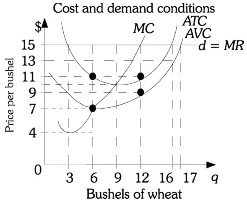
***Principles of Microeconomics, 11e -TB1* (Case/Fair/Oster)**

**Chapter 9 Long-Run Costs and Output Decisions**

***Refer to the information provided in Figure 9.1 below to answer the questions that follow.***



**Figure 9.1**

24) Refer to Figure 9.1. For this farmer to maximize profits he should produce \_\_\_\_\_\_\_\_ bushels of wheat.

A) 6

B) 9

C) 12

D) 16

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

25) Refer to Figure 9.1. If this farmer is maximizing profits, his total costs will be

A) $11.

B) $66.

C) $90.

D) $132.

Answer: D

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

26) Refer to Figure 9.1. If this farmer is maximizing his profits, his *TV*C is

A) $24.

B) $42.

C) $108.

D) $255.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

27) Refer to Figure 9.1. This farmer's fixed costs are

A) $0.

B) $24.

C) $45.

D) indeterminate unless we know the level of output the firm is producing.

Answer: B

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

28) Refer to Figure 9.1. If this farmer is maximizing profits, his total revenue will be

A) $90.

B) $135.

C) $180.

D) $240.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

29) Refer to Figure 9.1. If this farmer is maximizing profits, his profit will be

A) -$24.

B) $45.

C) $48.

D) $72.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

30) Refer to Figure 9.1. If this farmer is maximizing profit, his profit (or loss) is

A) -$24.

B) $48.

C) $72.

D) $156.

Answer: B

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

31) Refer to Figure 9.1. This farmer would be breaking even if price was

A) $7.

B) $9.

C) $10.

D) $11.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

32) Refer to Figure 9.1. This farmer would earn a zero economic profit if price was

A) $7.

B) $9.

C) $10.

D) $11.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

33) Refer to Figure 9.1. This farmer's shutdown point is at a price of

A) $0.

B) $4.

C) $7.

D) $10.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

51) A firm will choose to operate rather than shut down as long as

A) price is greater than or equal to *AFC*.

B) *AF*C is greater than *AVC*.

C) price is greater than or equal to *AVC*.

D) *AV*C is greater than *MC*.

Answer: C

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-9

52) Economic profit is

A) (*P*‐*ATC*)*q*.

B) (*P*+*ATC*)*q*.

C) *P*(*q*-*ATC*).

D) *Pq*/*ATC*.

Answer: A

Diff: 3

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-1

53) A firm suffering economic losses decides whether or not to produce in the short run on the basis of whether

A) revenues cover variable costs.

B) revenues from operating are sufficient to cover fixed costs.

C) revenues from operating are sufficient to cover fixed plus variable costs.

D) Firms suffering economic losses will always shut down.

Answer: A

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-9

55) You are hired as an economic consultant to The Pampered Pet Shop. The Pampered Pet Shop operates in a perfectly competitive industry. This firm is currently producing at a point where market price equals its marginal cost. The market price is less than its average variable cost. You should advise the firm to

A) cease production immediately because it is not covering its variable costs of production.

B) lower its price so that it can sell more units of output.

C) produce in the short run to minimize its loss, but exit the industry in the long run.

D) raise its price until it breaks even.

Answer: A

Diff: 3

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-13

56) A firm will shut down in the short run if

A) it is suffering a loss.

B) fixed costs exceed revenues.

C) variable costs exceed revenues.

D) total costs exceed revenues.

Answer: C

Diff: 3

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-9

57) The shutdown point for a perfectly competitive firm is the

A) lowest point on the *AT*C curve.

B) point at which a firm's long-run supply curve ends.

C) lowest point on the *AV*C curve.

D) lowest point on the marginal cost curve.

Answer: C

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-13

58) A firm that is earning positive profits in the short run has an incentive to \_\_\_\_\_\_\_\_ its scale of operation in the long run.

A) expand

B) contract

C) not change

D) encourage another firm to expand

Answer: A

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-13

59) If revenues exceed \_\_\_\_\_\_\_\_, profit is \_\_\_\_\_\_\_\_.

