

1. The demand for product of an individual firm is
 - A perfectly elastic.
 - B perfectly inelastic.
 - C decreasing.

2. Let's assume that a perfectly competitive firm produces such quantity of product at which $MC = p$ and the MC curve is decreasing. This quantity
 - A is optimal because the firm maximizes profit.
 - B it is not optimal because at this quantity the average costs are not minimized.
 - C is not optimal and the firm can increase its profit if it produces more.

3. Suppose a perfectly competitive firm is in a loss in the short run, than it should shut down production to avoid loss.
 - A True
 - B False

4. A firm leaves the market in the long run if
 - A the fixed costs are higher than variable.
 - B total costs are higher than average revenues.
 - C average costs are higher than price.
 - D average variable costs are higher than price.

5. The producers' surplus of a competitive firm with positive FC and increasing MC can be depicted as
 - A the area to the left (above) of the supply and below price.
 - B the area below the MC curve.
 - C as the profit area.
 - D as total revenue minus fixed costs.

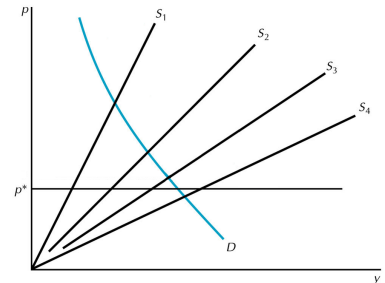
6. Compared to a SR supply, a LR supply of a perfectly competitive firm is
 - A more elastic.
 - B equally elastic.
 - C less elastic.

7. The SR market supply

- A is decreasing if there are increasing returns to scale.
- B is constant at the level of $p = \min AC$.
- C is a horizontal sum of the short-run supply curves of firms.

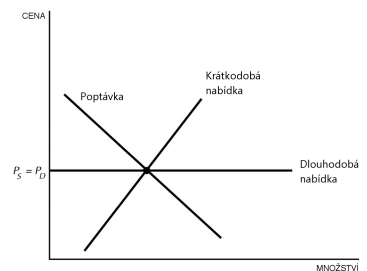
8. There will be 4 firms in the LR equilibrium.

- A True
- B False



9. A quantity tax will be paid by _____ in the short run and _____ in the long run.

- A producers; consumers
- B consumers and producers; consumers
- C consumers and producers; consumers and producers



10. In a competitive market all firms have the same cost functions and increasing MC curve. Suppose that the market price is above average costs in the short run, then each firm will increase quantity supplied and the market price will go down in the long run.

- A True
- B False