

Name (last, first): _____

Perfect Competition – Practice Problems – Introduction to Economics

Y	TC	FC	VC	AFC	AVC	ATC	MC
0	6.50						
1	9.50						
2	10.50						
3	11.50						
4	12.50						
5	13.50						
6	14.50						
7	18.00						
8	22.00						
9	26.50						
10	31.50						

Assume this is a perfectly competitive market.
Answer the following questions and explain your answers.

1. Complete the table
2. Assume that the ongoing market price is \$3.50. What is the profit-maximizing level of output for this firm?
3. Assume that the ongoing market price is \$3.50. What profit, or loss, is this company experiencing?
4. What would happen with the number of firms in this market if the ongoing market price is \$3.00?
5. What would be the economic profit, or loss, for this firm if the fixed cost increases by \$1.50 and the market price remains at \$3.50?
6. What is the long-run equilibrium price for this company?
7. What is the shut-down price for this company?

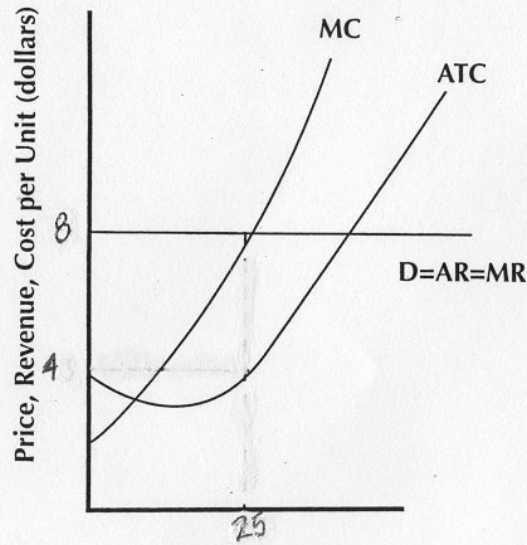


FIGURE A
Quantity of Output per Day (thousands)

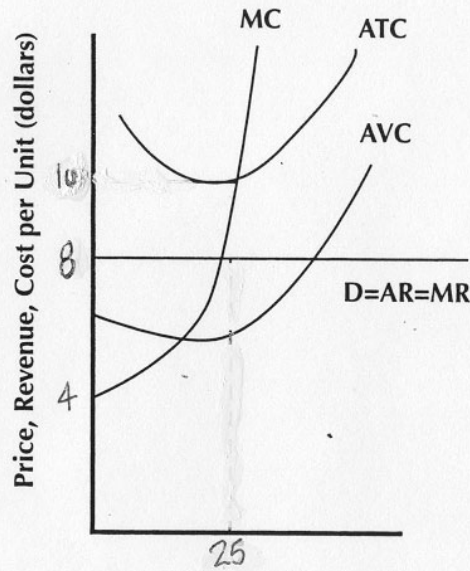


FIGURE B
Quantity of Output per Day (thousands)

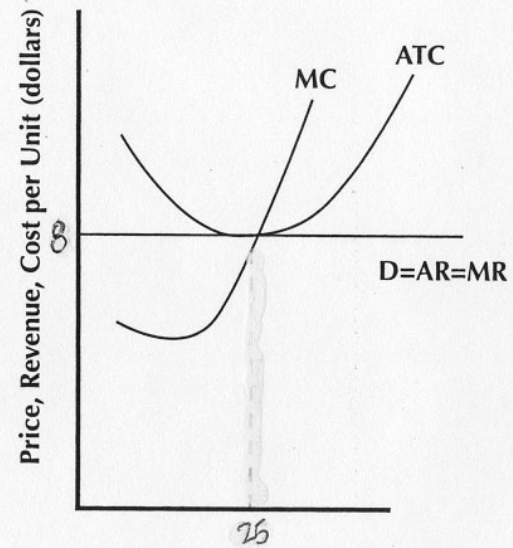


FIGURE C
Quantity of Output per Day (thousands)

Assume this is a perfectly competitive market.
Answer the following questions and show your answers in the graph.

In Figure A:

1. What is the profit-maximizing level of output for this firm?
2. What profit, or loss, is this company experiencing?

In Figure B:

1. What is the fixed cost for this firm?
2. What profit, or loss, is this company experiencing?
3. What is the long-run equilibrium price for this company?

In Figure C:

1. What is the profit-maximizing level of output for this firm?
2. What profit, or loss, is this company experiencing?