Quiz 8 Name:____________________________________

Microeconomics - EC 2106

Fall Semester 1999

Instructor: Robert McNab Score:________________

INSTRUCTIONS: Read each question carefully before answering the question. For multiple choice and true/false questions, please choose the most accurate answer. For questions requiring you to show your work, ensure to include sufficient detail to receive full or partial credit. You will have 10 minutes to complete this 10 point quiz.

1. Fill in the following chart (3 Points):

L	Q	TVC	TFC	TC	AVC	AFC	ATC	MC
0	0							
1	4	20		140				
2	10	55						
3	20	68						
4	28	90						
5	36	140						
6	40	250						

2. Assume that Frank's video store operates in a perfectly competitive market in the town of Rome, GA. There are 50 other firms similar to Frank's, and the market price for a video rental is $2 with 20,000 videos rented weekly in Rome, and no firm makes economic profits. Illustrate the market equilibrium and the equilibrium for the typical firm. 3 points

3. Using the information in (2), assume that a tornado strikes Rome, obliterating 20 of Frank's competitors. Illustrate and describe what would occur in the short-run to the market and the typical firm. (4 points).

Answer Key

L	Q	TVC	TFC	TC	AVC	AFC	ATC	MC
0	0	0	120	120	---	----	----	----
1	4	20	120	140	5	30	35	5
2	10	55	120	175	5.5	12	17.5	5.8
3	20	68	120	188	3.4	6	9.4	1.3
4	28	90	120	210	3.2	4.3	7.5	2.75
5	36	140	120	260	3.9	3.3	7.2	6.25
6	40	250	120	370	6.25	3	9.25	27.5

2. Graph perfectly competitive curve in long-run equilibrium with no economic profits, where P = MC = MR. See lecture notes and book.

3. Reduction in number of competitors would result in decrease in market supply. All else being equal, this would increase market price, decrease market quantity, and increase per firm quantity, resulting in short-run economic profits.