A) total cost; negative

B) fixed cost; positive

C) variable cost; negative

D) total cost; positive

Answer: D

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

60) If revenues exceed \_\_\_\_\_\_\_\_, economic profit is \_\_\_\_\_\_\_\_.

A) total cost; negative

B) total cost; positive

C) variable cost; negative

D) variable cost; positive

Answer: B

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

61) If a firm shuts down in the short run, then

A) its economic profits are zero.

B) its losses are equal to its fixed costs.

C) its fixed costs are greater than its variable costs.

D) it must be the case that its revenues from operating were less than its total costs.

Answer: B

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-9

62) A firm can minimize its losses by shutting down when \_\_\_\_\_\_\_\_ are less than \_\_\_\_\_\_\_\_ costs.

A) variable costs; fixed

B) fixed costs; variable

C) revenues; variable

D) operating profits; sunk

Answer: C

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-9

63) As long as price is sufficient to cover \_\_\_\_\_\_\_\_, the firm is better off by operating rather than by shutting down.

A) marginal cost

B) average fixed cost

C) average variable cost

D) marginal revenue

Answer: C

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

64) The Taste Freeze Ice Cream Company is a perfectly competitive firm producing where *M*R = *MC*. The current market price of an ice cream sandwich is $5.00. Taste Freeze sells 200 ice cream sandwiches. Its *AV*C is $8.00 and its *AF*C is $3.00. What should Taste Freeze do?

A) Continue to produce because price exceeds *AF*C.

B) Shut down and produce zero sandwiches because price is less than *AV*C.

C) Decrease production so that *AV*C will decrease.

D) Increase production so that *AF*C will decrease.

Answer: B

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-13

65) The Taste Freeze Ice Cream Company is a perfectly competitive firm producing where *M*R = *MC*. The current market price of an ice cream sandwich is $5.00. Taste Freeze sells 200 ice cream sandwiches. Its *AV*C is $4.00 and its *AF*C is $3.00. What should Taste Freeze do?

A) Continue to produce because price exceeds *AV*C.

B) Shut down and produce zero sandwiches because price is less than *AT*C.

C) Decrease production so that *AV*C will decrease.

D) Increase production so that *AF*C will decrease.

Answer: A

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

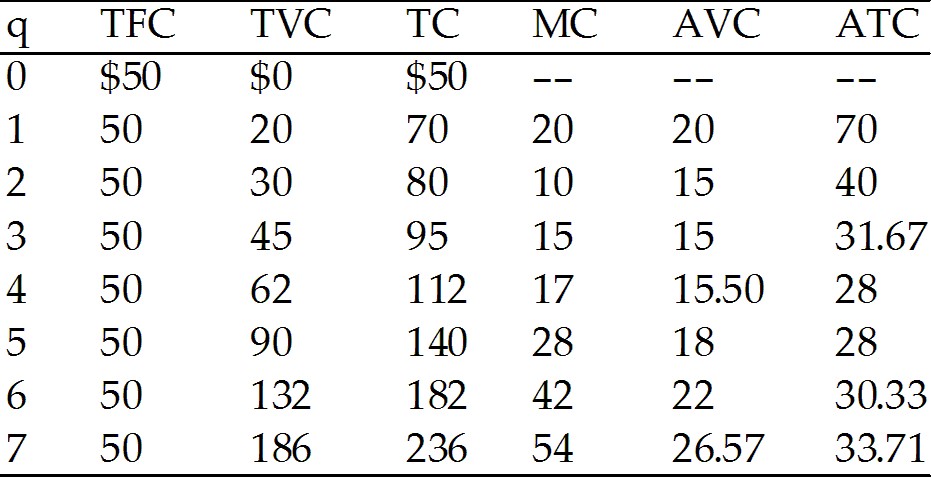
Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-13

***Refer to the data provided in Table 9.1 below to answer the questions that follow.***

**Table 9.1**



74) Refer to Table 9.1. If the market price is $10, then for this firm to maximize profits it should produce \_\_\_\_\_\_\_\_ unit(s) of output.

