

7. (Table 58-3: Total Cost for a Perfectly Competitive Firm) If the market price is \$4.50, the profit-maximizing quantity of output is _____ units.
- five
 - eight
 - seven
 - ten
 - nine

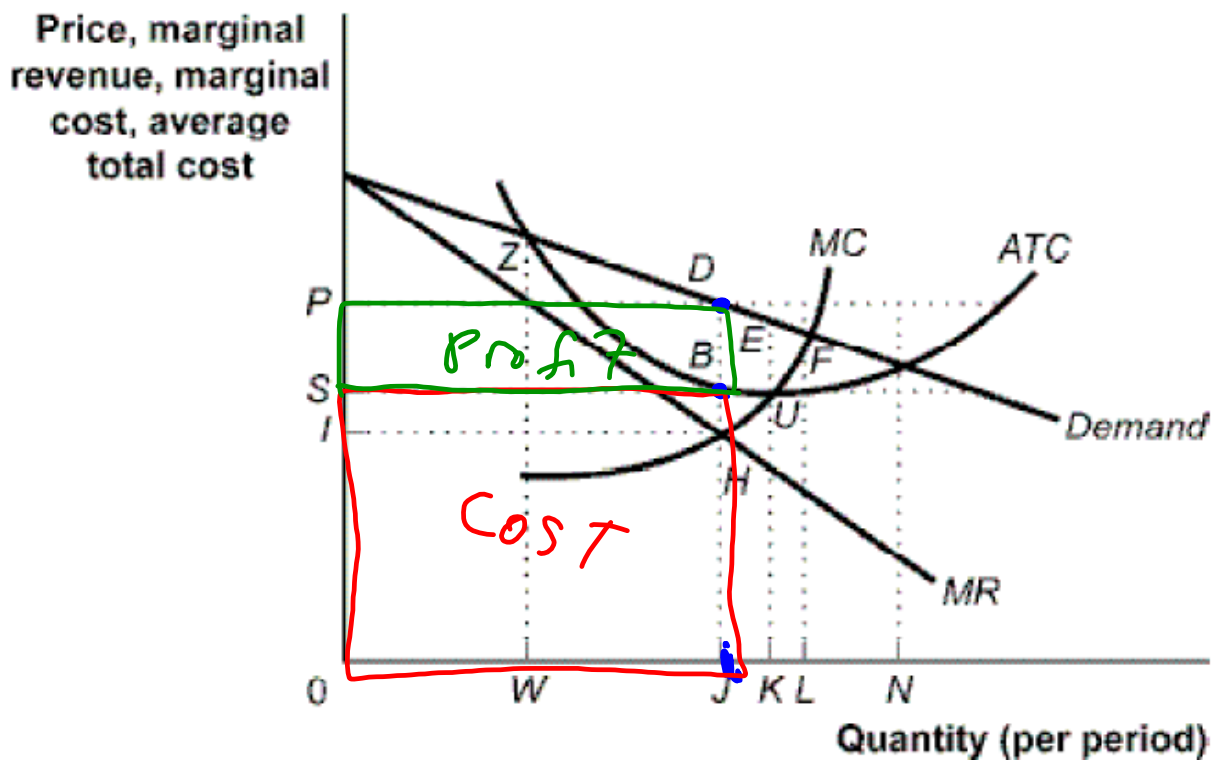
$MR = MC$
 $MR = \$4.50$

| Quantity per Period | Total Cost |
|---------------------|------------|
| 0 | \$10 |
| 1 | 16 |
| 2 | 20 |
| 3 | 22 |
| 4 | 24 |
| 5 | 25 |
| 6 | 27 |
| 7 | 30 |
| 8 | 34 |
| 9 | 39 |
| 10 | 45 |

