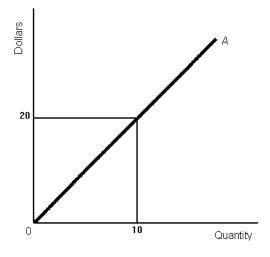
# MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

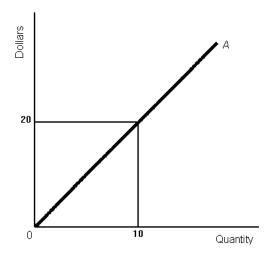
1) Perfect competitio	n occurs in a market where the	re are		1)
-	oducing goods which differ som			, <u> </u>
-	oducing goods which differ son			
	oducing identical goods.	1 5		
	oducing identical goods.			
	0 0			
2) In a perfectly com	petitive market, there must be			2)
A) many sellers, b	out there might be only one or t	wo buyers.		
B) one firm that s	ets the price for the others to fo	ollow.		
C) many buyers a	nd many sellers.			
D) many buyers, l	out there might be only one or t	two sellers.		
3) In perfect competi	tion, the product of a single firm	m		3)
A) has many perfe	ect complements.			
B) has many perfe	ect substitutes.			
C) is sold under n	nany differing brand names.			
D) is sold to differ	rent customers at different price	es.		
	tion, restrictions on entry into a	-		4)
	al but not to labor.		but not to capital.	
C) apply to both o	capital and labor.	D) do not exist.		
5) In perfect competi	tion, the elasticity of demand for	or the product of a si	ngle firm is	5)
A) 1.	B) between 0 and 1.	C) 0.	D) infinite.	
() A maine tabine (im	(			()
6) A price-taking firm				6)
A) horizontal den				
	oping supply curve.			
	pping marginal revenue curve. pping average revenue curve.			
D) downward-sic	iping average revenue curve.			
7) In perfect competi	tion, the marginal revenue of a	n individual firm		7)
A) equals the pric	e of the product.			
B) is zero.				
C) is positive but	less than the price of the produ	ıct.		
D) exceeds the pr	ice of the product.			
8) For a perfectly cor	npetitive firm, marginal revenu	IP.		8)
A) equals the pric		B) exceeds the pri	ice	0/
C) is zero.		-	less than the price.	
-,		-, r source sur	r r	

### Figure 12.1



<ol><li>Figure 12.1 portrays a total revenue curve for a pe because the firm</li></ol>	erfectly competitive firm. Curve A is straight	9)
A) has perfect information.	B) faces constant returns to scale.	
C) wants to maximize profits.	D) is a price taker.	
10) By producing less, a firm can reduce		10)
A) neither its variable costs nor its fixed costs.	B) its fixed costs and its variable costs.	
C) its fixed costs but not its variable costs.	D) its variable costs but not its fixed costs.	





11) In Figure 12.1, marginal revenue A) does not change as output increases. C) cannot be determined.

B) rises as output increases. D) falls as output increases.

11) \_\_\_\_\_

Table 12.1

Quantity sold	Price
5 6 7	\$15 \$15 \$15 \$15

12) In Table 12.1, if th	ne quantity sold by the firm	n rises from 5 to 6, its mar	ginal revenue is	12)
A) \$15.	B) \$90.	C) \$30.	D)\$75.	

- 13) Katie's strawberry farm produces for a perfectly competitive market. The farm's total revenue curve 13) \_\_\_\_\_\_\_\_ is drawn on a diagram with total revenue on the vertical axis and bushels of strawberries on the horizontal axis. An increase in the price of strawberries will
  - A) shift the vertical intercept of the total revenue curve up.
  - B) shift the horizontal intercept of the total revenue curve to the right.
  - C) make the total revenue curve steeper.
  - D) make the total revenue curve flatter.

#### Table 12.2

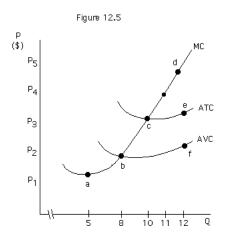
Output	Total revenue	Total cost	
0	\$0	\$25	
1	\$30	\$49	
2	\$60	\$69	
3	\$90	\$91	
4	\$120	\$117	
5	\$150	\$147	
6	\$180	\$180	

14) In Table 12.2, the firm		14)
A) must be in a perfectly competitive industry	<i>,</i> because its marginal revenue is constant.	
B) must be in a perfectly competitive industry	<i>y</i> , because its marginal cost curve eventually rises.	
1 1 1	ry, because its long run profits are greater than zero. ry, because its short run profits are greater than	
15) A perfectly competitive firm's marginal revenu The firm will	e exceeds its marginal cost at its current output.	15)
A) reduce its output.	B) raise its price.	
C) lower its price.	D) increase its output.	
16) The short-run supply curve for a competitive f	irm is the same as its marginal cost curve	16)
A) above its shutdown point.	B) everywhere.	
C) above the horizontal axis.	D) below its shutdown point.	