A) zero

B) one

C) two

D) three

Answer: A

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

75) Refer to Table 9.1. If the market price is $42, then for this firm to maximize profits it should produce \_\_\_\_\_\_\_\_ units of output and its profits will be \_\_\_\_\_\_\_\_.

A) five; $70

B) six; $70

C) six; $120

D) seven; $58

Answer: B

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

76) Refer to Table 9.1. If the market price is $42, then in the long run the firm will

A) operate and expand.

B) operate but not expand.

C) shut down, but not go out of business.

D) go out of business.

Answer: A

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

77) Refer to Table 9.1. If the market price is $17, then in the long run the firm will

A) operate and expand.

B) operate but not expand.

C) shut down, but not go out of business.

D) go out of business.

Answer: D

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

78) Refer to Table 9.1. If the market price is $17, then in the short run the firm will

A) operate and expand.

B) operate but not expand.

C) shut down, but not go out of business.

D) go out of business.

Answer: B

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

79) Refer to Table 9.1. If the market price is $15, this firm should produce \_\_\_\_\_\_\_\_ units of output to maximize profits.

A) three

B) four

C) five

D) six

Answer: A

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

80) Refer to Table 9.1. The shutdown point for this firm is a price of

A) $0.

B) $10.

C) $15.

D) $28.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

81) Refer to Table 9.1. The lowest output this firm would produce before shutting down is \_\_\_\_\_\_\_\_ unit(s).

A) 1

B) 2

C) 3

D) 4

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

82) Refer to Table 9.1. In the long run, if cost conditions do not change, this firm will earn a zero economic profit if price is

A) $10.

B) $15.

C) $20.

D) $28.

Answer: D

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

83) A firm stands to gain by operating instead of shutting down as long as \_\_\_\_\_\_\_\_ sufficiently covers \_\_\_\_\_\_\_\_.

A) price; average variable cost

B) price; average fixed cost

C) total revenue; total fixed costs

D) operating profit; economic profit

Answer: A

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-9

D) long run supply curve.

Answer: C

Diff: 1

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

85) If *TR* > *TC*, a firm would \_\_\_\_\_\_\_\_ in the short run and \_\_\_\_\_\_\_\_ in the long run.

A) operate; expand

B) operate; contract

C) shut down; expand

D) shut down; contract

Answer: A

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

86) If *TR* < *TC*, a firm would \_\_\_\_\_\_\_\_ in the short run and \_\_\_\_\_\_\_\_ in the long run.

A) either operate or shut down; contract

B) operate; contract

C) shut down; expand

D) shut down; contract

Answer: A

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

87) If *TR* > *TVC* but *TR* < *TC*, a firm would \_\_\_\_\_\_\_\_ in the short run and \_\_\_\_\_\_\_\_ in the long run.

A) operate; expand

B) operate; exit the industry

C) shut down; expand

D) shutdown; exit the industry

Answer: B

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-9

99) Refer to Figure 9.2. This firm's short-run supply curve is the firm's

A) *AV*C curve to the right of Point *B*.

B) marginal cost curve above Point *A*.

C) marginal cost curve above Point *B*.

D) marginal cost curve above Point *D*.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-2

100) Refer to Figure 9.2. This firm will continue to operate in the short run, but incur an economic loss if price is

A) between $0 and $4.

B) between $4 and $7.

C) between $7 and $13.

D) above $13.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

101) Refer to Figure 9.2. This firm will earn a zero economic profit if price is

A) $0.

B) $4.

C) $7.

D) $13.

Answer: D

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

102) The best explanation for the shape of a short run marginal cost schedule is

A) increasing returns to scale.

B) decreasing returns to scale.

C) there is no fixed factor of production.

D) a fixed factor causes diminishing returns to other factors.

Answer: D

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

103) A perfectly competitive firm will be operating at its shutdown point if it operates

A) where *P* = *MC*.

B) at the minimum point on its average variable cost curve.

C) at the minimum point on its average total cost curve.

D) at the minimum point on its marginal cost curve.

