## View Attempt 1 of unlimited

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|---|---|
| Title: | **Assignment 7 DUE NOV 6** |
| Started: | November 6, 2009 2:58 AM |
| Submitted: | November 6, 2009 3:32 AM |
| Time spent: | 00:33:40 |
| **Total score:** | **20/20 = 100%** Total score adjusted by 0.0 Maximum possible score: 20 |

**1.**

Which of the following is *not* an assumption of the theory of perfect competition?

| Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|
| 1. There is easy entry and exit. | | | |
| 2. There are many sellers and many buyers, none of which is large in relation to total sales or purchases. | | | |
| 3. Buyers and sellers have all relevant information with respect to prices, product quality, and sources of supply. | | | |
| 4. Each firm produces and sells a differentiated product. | 100% | ✔ | |

Score: 1/1

Comments:

**2.**

A "price taker" is a firm that

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | does not have the ability to control the price of the product it sells. | 100% | ✓ | |
| 2. | does have the ability, although limited, to control the price of the product it sells. | | | |
| 3. | can raise the price of the product it sells and still sell some units of its product. | | | |
| 4. | sells a differentiated product. | | | |
| 5. | none of the above | | | |

Score: 1/1

Comments:

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**3.**

The demand curve for a perfectly competitive *firm*

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | is perfectly vertical. | | | |
| 2. | is upward sloping. | | | |
| 3. | may be downward or upward sloping, depending upon the | | | |

| | | | |
|---|---|---|---|
| type of product offered for sale. | | | |
| 4. is downward sloping. | | | |
| 5. is perfectly horizontal. | 100% | ✓ | |

Score: 1/1

Comments:

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**4.**

The market demand curve in a perfectly competitive *market* is

| Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|
| 1. perfectly vertical. | | | |
| 2. downward sloping. | 100% | ✓ | |
| 3. downward or upward sloping depending upon the type of product offered for sale. | | | |
| 4. perfectly horizontal. | | | |
| 5. upward sloping. | | | |

Score: 1/1

Comments:

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**5.**

The price at which a perfectly competitive firm sells its product is determined by

| Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|
| 1. all sellers and buyers | 100% | ✓ | |

| | | | |
|---|---|---|---|
| of the product, collectively. | | | |
| 2. the government, because there are so many buyers and sellers of the product that together they cannot agree on the price. | | | |
| 3. the buyers of the product, because there are so many sellers that they cannot agree on a price. | | | |
| 4. the individual seller based on his costs of production and his profit margin. | | | |

Score: 1/1

Comments:

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**6.**

The perfectly competitive firm will seek to produce the output level for which

| Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|
| 1. average total cost is at a minimum. | | | |
| 2. average variable cost is at a | | | |

| | | | | |
|---|---|---|---|---|
| | minimum. | | | |
| 3. | marginal cost equals marginal revenue. | 100% | ✓ | |
| 4. | average fixed cost is at a minimum. | | | |

Score: 1/1

Comments:

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**7.**

Marginal revenue is

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | the change in total output brought about by using an additional unit of a variable input. | | | |
| 2. | total revenue divided by the quantity of output. | | | |
| 3. | total profit minus total costs. | | | |
| 4. | the change in total revenue minus the change in total costs. | | | |
| 5. | the change in | 100% | ✓ | |

| | | | | |
|---|---|---|---|---|
| | total revenue brought about by selling an additional unit of the good. | | | |

Score: 1/1

Comments:

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**8.**

For a perfectly competitive firm,

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | the marginal revenue curve and the demand curve are the same. | 100% | ✓ | |
| 2. | the marginal revenue curve and the marginal cost curve are the same. | | | |
| 3. | the supply curve and the marginal revenue curve are the same. | | | |
| 4. | the demand curve and the marginal cost curve are the same. | | | |
| 5. | none of the above | | | |

Score: 1/1

Comments:

**9.**

A perfectly competitive firm will increase its production as long as

| Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|
| 1. total revenue is less than total cost. | | | |
| 2. the total revenue curve is rising. | | | |
| 3. the marginal revenue curve is rising. | | | |
| 4. marginal revenue is greater than marginal cost. | 100% | ✓ | |

Score: 1/1

Comments:

**10.**

For a perfectly competitive firm, profit maximization or loss minimization occurs at the output at which

| Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|
| 1. P = ATC. | | | |
| 2. MR = AVC. | | | |
| 3. MR = MC. | 100% | ✓ | |
| 4. MR = ATC. | | | |

Score: 1/1

Comments:

**11.**

If MR > MC, then

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | the firm is producing too much of the good to be maximizing profits. | | | |
| 2. | the firm can increase its profits or minimize its losses by increasing output. | 100% | ✔ | |
| 3. | the firm is necessarily incurring losses. | | | |
| 4. | profits will be at their maximum. | | | |

Score: 1/1

Comments:

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**12.**

Consider the following data: equilibrium price = $9, quantity of output produced = 1,000 units, average total cost = $8, and average variable cost $6. Given this, total revenue is ____, total cost is ____, and fixed cost is ____.

