

5. A perfectly competitive firm sells its good for \$20. If marginal cost is four times the quantity produced, how much does the firm produce? Why?
10. Each of 10 firms in a given industry has the costs given in the left-hand table. The market demand schedule is given in the right-hand table. (LO13-3)

Quantity	Total Cost	Price	Quantity Demanded
0	12	2	110
1	24	4	100
2	27	6	90
3	31	8	80
4	39	10	70
5	53	12	60
6	73	14	50
7	99	16	40

- What is the market equilibrium price and the price each firm gets for its product?
- What is the equilibrium market quantity and the quantity each firm produces?
- What profit is each firm making?
- Below what price will firms begin to exit the market?

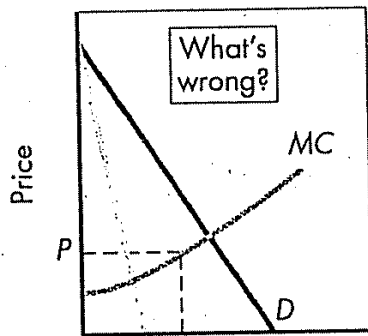
Note: "Exit the market" refers to the long run.

17. Based on the following table: (LO13-4)

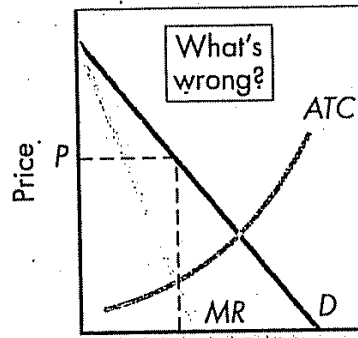
Output	Price	Total Costs
0	\$10	\$ 31
1	10	40
2	10	45
3	10	48
4	10	55
5	10	65
6	10	80
7	10	100
8	10	140
9	10	220
10	10	340

- a. What is the profit-maximizing output?
 - b. What will happen to the market price in the long run?
8. True or false? Monopolists differ from perfect competitors because monopolists make a profit. Why? (LO14-2)
9. A monopolist with a straight-line demand curve finds that it can sell two units at \$12 each or 12 units at \$2 each. Its fixed cost is \$20 and its marginal cost is constant at \$3 per unit. (LO14-2)
- a. Draw the *MC*, *ATC*, *MR*, and demand curves for this monopolist.
 - b. At what output level would the monopolist produce?
 - c. At what output level would a perfectly competitive firm produce?
3. Why is marginal revenue below average revenue for a monopolist? (LO14-2)
18. What are the “monopolistic” and the “competitive” elements of monopolistic competition? (LO14-5)

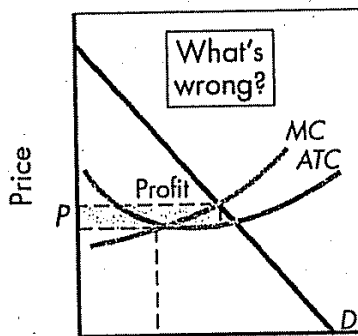
4. State what's wrong with the following graphs: (LO14-2)



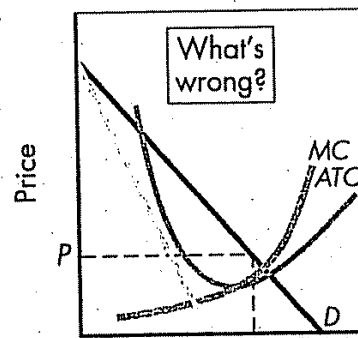
(a) MR Q
Quantity



(b) Q
Quantity



(c) Q
Quantity



(d) MR Q
Quantity

1. The market demand curve is $Q_D = 50 - P$. The marginal cost curve is $MC = 4Q + 6$.
 - a. Assuming the marginal cost curve is for a competitive industry as a whole, find the profit-maximizing level of output and price.
 - b. Assuming the marginal cost curve is for only one firm that comprises the entire market, find the profit-maximizing level of output and price.
 - c. Compare the two results.

2. The market demand curve is $Q_D = 160 - 4P$. A monopolist's total cost curve is $TC = 6Q^2 + 15Q + 50$.
 - a. Find the profit-maximizing level of output and price for a monopolist.
 - b. Find its average cost at that level of output.
 - c. Find its profit at that level of output.