Table 12.2

Output	Total revenue	Total cost
0	\$0	\$25
1	\$30	\$49
2	\$60	\$69
3	\$90	\$91
4	\$120	\$117
5	\$150	\$147
6	\$180	\$180

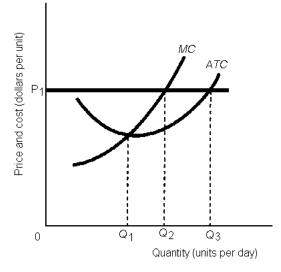
17)	In Table 12.2, the margir	al cost of the third unit o	f output is		17)
	A) \$22.	B) \$90.	C) \$30.	D) \$91.	
18)	When Swanky, Inc. mak	es exactly zero economic	profit, Sidney, the own	er,	18)
	A) is taking a loss.				
	B) will shut down in the	e short run.			
	C) will boost output.				
	D) is receiving compens	ation for the time and cap	pital that he has supplie	ed.	
19)	A perfectly competitive output, its marginal reve		ic profit of zero if, at its	s profit-maximizing	19)
	A) average total cost.		B) average fixed cos	t.	
	C) average variable cost		D) marginal cost.		
20)	A firm maximizes profit	by producing the output	at which marginal cost	equals	20)
	A) average total cost.		B) marginal revenue	<u>)</u>	
	C) average fixed cost.		D) average variable	cost.	
21)	A firm should expand or	ıtput as long as its			21)
	A) average total revenu	e exceeds its average vari	able cost.		
	B) average total revenu	e exceeds its average tota	l cost.		
	C) marginal cost exceed	s its marginal revenue.			
	D) marginal revenue exe	ceeds its marginal cost.			
22)	It pays a firm to shut do	wn if price is			22)
	A) above minimum ave	rage variable cost.	B) above maximum	variable cost.	
	C) below minimum ave	rage variable cost.	D) below maximum	variable cost.	



- 23) Figure 12.5 represents a firm in a perfectly competitive market. If the firm does not shut down, the 23) \_\_\_\_\_\_
  lowest output that it will produce is
  - A) 8 units.B) less than 5 units.C) 5 units.D) 10 units.

A) profit, and exit. B) profit, and entry. C) loss, and entry. D) loss, and exit.

Figure 12.6



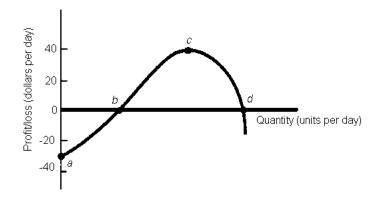
25) Refer to Figure 12.6. Given the market price of P<sub>1</sub>, in the long run

A) market supply will decrease.

- B) firms that remain in the market will expand production.
- C) new firms will enter the market.
- D) market demand will increase.

25)

Figure 12.4



26) In Figure 12.4, the firm is making ar	n economic loss at
A) point c.	B) points b and d.
C) point a.	D) points a, b, and d.

Table 12.4

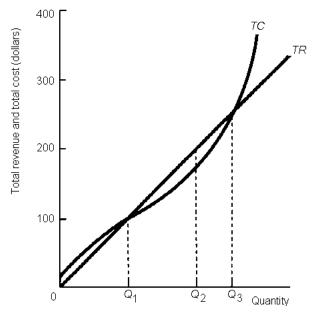
Output (tons of rice per year)	Total cost (dollars)		
0	1,000		
1	1,200		
2	1,600		
3	2,200		
4	3,000		
5	4,000		
27) Refer to Table	12.4. If rice sells for \$600 a to	on, Chip's profit-maximizing output is	27)
A) between th	nree and four tons.	B) less than one ton.	
C) between tw	vo and three tons.	D) between one and two tons.	
28) Refer to Table	12.4. If rice sells for \$600 a to	on, the firm's short run profit	28)
A) cannot be	determined.	B) is about \$400.	
C) is about ne	egative \$400.	D) is approximately \$0.	
29) Refer to Table 12.4. If rice sells for \$600 a ton, the firm will			29)
A) shut down	because profit is negative.		
	1 0		

26) \_\_\_\_\_

C) shut down because the price is below the minimum average variable cost.

D) stay open because the price is above the minimum average variable cost.

#### Figure 12.3



## 30) Figure 12.3 graphs a firm's total revenue and total cost curves. Which one of the following statements is FALSE?

- A) At output Q<sub>2</sub>, the firm suffers an economic loss.
- B) At output Q<sub>1</sub>, the firm makes zero economic profit.
- C) At an output above Q<sub>3</sub>, the firm suffers an economic loss.
- D) Total profit is the vertical distance by which the total revenue curve exceeds the total cost curve.

