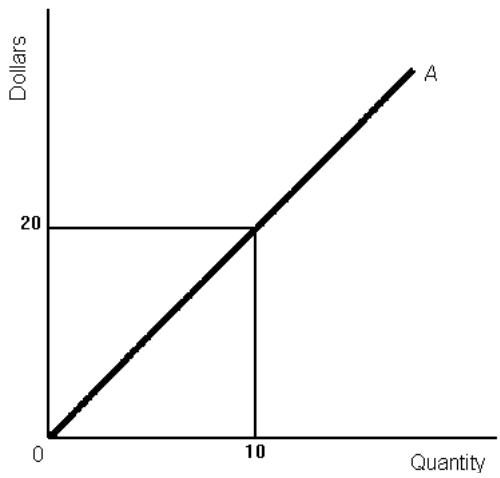


Figure 12.1



9) Figure 12.1 portrays a total revenue curve for a perfectly competitive firm. Curve A is straight because the firm

- A) has perfect information.
- B) faces constant returns to scale.
- C) wants to maximize profits.
- D) is a price taker.

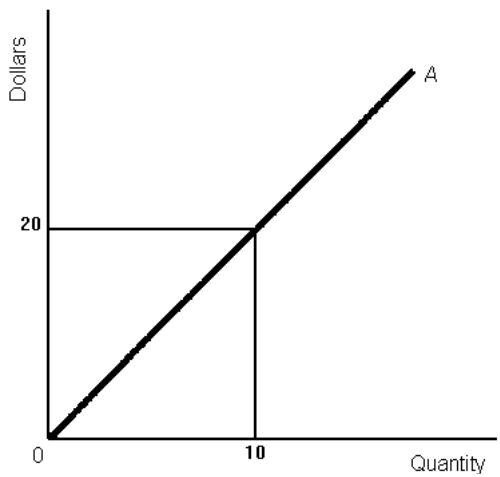
9) _____

10) By producing less, a firm can reduce

- 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.

10) _____

Figure 12.1



11) In Figure 12.1, marginal revenue

- A) does not change as output increases.
- B) rises as output increases.
- C) cannot be determined.
- D) falls as output increases.

11) _____

Table 12.1

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

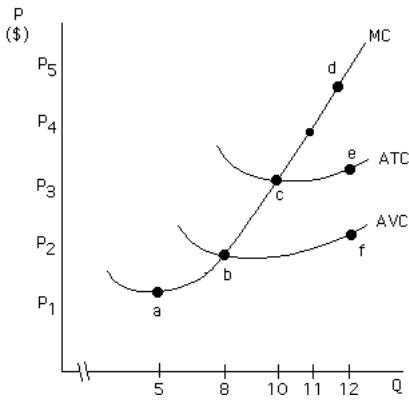
- 12) In Table 12.1, if the quantity sold by the firm rises from 5 to 6, its marginal revenue is 12) _____
 A) \$15. B) \$90. C) \$30. D) \$75.
- 13) Katie's strawberry farm produces for a perfectly competitive market. The farm's total revenue curve is drawn on a diagram with total revenue on the vertical axis and bushels of strawberries on the horizontal axis. An increase in the price of strawberries will 13) _____
 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

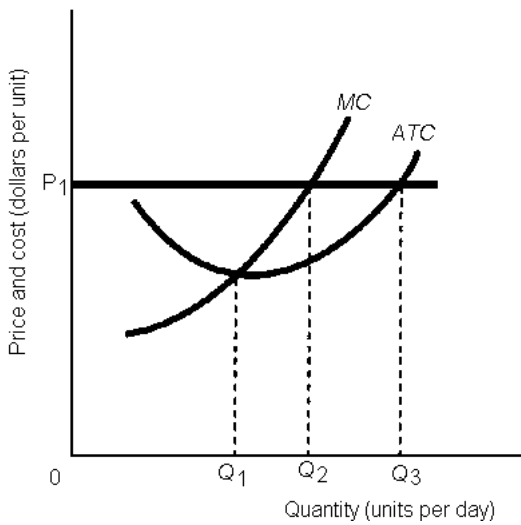
- 14) In Table 12.2, the firm 14) _____
 A) must be in a perfectly competitive industry, because its marginal revenue is constant.
 B) must be in a perfectly competitive industry, because its marginal cost curve eventually rises.
 C) cannot be in a perfectly competitive industry, because its long run profits are greater than zero.
 D) cannot be in a perfectly competitive industry, because its short run profits are greater than zero.
- 15) A perfectly competitive firm's marginal revenue exceeds its marginal cost at its current output. The firm will 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 firm 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.

