

※ 考生請注意：本試題不可使用計算機。請於答案卷(卡)作答，於本試題紙上作答者，不予計分。

Part I (80%) Multiple Choice Questions: choose ONE and ONLY ONE answer

1. Which of the following correctly define consumer's surplus:
 - a. excess cash to spend after necessities have been taken care of
 - b. surplus of consumer savings during inflation
 - c. surplus of satisfaction which a customer may derive from a purchase
 - d. none of the above

2. Which of the following approach is NOT for resolving the principal-agent problem:
 - a. ex ante incentive alignment
 - b. deferred stock options
 - c. ex post governance mechanism
 - d. straight salary contracts
 - e. monitoring by independent outside directors

3. Transfer prices in a multiproduct firm with different divisions:
 - a. serve as a measure of the marginal value of resources employed when making price-output decisions that will maximize profits
 - b. cannot be determined whenever one division sells its products both internally to another division and externally in a perfectly competitive market
 - c. serves as a measure of the overall value of the resources employed in the division when analyzing the performance of the division
 - d. a and c only
 - e. a, b, and c

4. Second-degree price discrimination:
 - a. is also known as block rate setting
 - b. is imperfect in the eyes of a monopolist
 - c. is regularly practiced by public utilities
 - d. is effective only in the case of services or products which are sold in easily metered units
 - e. all of the above

5. Evaluate the following statement: for a monopolist with price discrimination, when the price elasticity in market A is less (in absolute value) than that in market B, the optimal price in market A is greater than the optimal price in market B.
 - a. true
 - b. false

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6. What is the main difference features between cooperative and non-cooperative games?
 - a. cooperative games allow side payments to support collusion
 - b. non-cooperative games encourage communication of sensitive information between arms-length competitors
 - c. cooperative games involve randomized behavior
 - d. cooperative games necessitate an explicit order of play
 - e. inconsequential except when players have contractual relationships

7. Which one is NOT the motivation for pursuing vertical integration strategy?
 - a. Upstream market power
 - b. Economies of ever wider spans of managerial control
 - c. Technological interdependencies
 - d. Reduced search and bargaining cost
 - e. The hold-up problem.

8. True or false? One important feature of an oligopolistic market structure is the interdependencies among the decisions of the rival firms.
 - a. true
 - b. false

9. With a low cross elasticity of demand between one product and all other products, the market structure often implies a(n) _____ situation.
 - a. oligopoly
 - b. monopoly
 - c. pure competition
 - d. substitution
 - e. monopolistic competition

10. The rate at which one input X may be substituted for another input Y in a production process, while total output remains constant, is:
 - a. the slope of the isoquant curve
 - b. the marginal rate of technical substitution (MRTS)
 - c. equal to MP_x/MP_y
 - d. all of the above
 - e. none of the above

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11. Which statement is (are) NOT appropriate for a short-run cost function?
- a. The average fixed cost function is monotonically decreasing.
 - b. The marginal cost function intersects the average fixed cost function where the average variable cost function is a minimum.
 - c. The marginal cost function intersects the average variable cost function where the average variable cost function is a minimum.
 - d. The marginal cost function intersects the average total cost function where the average total cost function is a minimum.
 - e. b and c
12. When total product function is maximized, :
- a. Average product is maximized
 - b. Average product is equal to zero
 - c. Marginal product is maximized
 - d. Marginal product is equal to zero
 - e. none of the above
13. For an open economy with no capital control and abundant international trade, a rise in interest rates and a decline in the producer price index of inflation will
- a. raise the value of the currency
 - b. lower the nominal interest rate
 - c. increase the volume of trading in the foreign exchange market
 - d. lower the trade-weighted exchange rate
 - e. increase consumer inflation.
14. The isoquants for inputs that are perfect substitutes for one another consist of a series of:
- a. right angles
 - b. parallel lines
 - c. concentric circles
 - d. right triangles
 - e. none of the above

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15. An appreciation of NT dollar has what impact on Taiwan manufacturers?
- domestic sales increase and foreign sales increase
 - domestic sales decrease and foreign sales increase
 - domestic sales increase and foreign sales decrease
 - domestic sales decrease and foreign sales decrease
 - only manufacturers who produce traded goods are affected
16. The purchasing power parity hypothesis implies that an increase in inflation in one country relative to another will over a long period of time
- increase exports
 - reduce the competitive pressure on prices
 - lower the value of the currency
 - increase foreign aid
 - increase the speculative demand for the currency

Part II (20%):

Externalities are common in virtually every area of economic activity. They are defined as third party (or spill-over) effects arising from the production and /or consumption of goods and services for which no appropriate compensation is paid.

Externalities can cause market failure if the price mechanism does not take into account the full social costs and social benefits of production and consumption.

Use the graphic analysis to show

- The equilibrium price and quantity without externality
- How does positive externality change the supply or demand curve?
- How does externality change social welfare?
- Why can government do to help the market reach the optimal social welfare?
- What about negative externality? Repeat question a to question d above.