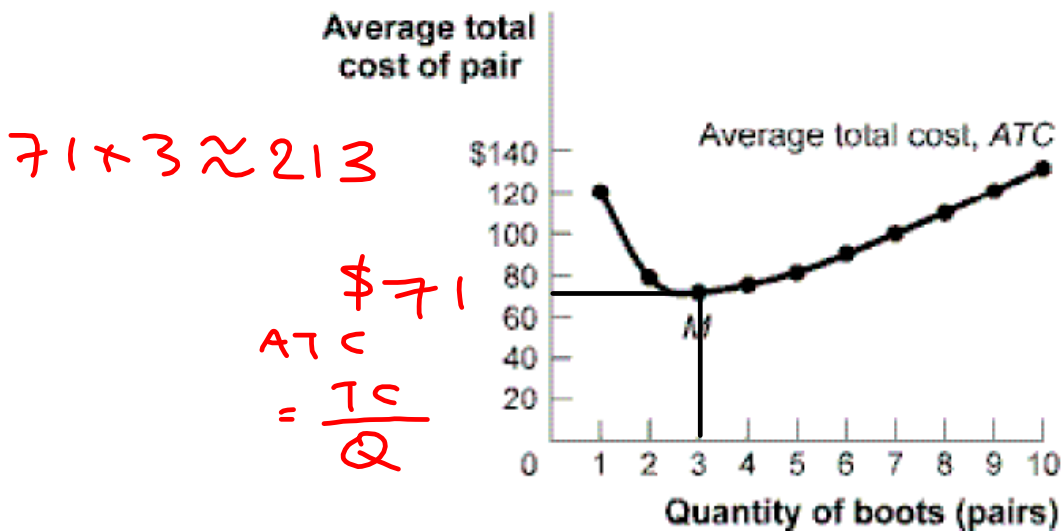


- | | | | | |
|-----|--------------------------|--------|--------|-------------------|
| 1. | ANS: A | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Analytical Thinking | | | |
| 2. | ANS: D | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Concept-Based | | | |
| 3. | ANS: D | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Critical Thinking | | | |
| 4. | ANS: D | PTS: 1 | DIF: E | REF: Module 55/19 |
| | MSC: Definitional | | | |
| 5. | ANS: E | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Concept-Based | | | |
| 6. | ANS: D | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Concept-Based | | | |
| 7. | ANS: D | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Concept-Based | | | |
| 8. | ANS: E | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Concept-Based | | | |
| 9. | ANS: D | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Concept-Based | | | |
| 10. | ANS: E | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Definitional | | | |
| 11. | ANS: A | PTS: 1 | DIF: M | REF: Module 55/19 |
| | MSC: Critical Thinking | | | |

Figure 55-1: Average Total Cost Curve



#3 Total Cost of producing 3 pairs of boots

#4 Average variable cost.

- labor
- materials

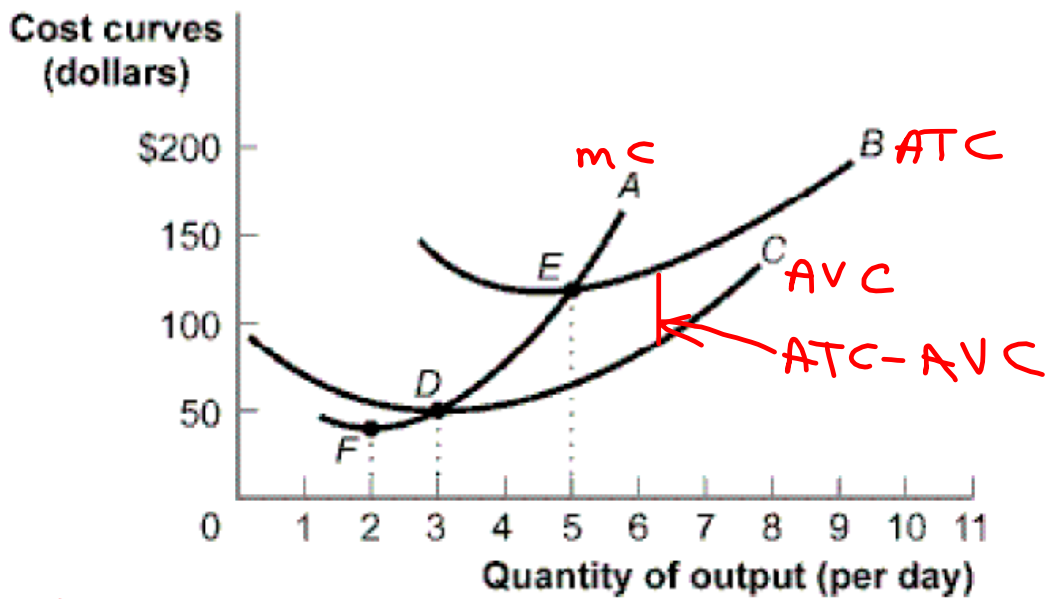
$$\frac{\text{variable costs (total)}}{Q \text{ of output}}$$

