|  |
| --- |
|  |
| **Question 1**.  uploaded image   * Bottom of Form   The top graph summarizes the demand and costs for a firm that operates in a perfectly competitive market.   1. What level of output should this firm produce in the short run? 2. What price should this firm charge in the short run? 3. What is the firm’s total cost at this level of output? 4. What is the firm’s total variable cost at this level of output? 5. What is the firm’s fixed cost at this level of output? 6. What is the firm’s profit if it produces this level of output? 7. What is the firm’s profit if it shuts down? 8. In the long run, should this firm continue to operate or shut down?   **Question 2**  A firm sells its product in a perfectly competitive market where other firms charge a price of $80 per unit. The firm’s total costs are  C(Q) = 40 + 8Q + 2Q2 and its  MC = 8+ 4Q   1. How much output should the firm produce in the short run? Hint: Set P = MC and solve for Q 2. What price should the firm charge in the short-run? 3. What are the firm’s short-run profits? 4. What adjustments should be anticipated in the long run?   Instructions: Show all steps. |
|  |