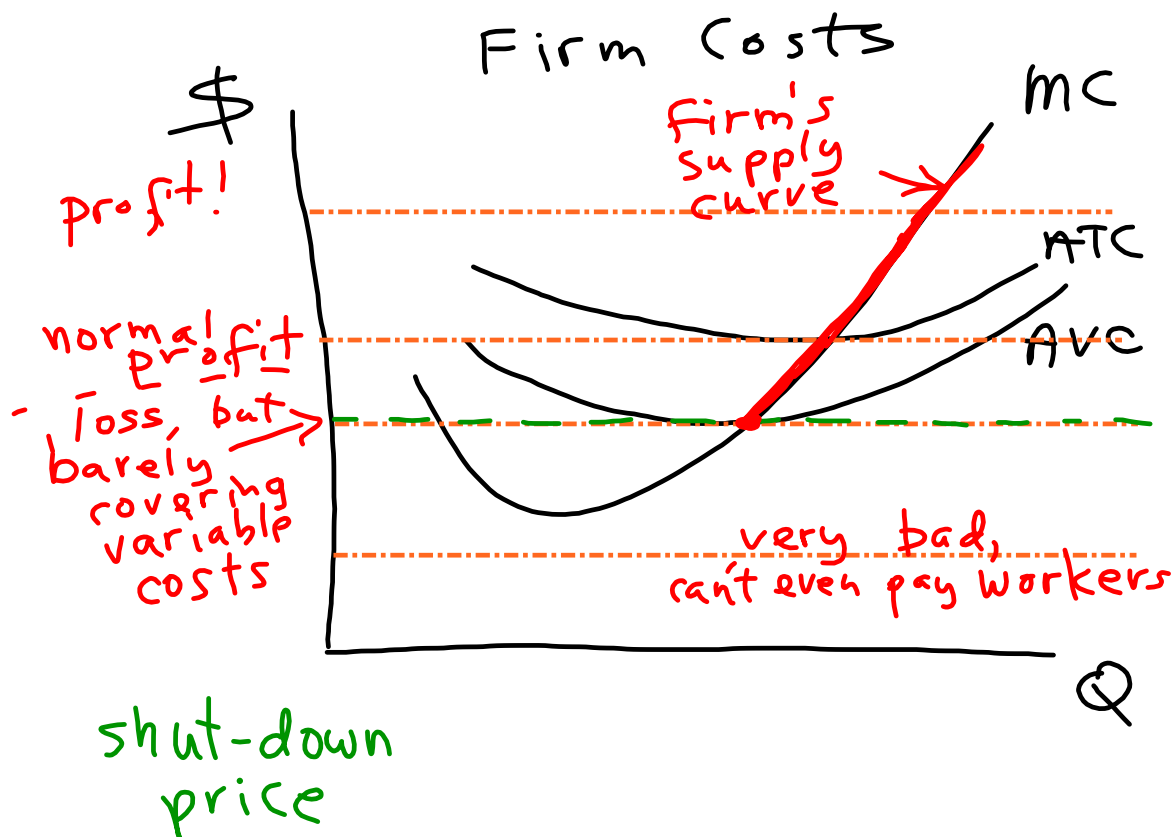


Topic: short-run shut-down decision

- background: in long run, making negative economic profit, you should exit the industry.
- in short run, you may stay in industry even if making negative econ. profit



$$\begin{array}{r}
 AVC \quad 60 \\
 AFC \quad 20 \\
 \hline
 ATC \quad 80
 \end{array}$$

suppose: $P = 70$

shut down: owe 20

operate: owe 10

- | | | | | |
|-----|--------------------------|--------|--------|-------------------|
| 1. | ANS: A | PTS: 1 | DIF: M | REF: Module 58/22 |
| | MSC: Fact-Based | | | |
| 2. | ANS: E | PTS: 1 | DIF: M | REF: Module 58/22 |
| | MSC: Critical Thinking | | | |
| 3. | ANS: B | PTS: 1 | DIF: M | REF: Module 58/22 |
| | MSC: Analytical Thinking | | | |
| 4. | ANS: B | PTS: 1 | DIF: M | REF: Module 58/22 |
| | MSC: Concept-Based | | | |
| 5. | ANS: B | PTS: 1 | DIF: M | REF: Module 59/23 |
| | MSC: Concept-Based | | | |
| 6. | ANS: E | PTS: 1 | DIF: E | REF: Module 59/23 |
| | MSC: Fact-Based | | | |
| 7. | ANS: A | PTS: 1 | DIF: M | REF: Module 59/23 |
| | MSC: Critical Thinking | | | |
| 8. | ANS: C | PTS: 1 | DIF: M | REF: Module 59/23 |
| | MSC: Critical Thinking | | | |
| 9. | ANS: B | PTS: 1 | DIF: M | REF: Module 59/23 |
| | MSC: Analytical Thinking | | | |
| 10. | ANS: A | PTS: 1 | DIF: M | REF: Module 59/23 |
| | MSC: Analytical Thinking | | | |
| 11. | ANS: C | PTS: 1 | DIF: M | REF: Module 60/24 |
| | MSC: Concept-Based | | | |

Figure 58-2: Marginal Decision Rule

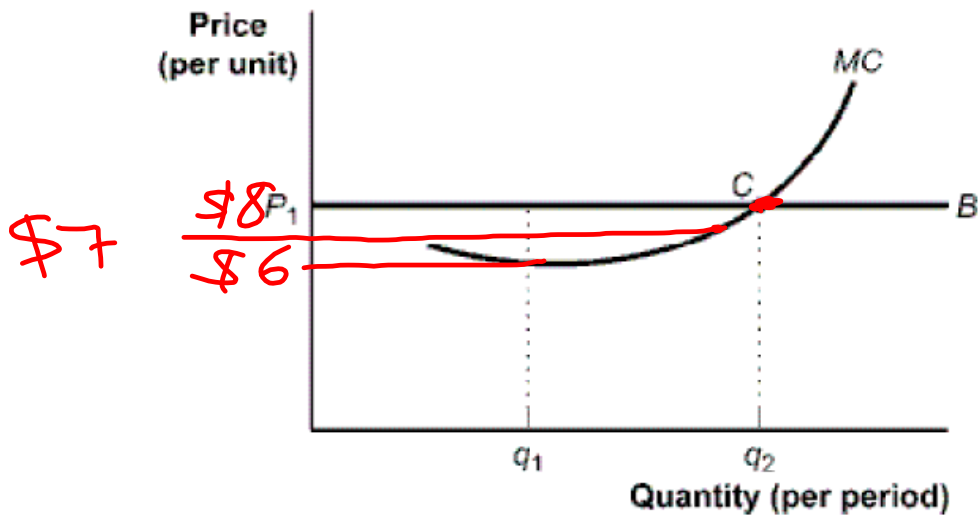


Figure 59-4: A Perfectly Competitive Firm in the Short Run

