Bonus Questions

Consider a yoghurt firm facing perfectly elastic demand at $P =$ \$1.2 per unit. The firm's AC is \$1.4 and its AVC \$1.0 per unit. If there is no prospect of change, the firm should:

a) Shut down immediately
b) Continue to produce in the LR (where $MC = MR$) but not in the SR
c) Raise its price to at least \$1.8 to cover its costs
d) Continue to produce output in the SR (where $AC = MR$) but not in the LR
e) Continue to produce in the SR (where $MC = MR$) but not in the LR

Bonus Questions

A profit maximizing firm that is a “price maker” will:

a) Select a price that maximizes the difference between P and AC

b) Select a price that is higher and an output that is greater than a “price taker” would choose

c) Select an output where $MC = MR$ and charge the highest price on the demand curve at that output

d) Select an output where $MC = MR$ and charge a price where $P = MC$

e) Charge a price that is the highest price on the demand curve and produce that output

Price Discrimination

World News

Straight, Middle-Aged Men are Being Charged More to Use Tinder Plus

A recent investigation found that age, sex and location are all factors in how much users are charged.

By Gavin Butler
MELBOURNE, AU

Price Discrimination