

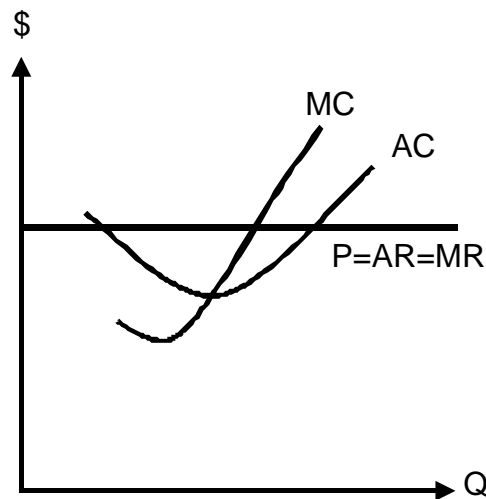
Questions *Microeconomics* (with answers)

5 Competition

Abbreviations

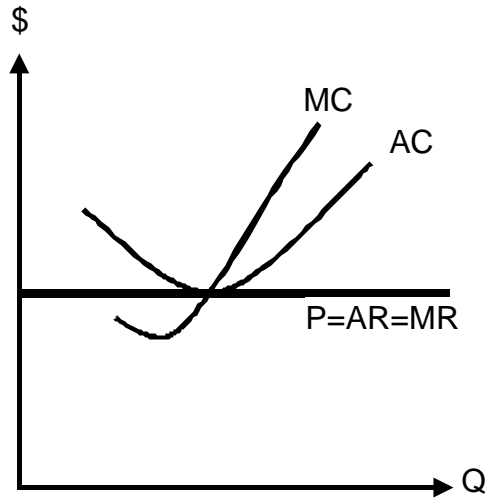
AC	Average cost (LR)
AFC	Average cost (fixed)
AR	Average revenue
ATC	Average cost (total) (SR)
AVC	Average cost (variable)
comp	competitive
D	Demand
LR	Long run
MC	Marginal cost
MR	Marginal revenue
P	Price
Q	Quantity
Q*	Profit maximizing/Loss minimizing quantity
S	Supply
SR	Short run

01 LR decision by a comp firm 1



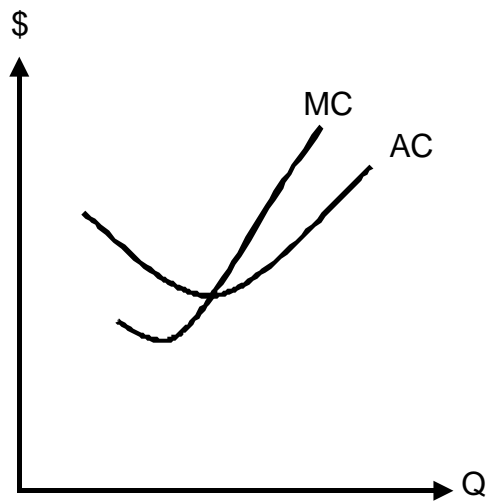
- ① Which Q^* is chosen?
- ② How much is total profit/total loss?

02 LR decision by a comp firm 2



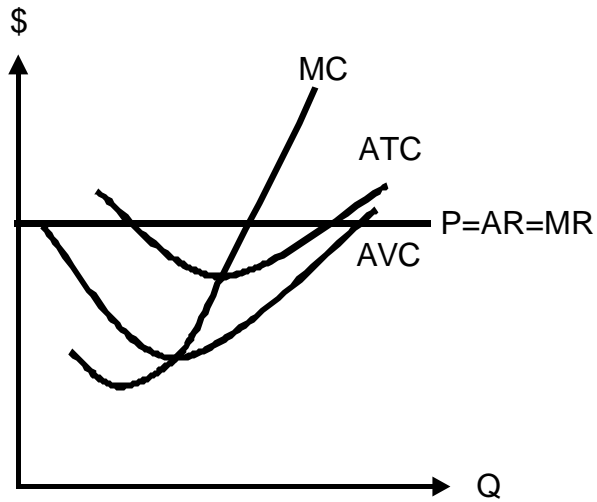
- ① Which Q^* is chosen?
- ② How much is total profit/total loss?

03 LR supply curve of a comp firm



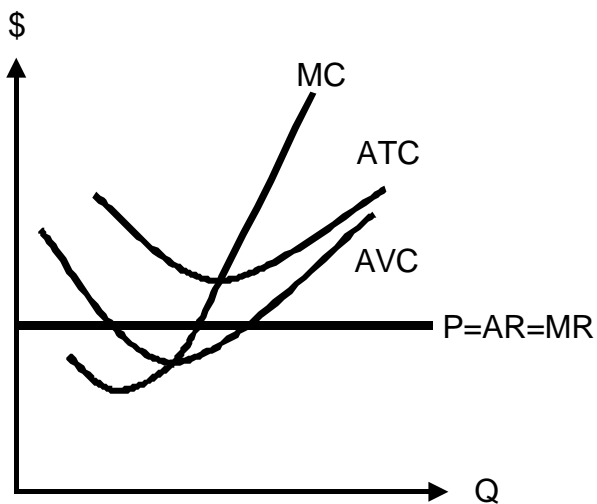
Determine the LR S curve.

