

AP[®] Microeconomics

About the Advanced Placement Program[®] (AP[®])

The Advanced Placement Program[®] has enabled millions of students to take college-level courses and earn college credit, advanced placement, or both, while still in high school. AP Exams are given each year in May. Students who earn a qualifying score on an AP Exam are typically eligible, in college, to receive credit, placement into advanced courses, or both. Every aspect of AP course and exam development is the result of collaboration between AP teachers and college faculty. They work together to develop AP courses and exams, set scoring standards, and score the exams. College faculty review every AP teacher's course syllabus.

AP Economics Program

The AP Program offers two courses in economics: AP Macroeconomics and AP Microeconomics. Each course corresponds to one semester of a typical introductory college course in economics. AP Macroeconomics focuses on the principles that apply to an economic system as a whole. AP Microeconomics focuses on the principles of economics that apply to the functions of individual decision-makers, both consumers and producers, within the economic system.

AP Microeconomics Course Overview

AP Microeconomics is a college-level course that introduces students to the principles of economics that apply to the functions of individual economic decision-makers. The course also develops students' familiarity with the operation of product and factor markets, distributions of income, market failure, and the role of government in promoting greater efficiency and equity in the economy. Students learn to use graphs, charts, and data to analyze, describe, and explain economic concepts.

AP Microeconomics is equivalent to a one-semester introductory college course in economics.

RECOMMENDED PREREQUISITES

There are no prerequisites for AP Microeconomics. Students should be able to read a college-level textbook and possess basic mathematics and graphing skills.

AP Microeconomics Course Content

The course content is organized into six commonly taught units, which have been arranged in the following suggested, logical sequence:

- **Unit 1:** Basic Economic Concepts
- **Unit 2:** Supply and Demand
- **Unit 3:** Production, Cost, and the Perfect Competition Model
- **Unit 4:** Imperfect Competition
- **Unit 5:** Factor Markets
- **Unit 6:** Market Failure and the Role of Government

Each unit is broken down into teachable segments called topics.

In addition, the following big ideas serve as the foundation of the course, enabling students to create meaningful connections among concepts and develop deeper conceptual understanding:

- **Big Idea 1:** Scarcity and Markets
- **Big Idea 2:** Costs, Benefits, and Marginal Analysis
- **Big Idea 3:** Production Choices and Behavior
- **Big Idea 4:** Market Inefficiency and Public Policy

Course Skills

The following skill categories describe what skills students should develop during the course:

- Principles and Models
 - ◆ Define economic principles and models.
- Interpretation
 - ◆ Explain given economic outcomes.
- Manipulation
 - ◆ Determine outcomes of specific economic situations.
- Graphing and Visuals
 - ◆ Model economic situations using graphs or visual representations.

AP Microeconomics Exam Structure

AP MICROECONOMICS EXAM: 2 HOURS, 10 MINUTES

Assessment Overview

The AP Microeconomics Exam assesses student understanding of the skills and learning objectives outlined in the course framework. The exam is 2 hours and 10 minutes long and includes 60 multiple-choice questions and 3 free-response questions.

Format of Assessment

Section I: Multiple-choice | 60 Questions | 70 Minutes | 66.65% of Exam Score

- The multiple-choice questions will assess students' ability to define economic principles or models, explain given economic outcomes, and determine outcomes of specific economic situations.
- Approximately one-fourth of multiple-choice questions will include analyzing numbers or performing calculations.

Section II: Free-response | 3 Questions | 60 minutes | 33.35% of Exam Score

- All four skill categories will be assessed in 3 free-response questions:
 - ◆ Question 1: Long (10 points)
 - ◆ Question 2: Short (5 points)
 - ◆ Question 3: Short (5 points)

Exam Components

Sample Multiple-Choice Question

For a perfectly competitive firm, assume the price equals a rising marginal cost at 200 units of output. At this output, average total cost is \$8 and average variable cost is \$5. If the price is \$4, by how much can this firm reduce its losses by shutting down?

- (A) \$800
- (B) \$600
- (C) \$400
- (D) \$200
- (E) \$100

Correct Answer: D

Sample Free-Response Question

Two discount stores, Discount Delight and Bargain Floor, sell a popular brand of athletic shoes. They are considering including these shoes in their upcoming sale. The relevant payoff matrix appears below, with the first entry in each cell indicating Discount Delight's profit from shoe sales and the second entry in each cell indicating Bargain Floor's profit. The two firms know all the information in the payoff matrix and do not cooperate.

		Bargain Floor	
		Includes	Does Not Include
Discount Delight	Includes	\$150, \$180	\$200, \$100
	Does Not Include	\$100, \$250	\$240, \$220

- (a) If Discount Delight does not include the shoes in its sale but Bargain Floor includes them, what will Bargain Floor's profit be?
- (b) Does either player have a dominant strategy? If so, identify the player and the strategy.
- (c) Using numbers from the table, explain why both stores choosing not to include the shoes in their respective sales does not correspond to a Nash equilibrium.
- (d) Identify the Nash equilibrium strategy for each store.
- (e) If the two stores could cooperate in choosing their strategies, would the outcome change? Explain.