**Study Guide Questions – Unit 5 – THE PRODUCER and PERFECT COMP.**

1. What is the difference between total fixed costs and total variable costs?

2. A firm looks the closest at which type of costs when worried about its bottom line expenses?

3. The most profitable level to produce at is where….

4. Explain why the Marginal Cost curve is “check mark” shaped?

5. If I was wondering if it was a good idea or not to hire another worker onto the assembly line to increase production, I would be analyzing what type of cost and benefit?

6. If I wanted to know how much of the cost it takes to produce each unit I am able to control and have flexibility over, I would be analyzing what type of costs?

7. What does it mean to be a price taker in perfect competition?

8. List 5 traits that describe a firm that competes under the rules of perfect competition.

9. What must be true if the average cost curve is tangent to the marginal revenue curve in perfect competition?

10. What must be true about average total costs if marginal costs of a firm are rising?

11. Where does any firm set its production level to maximize profits?

12. Write the symbol equation that represents long run equilibrium.

13. Why can’t a firm under perfect competition experience profits in the long run?

14. Explain why the marginal revenue curve for perfect competition is horizontal.

15. What does it mean when it is said that a business structure is perfect?

16. Joe's Clothing Store - Joe worked full time in the store and invested $30,000 to buy the store and stock it with merchandise. He recently turned down an offer of a salaried position paying $10,000 per year to manage another store. He didn't pay himself a salary during the year.

REVENUE and COSTS

Sales $57,000

Wholesale clothing bought -$30,000

Equipment - $2,000

Labor - $15,000

Utilities - $1,000

Calculate : Total Revenue \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Total Cost \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

a. According to above, what is Joe's explicit cost? Accounting profit?

b. What major items did he exclude from his costs from an economic standpoint?