FC \$100

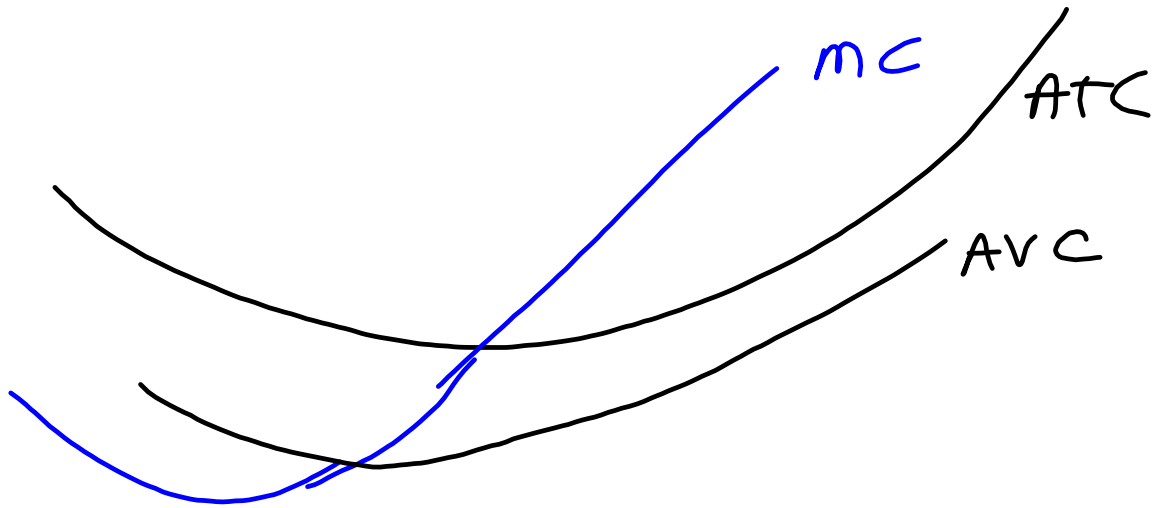
VC \$5/item

20 items: AFC=5 AVC=5 $\begin{cases} VC=100 \\ FC=100 \end{cases}$
 50 items: AFC=2 AVC=5 $\begin{cases} FC=100 \\ VC=250 \end{cases}$

Figure 55-2: Short-Run Costs



TRUE : $FC + VC = TC$
 for output level $AFC + AVC = ATC$



Topic: Market Structure

2 dimensions:

# participants	}	many market participants
		few " "
		1 " "

kind of product	}	differentiated (cars)
		undifferentiated (wheat)

monopoly: 1 seller

- undifferentiated
(no close substitute)

de Beers - S. Africa
diamonds.

- ↙
- ① lock on supply
 - ② "natural" monopoly
like electric company
marginal cost always decreasing.
& economies of scale

oligopoly: few sellers

- auto industry
- commodities
(steel)
- wireless service
(AT & T, Sprint,
Verizon, T-Mob)

perfect competition:

- many buyers &
sellers

- every one is a
"price taker"

Market Share:

% of sales in a
market made by
a single firm.

"market concentration" -
a few firms dominate