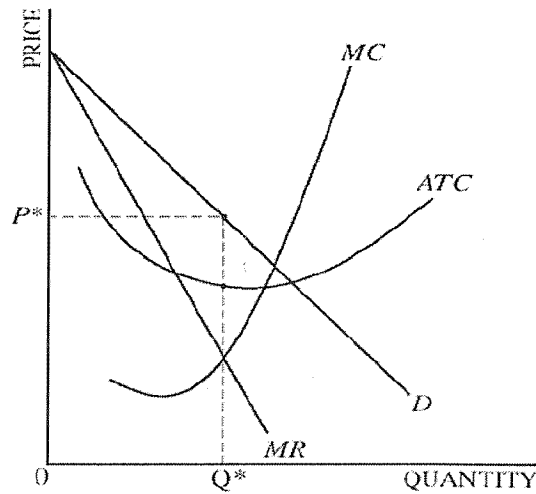


AP<sup>®</sup> MICROECONOMICS  
2007 SCORING GUIDELINES

Question 1

12 points (4 + 3 + 3 + 2)



(a) 4 points:

- One point is earned for correctly labeled axes and an MR curve below a downward-sloping demand curve.
- One point is earned for showing profit-maximizing  $Q$  at  $MC=MR$ .
- One point is earned for identifying  $P$  on the demand curve above  $Q$ .
- One point is earned for showing that  $P > ATC$  at  $Q$ .

(b) 3 points:

- One point is earned for concluding that profit-maximizing  $Q$  and  $P$  will not change.
- One point is earned for correctly explaining that the lump-sum tax will not affect MC.
- One point is earned for concluding that profits will decrease.

(c) 3 points:

- One point is earned for concluding that profit-maximizing  $Q$  will increase and  $P$  will decrease.
- One point is earned for explaining that the MC curve shifts down.
- One point is earned for concluding that profits will increase.

(d) 2 points:

- One point is earned for concluding that GCR's profits will fall in the long run.
- One point is earned for stating that new firms will enter the market.