

**About the Advanced Placement Program<sup>®</sup> (AP<sup>®</sup>)**

The Advanced Placement Program<sup>®</sup> enables willing and academically prepared students to pursue college-level studies — with the opportunity to earn college credit, advanced placement, or both — while still in high school. AP<sup>®</sup> Exams are given each year in May. Students who earn a qualifying score on an AP Exam are typically eligible to receive college credit and/or placement into advanced courses in college. 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 an introductory college-level course that focuses on 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.

**PREREQUISITE**

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

**AP Microeconomics Course Content**

The AP Microeconomics course provides students with an understanding of the principles of economics as they apply to individual decision-making units, including individual households and firms. The course examines the theory of consumer behavior, the theory of the firm, and the behavior of profit-maximizing firms under various market structures. Students evaluate the efficiency of the outcomes with respect to price, output, consumer surplus, and producer surplus. They examine the behaviors of households and businesses in factor markets, and learn how the determination of factor prices, wages, interest, and rent influence the distribution of income in a market economy. There are ample opportunities to consider instances in which private markets may fail to allocate resources efficiently and examine various public policy alternatives aimed at improving the efficiency of private markets.

**Topic Outline for AP Microeconomics**

- I. Basic Economic Concepts
- II. The Nature and Functions of Product Markets
  - a. Supply and demand
  - b. Theory of consumer choice
  - c. Production and costs
  - d. Firm behavior and market structure
- III. Factor Markets
  - a. Derived Factor Demand
  - b. Marginal revenue product
  - c. Hiring decisions in the markets for labor and capital
  - d. Market distribution of income
- IV. Market Failure and the Role of Government
  - a. Externalities
  - b. Public goods
  - c. Public policy to promote competition
  - d. Income distribution

## AP Microeconomics Exam Structure

AP MICROECONOMICS EXAM: 2 HOURS 10 MINUTES

### Assessment Overview

The AP Microeconomics Exam questions measure students' knowledge of microeconomics principles and their ability to reason within the discipline.

### Format of Assessment

Section I: Multiple Choice | 60 Questions | 70 Minutes | 66% of Exam Score

- Questions require the use of economics content knowledge and reasoning across the range of course topics.
- Some questions require analysis of different hypothetical situations.

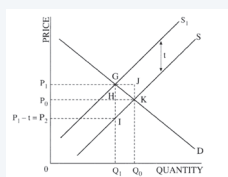
Section II: Free Response | 3 Questions | 60 Minutes | 33% of Exam Score

- 1 Long free-response question (50% of section score)
- 2 Short free-response questions (each worth 25% of section score)
- Questions ask students to analyze unique scenarios using different course concepts.
- Some questions in the free-response section require graphical analysis.

## AP MICROECONOMICS SAMPLE EXAM QUESTIONS

### Sample Multiple-Choice Question

Assume that the original supply and demand curves of a commodity are  $S$  and  $D$ , respectively. Also assume that the government imposes an excise tax (per unit tax) of  $t$  dollars on the commodity, which shifts the supply curve to  $S_1$ .



The total amount of tax collected by the government is equal to

- (a)  $P_1GQ_1I$
- (b)  $P_1GIP_2$
- (c)  $P_0P_1JK$
- (d)  $P_0P_1GH$
- (e)  $P_0P_2IH$

Correct Answer: B

### Sample Free-Response Question

Assume that Company XYZ is a profit-maximizing firm that hires its labor in a perfectly competitive labor market and sells its product in a perfectly competitive output market.

- (a) Define the marginal revenue product of labor (MRPL).
- (b) Using correctly labeled side-by-side graphs, show each of the following:
  - (i) The equilibrium wage in the labor market
  - (ii) The labor supply curve the firm faces
  - (iii) The number of workers the firm will hire
- (c) Company XYZ develops a new technology that increases its labor productivity. Currently this technology is not available to any other firm. For Company XYZ, explain how the increased productivity will affect each of the following:
  - (i) Wage rates
  - (ii) Number of workers hired