Answer: B

Diff: 3

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-13

104) The short-run industry supply curve for a perfectly competitive industry is the

A) horizontal sum of the individual firms' marginal cost curves above *AVC*.

B) vertical sum of the individual firms' marginal cost curves above *AVC*.

C) horizontal sum of the individual firms' marginal cost curves above *ATC*.

D) vertical sum of the individual firms' marginal cost curves above *ATC*.

Answer: A

Diff: 2

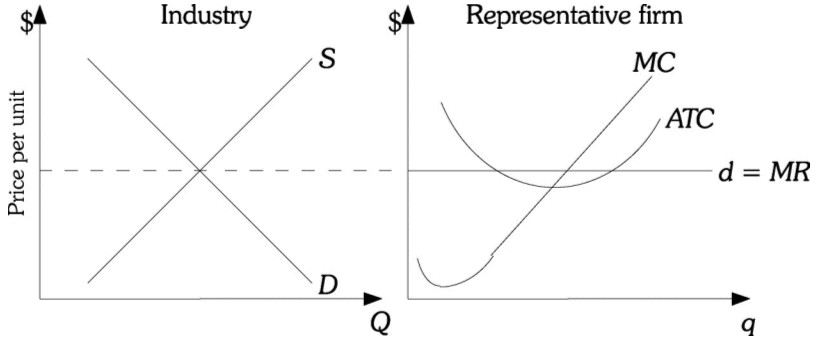
Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-13

***Refer to the information provided in Figure 9.4 below to answer the question that follows.***



**Figure 9.4**

109) Refer to Figure 9.4. From the diagram, existing firms in this industry make \_\_\_\_\_\_\_\_ economic profits, and as long as this continues, \_\_\_\_\_\_\_\_.

A) negative; new firms will not enter it and existing firms will leave it.

B) zero; new firms will not enter it and existing firms will not leave it either.

C) positive; new firms will enter the industry and existing firms will not leave it.

D) positive; the industry supply curve will shift to the left.

Answer: C

Diff: 2

Topic: Short-Run Conditions and Long-Run Directions

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-4

110) If price falls below the minimum point on the *AVC* curve, in the short run the firm should \_\_\_\_\_\_\_\_, and in the long run the firm should \_\_\_\_\_\_\_\_.

A) produce where *M*C = *MR*; exit the industry

B) shut down; exit the industry

C) produce where *M*C = *MR*; expand

D) shut down; expand

Answer: B

Diff: 3

Topic: Short-Run Conditions and Long-Run Directions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-13

111) Billy Bob's Fertilizer Engineers, a perfectly competitive firm, is incurring a loss, but the price is still above minimum average variable cost. Then in the short run this firm should \_\_\_\_\_\_\_\_, and in the long run, if there is no change in economic conditions, this firm should \_\_\_\_\_\_\_\_.

A) shut down; exit the industry

B) shut down; expand

C) produce where *M*R = *MC*; exit the industry

D) produce where *M*R = *MC*; expand

Answer: C

Diff: 3

9.2 Long-Run Costs: Economies and Diseconomies of Scale

1) In the short run average costs eventually increase because of \_\_\_\_\_\_\_\_, and in the long run average costs eventually increase because of \_\_\_\_\_\_\_\_.

A) diminishing returns; diseconomies of scale

B) diseconomies of scale; diminishing returns

C) constant returns to scale; decreasing returns to scale

D) increasing returns to scale; diseconomies of scale

Answer: A

Diff: 3

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

2) Engineers for the Off Road Skateboard Company have determined that a 10% increase in all inputs will cause output to increase by 5%. Assuming that input prices remain constant, you correctly deduce that such a change will cause \_\_\_\_\_\_\_\_ as output increases.

A) total cost to decrease

B) average costs to increase

C) average costs to decrease

D) average fixed costs to increase

Answer: B

Diff: 3

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

3) Engineers for The All-Terrain Bike Company have determined that a 15% increase in all inputs will cause a 15% increase in output. Assuming that input prices remain constant, you correctly deduce that such a change will cause \_\_\_\_\_\_\_\_ as output increases.

