely.

(b) 1 point:
- One point is earned for stating that price is greater than average variable cost, or total revenue is greater than total variable cost.

(c) 2 points:
- One point is earned for stating that the number of firms will increase.
- One point is earned for stating that economic profits will fall to zero or fall to a normal profit.

(d) 2 points:
- One point is earned for stating no.
- One point is earned for explaining that the firm's price is greater than marginal cost.

(e) 2 points:
- One point is earned for stating yes.
- One point is earned for explaining that the firm produces a quantity of output in the declining portion of its long-run ATC.

Question 2

6 points (2 + 2 + 2)

(a) 2 points:
- One point is earned for calculating the price of a unit of bananas, $4/8 = $0.50.
- One point is earned for stating that Sasha will purchase fewer peanuts.

(b) 2 points:
- One point is earned for stating that the equilibrium price and quantity of peanuts will both increase.
- One point is earned for explaining that peanuts and bananas are substitutes, and since the price of bananas increased, it would cause the demand for peanuts to increase.

(c) 2 points:
- One point is earned for stating that the substitution effect causes the quantity of bananas demanded to decrease.
- One point is earned for stating that Sasha's real income will decrease.

Question 3

6 points (1 + 2 + 1 + 1 + 1)

(a) 1 point:
- One point is earned for concluding that City Wheels maintains its current fare, since $180 > $120.

(b) 2 points:
- One point is earned for stating that Easy Ride does NOT have a dominant strategy.
- One point is earned for explaining that Easy Ride's best move depends on City Wheels' move.

(c) 1 point:
- One point is earned for stating that the profit to Easy Ride is $150 and the profit to City Wheels is $180.

(d) 1 point:
- One point is earned for stating that the cooperative solution is for both to maintain their current fares.

(e) 1 point:
- One point is earned for showing the correct entries in the new payoff matrix as follows:

| | City Wheels | |
	Maintain Fare	Lower Fare
Maintain Fare	$150, $180	$130, $160
Lower Fare	$160, $130	$180, $150

Easy Ride (row label)