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | $6,000; $8,000; $1,000 | | | |
| 2. | $9,000; $7,000; $8,000 | | | |
| 3. | $9,000; $8,000; $2,000 | 100% | ✔ | |
| 4. | $9,000; $8,000; | | | |

| | | | | |
|---|---|---|---|---|
| | $6,000 | | | |
| 5. | none of the above | | | |

Score: 1/1

Comments:

**13.**

The perfectly competitive firm will produce in the

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | long run if price is below average variable cost. | | | |
| 2. | short run if price is below average variable cost. | | | |
| 3. | long run if price is below average total cost but above average variable cost. | | | |
| 4. | short run if price is below average total cost but above average variable cost. | 100% | ✓ | |

Score: 1/1

Comments:

**14.**

Consider the following data: equilibrium price = $7.50, quantity of output produced = 100 units, average total cost = $9, and average variable cost = $8. What will the firm do and why?

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | Shut down in the short run, because price is below average variable cost. | 100% | ✓ | |
| 2. | Shut down in the short run, because it will be taking a loss of $50. | | | |
| 3. | Continue to produce in the short run, because price is greater than average variable cost. | | | |
| 4. | Continue to produce in the short run, because firms are always stuck with having to produce in the short run. | | | |
| 5. | none of the above | | | |

Score: 1/1

Comments:

**15.**

The perfectly competitive firm's short-run supply curve is the

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | portion of its marginal cost curve that lies above its average variable cost curve. | 100% | ✓ | |
| 2. | upward-sloping portion of its average total cost curve. | | | |
| 3. | horizontal portion of its marginal revenue curve. | | | |
| 4. | portion of its average variable cost curve that lies above the average fixed cost curve. | | | |
| 5. | upward-sloping portion of its marginal cost curve. | | | |

Score: 1/1

Comments:

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**16.**

The short-run industry supply curve is the

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| 1. vertical summation of the short-run supply curves for all firms in the industry. | | | | |
| 2. same as that of the typical firm in the industry. | | | | |
| 3. average of the short-run supply curves for all firms in the industry. | | | | |
| 4. horizontal summation of the short-run supply curves for all firms in the industry. | 100% | ✓ | | |

Score: 1/1

Comments:

**17.**

If firms are earning zero economic profits, they must be producing at an output level at which

| Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|
| 1. price equals marginal cost. | | | |
| 2. price equals average total cost. | 100% | ✓ | |
| 3. price equals average | | | |

| | | | |
|---|---|---|---|
| variable cost. | | | |
| 4. marginal revenue equals marginal cost. | | | |
| 5. none of the above | | | |

Score: 1/1

Comments:

**18.**

**Exhibit 8-7**

Refer to Exhibit 8-7. The perfectly competitive, profit-maximizing firm will produce ____ units of output.

| Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|
| 1. 70 | | | |
| 2. 30 | | | |
| 3. 50 | | | |
| 4. 60 | 100% | ✓ | |
| 5. 10 | | | |

Score: 1/1

Comments:

**19.**

**Exhibit 8-7**

Refer to Exhibit 8-7. At the profit-maximizing level of output, marginal cost is

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | $6.00. | 100% | ✓ | |
| 2. | This cannot be determined based on the information provided. | | | |
| 3. | $4.50. | | | |
| 4. | $60.00. | | | |
| 5. | $5.00. | | | |

Score: 1/1

Comments:

**20.**

**Exhibit 8-7**

Refer to Exhibit 8-7. What is the profit at 60 units of output?

| | Student Response | Value | Correct Answer | Feedback |
|---|---|---|---|---|
| 1. | $360 | | | |
| 2. | $60 | 100% | ✓ | |
| 3. | $75 | | | |
| 4. | $90 | | | |

Score: 1/1

Comments: