Homework 8—Chapter 9 graphs

1) Refer to Exhibit 23-4. Equilibrium price is P1, and the firm produces Q1. At this level of output, average variable cost and average total cost are indicated by the dots. Given this situation, the firm is
A) receiving a profit equal to area 3.
B) taking a loss equal to areas 2 + 3.
C) earning total revenue equal to areas 1 + 2.
D) receiving a profit equal to area 2.
E) none of the above

2) Assume a constant-cost industry that is initially in long-run competitive equilibrium. An increase in demand will cause a(n) __________ in prices and profits, and as a result, firms will __________ the industry, causing the market supply curve to shift __________, which, in turn, will eventually cause the equilibrium price to be __________ before.
A) decrease; exit; leftward; lower than
B) increase; enter; rightward; higher than
C) decrease; exit; rightward; higher than
D) increase; enter; rightward; the same as
E) increase; exit; leftward; lower than

3) Refer to Exhibit 23-6. A perfectly competitive firm operating in the market depicted in graph (1) faces the demand curve depicted in
A) graph (1)—the same as the market demand curve.
B) graph (2).
C) graph (3).
D) graph (4).

4) Refer to Exhibit 23-6. A perfectly competitive firm operating in the market depicted in graph (1) is producing 311 units of output at the profit-maximizing level. What is the marginal revenue of the 312th unit?
A) $0.312
B) $1
C) $10
D) $312
E) This cannot be determined based on the information provided.

5) Refer to Exhibit 23-7 overleaf. The perfectly competitive, profit-maximizing firm will produce __________ units of output.
A) 10
B) 30
C) 50
D) 60
E) 70

6) Refer to Exhibit 23-7 overleaf. At the profit-maximizing level of output, marginal cost is
A) $60.00.
B) $4.50.
C) $5.00.
D) $6.00.
E) This cannot be determined based on the information provided.

7) Refer to Exhibit 23-7 overleaf. At the profit-maximizing output level, average fixed cost is
A) $2.00.
B) $4.00.
C) $5.00.
D) $6.00.
E) This cannot be determined based on the information provided.
8) Refer to Exhibit 23-7. At the profit-maximizing output level, average total cost is
A) $2.00.
B) $4.50.
C) $5.00.
D) $6.00.
E) This cannot be determined based on the information provided.

9) Refer to Exhibit 23-7. At the profit-maximizing output level, the firm’s total revenue is
A) $60.00.
B) $225.00.
C) $300.00.
D) $360.00.
E) $420.00.

10) Refer to Exhibit 23-7. What is the profit at 60 units of output?
A) $360
B) $90
C) $75
D) $60

11) Refer to Exhibit 23-8. Which of the following is true in the short run of A and B, two perfectly competitive firms?
A) Both A and B will continue to produce in the short run.
B) Firm A will continue to produce and Firm B will shut down.
C) Firm A will shut down and Firm B will continue to produce.
D) Firm A will continue to produce in the short run and shut down in the long run.
E) a and d