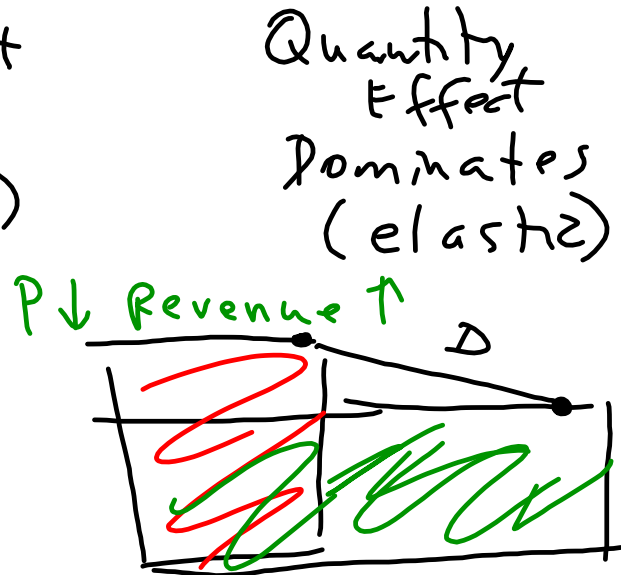
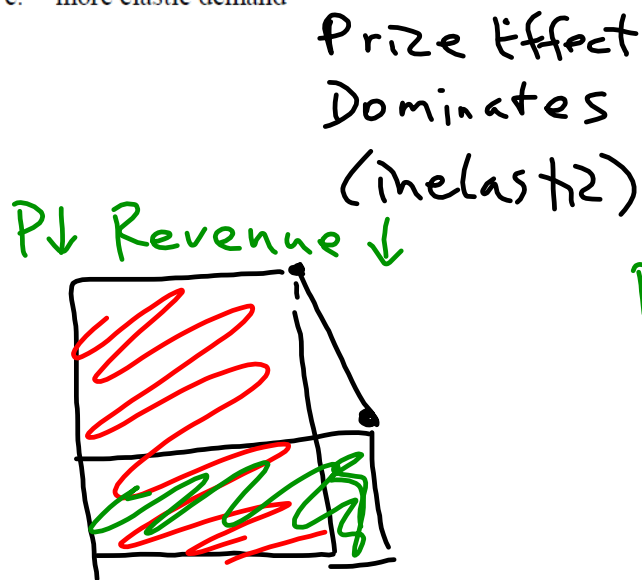
Table 58-3: Total Cost for a Perfectly Competitive Firm

