Fall 2013 Micro Principles Assessment.

Ten questions were included on the final examinations of all instructors teaching ECON 2302. The assessment was designed to cover a broad range of general microeconomics topics. The questions were administered to a total of 308 students across multiple sections, delivered in person and online. Of twelve course objectives, the questions covered ten, omitting objectives related to economic efficiency. The course objectives and questions are listed below.

The overall average (student-weighted, not instructor-weighted) was 6.0 correct answers (out of 10 questions). This is too low.

The correct response was chosen more than seventy percent (70%) of the time for two questions, #3 and #7. The correct response was chosen less than half the time for two other questions, #1 and #8. The variance of correct responses varied considerably across instructors, both on individual questions and in the aggregate.

The percentage of correct responses, by question and by instructor, are listed in the table below.

Question	Objective	Inst A	Inst B	Inst C	Inst D	Inst E	Average
1	1, 2	27.6	15.4	33.0	48.6	84.0	44.8
2	3	58.6	69.2	43.0	58.9	81.0	60.5
3	1	66.7	69.2	53.0	94.4	85.0	77.3
4	6	55.2	53.8	67.0	53.3	88.0	61.9
5	7	56.3	38.5	41.0	64.5	72.0	58.6
6	7, 8	64.4	23.1	51.0	76.6	80.0	67.4
7	10	67.8	69.2	67.0	83.2	73.0	74.0
8	9	56.3	30.8	22.0	24.3	73.0	41.5
9	12	78.2	38.5	43.0	59.8	54.0	60.4
10	11	47.1	0.0	18.0	75.7	70.0	54.3
		57.8	40.8	43.8	63.9	76.0	60.1

List of Micro Course Objectives

1. The student will understand the features of the perfectly competitive market.

2. The student will understand the concept of equilibrium and its application to price setting in the perfectly competitive market.

3. The student will understand how equilibrium responds to changes in supply-side or demand-side factors and be able to illustrate these changes on a graph.

4. The student will understand and be able to illustrate how the gains from trade in perfectly competitive market are distributed to consumers and producers.

5. The student will understand the efficiency properties of equilibrium in perfectly competitive markets.

6. The student will understand the concept of elasticity, which measures price responsiveness among consumers and producers.

7. The student will understand the economic perspective on costs, and be able to distinguish economic costs from accounting costs.

8. The student will understand incremental cost and revenue concepts in markets that are, and are not, perfectly competitive.

9. The student will understand the principles guiding firm behavior in perfectly competitive markets.

10. The student will understand how profits guide entry and exit decisions in the long run in the perfectly competitive market.

11. The student will understand a range of market types, or market structures, and be able to identify the key features of each and the pricing, entry, and output behavior observed in each.

12. The student will understand the basic mechanics of price setting in markets that are not perfectly competitive.

Fall 2013 Assessment of Micro Principles.

1. In a free market that is perfectly competitive, the price set by the market:
a. gives firms the highest possible profits
b. encourages each firm to make as much of the product as it can
c. makes the amount produced equal to the quantity demanded
d. all of the above

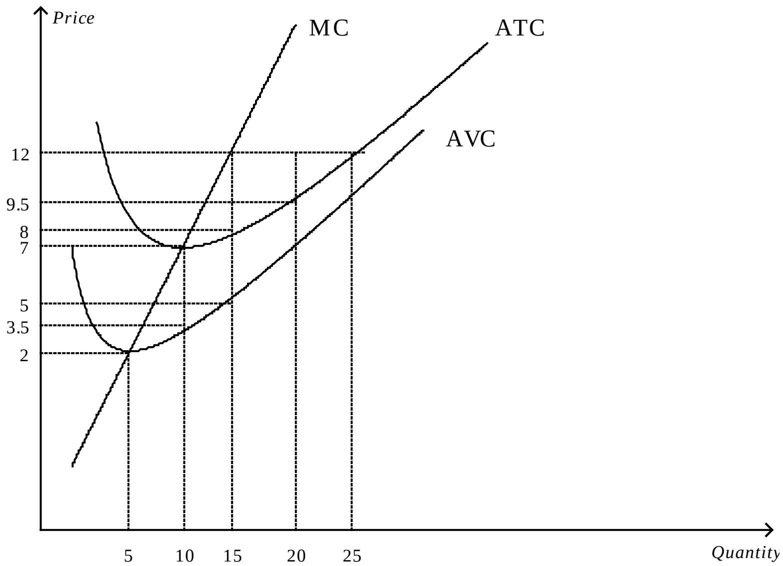
2. Apple juice is a normal good that is sold in a perfectly competitive market. Recently, the price of apple juice has risen and the quantity that is sold has increased. Which is the most likely explanation for this?
a. the income of consumers has gone up
b. the price of grape juice, a substitute for apple juice, has fallen
c. new firms have recently entered the apple juice market
d. the production costs of making apple juice have increased

3. Which of the following conditions must exist in order to have a perfectly competitive market?
a. there must be many buyers and many sellers
b. there must be some barriers to entry in order to protect competition
c. the products sold by firms in the market must be different from each other
d. all of the above

4. If a firm raised its price and found total revenue rose, then the demand for its product is:
a. inelastic
b. elastic
c. downward sloping
d. revenue always increases when a firm raises its price

5. Katherine works at the local bakery, where she earns $20 per hour. One day she leaves the bakery 5 hours early, and uses that time to buy $50 worth of seeds and plant them in her garden. Later, after the seeds have grown into flowers, she sells them to a local florist for $150. What were Katherine's accounting profits and her economic profits?
a. her accounting profits were $100, and her economic profits were $100
b. her accounting profits were $100, and her economic profits were $0
c. her accounting profits were $0, and her economic profits were $100
d. her accounting profits were $0, and her economic profits were $-100

6. Which of the following is most likely to be a fixed cost?
a. shipping charges
b. property insurance premiums
c. wages for unskilled labor
d. expenditures for raw materials



7. In the figure above, at a price of $5, this firm will:
a. earn positive economic profits
b. earn an economic profit of zero
c. earn negative economic profits, but continue to operate in the short run
d. cease production immediately

8. When firms in a competitive industry choose the profit-maximizing level of output,
a. price equals average total cost
b. price equals average variable cost
c. price equals marginal cost
d. the firm's average total costs are minimized

9. To maximize its profit, a monopolistically competitive firm will produce the quantity that is at the intersection of which two curves?
a. marginal cost and demand
b. average total cost and demand
c. marginal revenue and average total cost
d. marginal revenue and marginal cost

10. A market consists of three firms of similar sizes, each selling a product that is similar but not identical. Which type of market is this?
a. perfect competition
b. monopoly
c. oligopoly
d. monopolistic competition