A) average costs to increase

B) average costs to decrease

C) average costs to remain constant

D) marginal costs to increase

Answer: C

Diff: 3

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

4) Engineers for The Giffen Record Company have determined that a 35% increase in all compact disc inputs will cause a 45% increase in output. Assuming that input prices remain constant, you correctly deduce that such a change will cause \_\_\_\_\_\_\_\_ as output increases.

A) average costs to increase

B) average costs to decrease

C) average costs to remain constant

D) marginal costs to increase

Answer: B

Diff: 3

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

14) Every point on a U‐shaped long-run average cost curve represents

A) the minimum cost at which the associated output level can be produced when the scale of plant can be changed.

B) the minimum point of the associated short-run average cost curve.

C) the minimum cost at which the associated output level can be produced when the scale of plant cannot be changed.

D) both A and B

Answer: A

Diff: 2

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

15) Suppose Heidi's Ice Cream experiences economies of scale up to a certain point and diseconomies of scale beyond that point. Its long-run average cost curve is most likely to be

A) upward sloping to the right.

B) downward sloping to the right.

C) horizontal.

D) U-shaped.

Answer: D

Diff: 2

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

16) Internal economies of scale occur at the \_\_\_\_\_\_\_\_ levels.

A) plant and firm

B) plant and industry

C) firm and industry

D) plant, firm, and industry

Answer: A

Diff: 2

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

17) For constant returns to scale, a(n) \_\_\_\_\_\_\_\_ in a firm's scale of production leads to \_\_\_\_\_\_\_\_ average total cost.

A) increase; lower

B) increase; higher

C) decrease; a change in

D) decrease; no change in

Answer: D

Diff: 2

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Analytical

AACSB: Analytic Skills

Learning Outcome: Micro-12

18) The smallest size plant size at which the long-run average cost curve is at its minimum is called the

A) envelope.

B) profit maximizing scale of production.

C) minimum efficient scale.

D) shut down point.

Answer: C

Diff: 1

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Definition

Learning Outcome: Micro-12

19) Over all levels of output, if a firm's long-run average cost curve declines as output increases, then

A) small firms and large firms will have identical average costs.

B) there should be a large number of firms in the industry.

C) small firms would have lower average costs of production than large firms.

D) there should be only one firm in the industry.

Answer: D

Diff: 3

Topic: Long-Run Costs: Economies and Diseconomies of Scale

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-12

9.3 Long-Run Adjustments to Short-Run Conditions

1) Industries in which firms are suffering losses are likely to \_\_\_\_\_\_\_\_ in the long run.

A) expand

B) contract

C) neither expand nor contract, as firms must earn an economic profit to stay in business

D) expand or contract depending on the normal rate of return

Answer: B

Diff: 2

Topic: Long-Run Adjustments to Short-Run Conditions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-9

2) Industries in which firms are enjoying positive profits are likely to \_\_\_\_\_\_\_\_ in the long run.

A) expand

B) contract

C) neither expand nor contract, as firms must earn an economic profit to stay in business

D) expand or contract depending on the normal rate of return

Answer: A

Diff: 2

Topic: Long-Run Adjustments to Short-Run Conditions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-9

3) For a perfectly competitive industry, an improvement in technology will cause

A) a movement up the short-run industry supply curve.

B) a movement down the short-run industry supply curve.

C) the industry short-run supply curve to shift to the right.

D) the industry short-run supply curve to shift to the left.

Answer: C

Diff: 2

Topic: Long-Run Adjustments to Short-Run Conditions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-13

4) Which of the following is the set of conditions necessary for long-run equilibrium for a perfectly competitive firm?

A) *P* = *SRM*C < *SRA*C = *LRA*C

B) *P* > *SRM*C = *SRA*C = *LRA*C

C) *P* = *SRM*C = *SRA*C > *LRA*C

D) *P* = *SRM*C = *SRA*C = *LRA*C

Answer: D

Diff: 3

Topic: Long-Run Adjustments to Short-Run Conditions

Skill: Conceptual

AACSB: Reflective Thinking

Learning Outcome: Micro-13