MC
 10
 6
 4
 2
 2
 2
 1
 2
 3
~~4~~
 5
 6

Figure 61-4: Monopoly Model

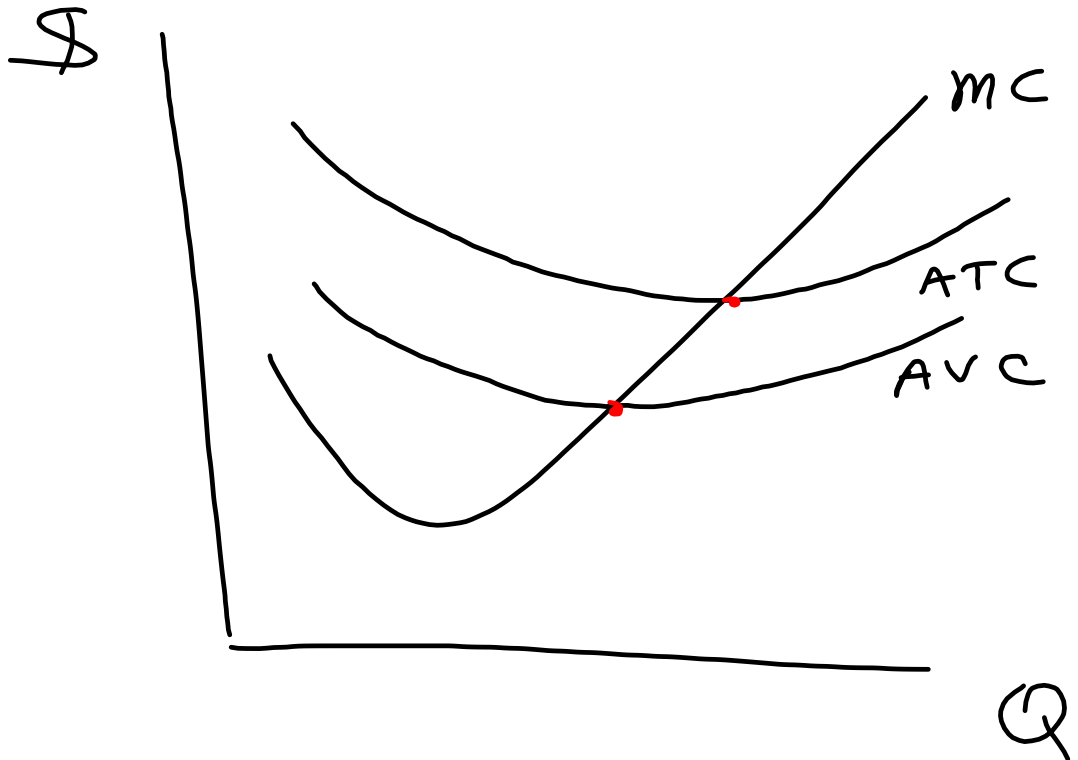


1. The city bus system charges lower fares to senior citizens than to other passengers. Assuming that this pricing strategy increases the profits of the bus system, we can conclude that senior citizens must have a(n) _____ for bus service than other passengers.
- less elastic demand
 - equivalent elasticity of demand
 - greater demand
 - lower demand
 - more elastic demand



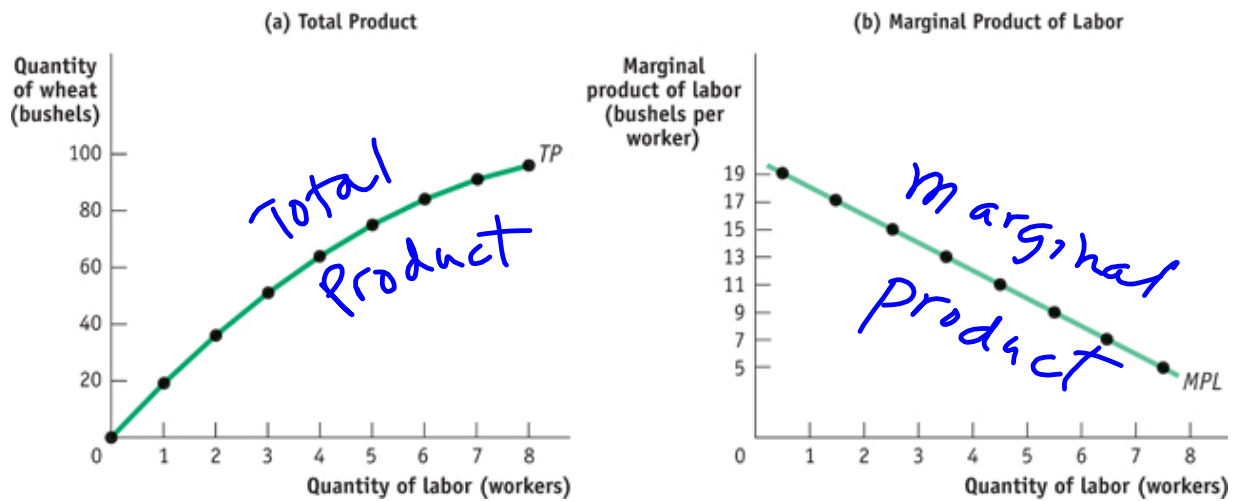
32. Which of the following statements are reasons why a monopolistic competitor is likely to engage in advertising?
- To create a greater perception of product differentiation in the minds of potential consumers
 - To shift the demand curve for its product rightward.
 - To convey information about the product it is offering for sale.
- III only.
 - II only.
 - II and III only.
 - I only.
 - I, II, and III.

1. MC 2. ATC 3. AVC



Topic: Factors of Production:
Factor Markets.

Factors: 1. Land
 * 2. Labor financial
 3. Capital ← physical
 4. Entrepreneurship.



diminishing marginal
product of labor,
 MP_L

Fact: factor demand
is derived demand.

Derived from the
value of what is
produced.