04 SR decision by a comp firm 1



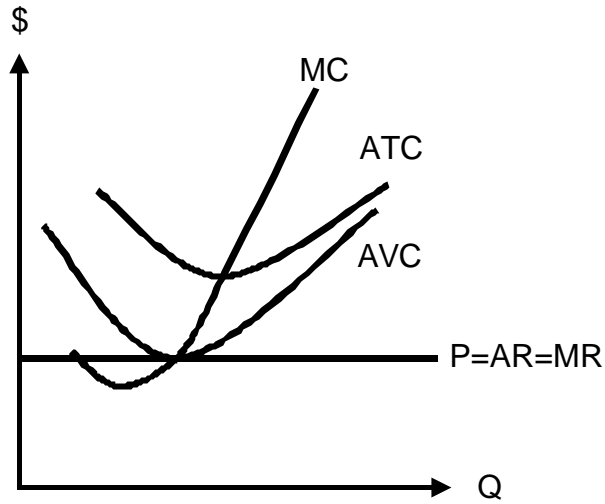
- ① Which Q^* is chosen?
- ② How much is total profit/total loss?
- ③ Can the AFC be seen in the graph?

05 SR decision by a comp firm 2



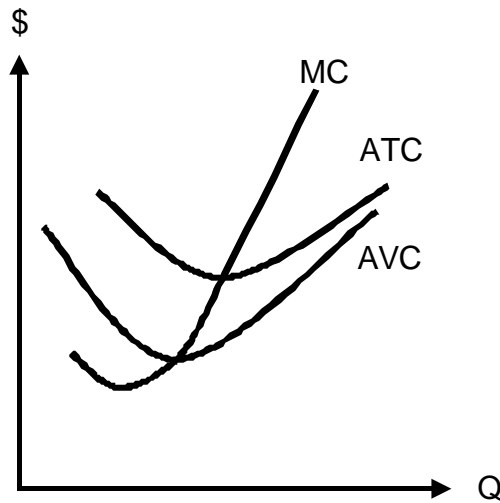
- ① Which Q^* is chosen?
- ② How much is total profit/total loss?

06 SR decision by a comp firm 3



- ① Which Q^* is chosen?
- ② How much is total profit/total loss?

07 SR S curve of a comp firm



Determine the SR S curve of a comp firm, the shutdown price and the break-even price.

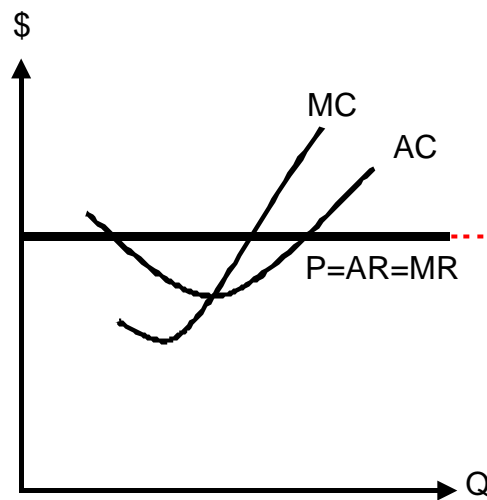
08 P and Q in a comp market

P	9	8	7	6	5	4	3	2	1	0
Q	0	1	2	3	4	5	6	7	8	9

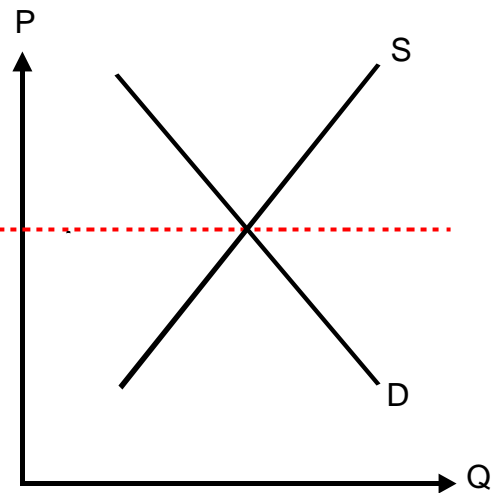
A typical firm has constant MC of 5. Which P and which Q will be observed in this market?

09 Competitive firm and the market

Situation for a typical comp firm
(with supernormal profit)



Situation in the whole market



- ① Explain why in a comp environment supernormal profits will disappear.
- ② Use 2 graphs to illustrate the final situation for the comp firm and in the market.

→ [Answers. Click here!](#)