Figure 12.5



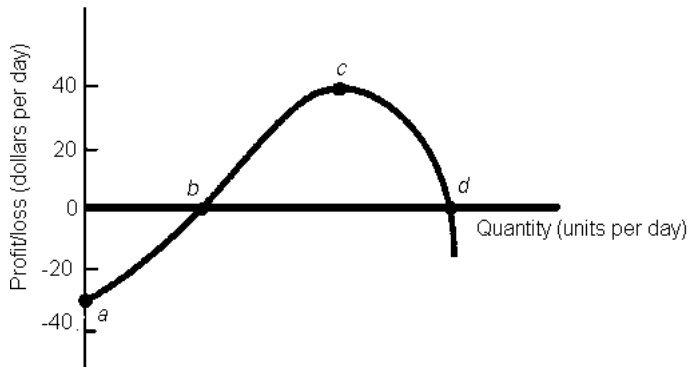
- 23) Figure 12.5 represents a firm in a perfectly competitive market. If the firm does not shut down, the lowest output that it will produce is 23) _____
 A) 8 units. B) less than 5 units. C) 5 units. D) 10 units.
- 24) In a perfectly competitive industry, a permanent decrease in demand initially brings a lower price, economic 24) _____
 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_1 , in the long run 25) _____
 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.

Figure 12.4



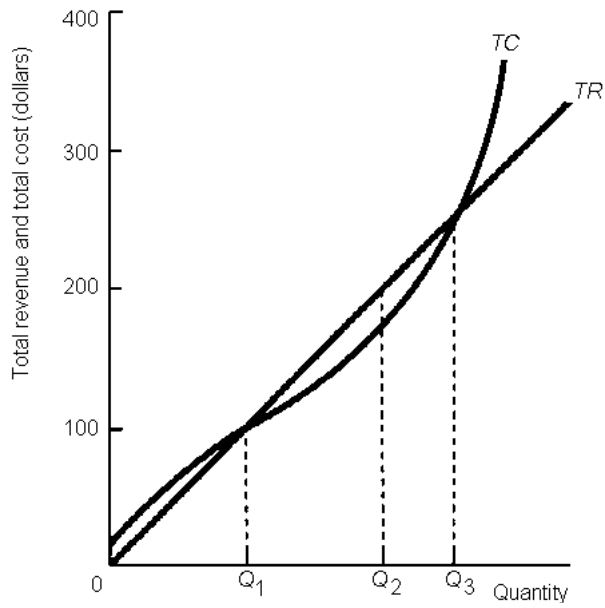
- 26) In Figure 12.4, the firm is making an economic loss at 26) _____
- A) point c. B) points b and d.
- C) point a. D) points a, b, and d.

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 ton, Chip's profit-maximizing output is 27) _____
- A) between three and four tons. B) less than one ton.
- C) between two and three tons. D) between one and two tons.
- 28) Refer to Table 12.4. If rice sells for \$600 a ton, the firm's short run profit 28) _____
- A) cannot be determined. B) is about \$400.
- C) is about negative \$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.
- B) stay open because profit is positive.
- 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?

30) _____

- A) At output Q₂, the firm suffers an economic loss.
- B) At output Q₁, the firm makes zero economic profit.
- C) At an output above Q₃, the firm suffers an economic loss.
- D) Total profit is the vertical distance by which the total revenue curve exceeds the total cost curve.