

Chapter 15 Practice Problems

Elements of Microeconomics - Section 4

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Question 1

You are a producer of eggs in a perfectly competitive market. The price of eggs in the market is \$8.

- Fill in the table below.
- Graph the firms MC, MR, and ATC
- At what quantity and price will the firms produce at?

Quantity	TC	TR	AR	ATC	MC	MR
1	9					
2	10					
3	12					
4	15					
5	19					
6	27					
7	37					

Question 2

You are still a seller in the egg market and the market price for eggs is still \$8.

- Let's assume that you want to sell your eggs at \$9. Explain intuitively why that is not possible.

Question 3

Assume that the market for pumpkins is perfectly competitive and you are a pumpkin producer. You have a fixed cost of \$10 and the total variable cost to produce a given quantity of pumpkins is given below.

Quantity	1	2	3	4	5	6	7
TVC	6	8	11	16	24	36	56

- The market price for pumpkins in the fall is \$5 while the market price for pumpkins in the spring is \$3. Using the numbers given to you, explain mathematically why you will produce pumpkins in the fall but you will shut down and not produce pumpkins in the spring.
- EXTENSION: What market price do we need so that we do not exit the pumpkin market in the long run?