**MICROECONOMICS**

**PRACTICE QUESTIONS**

**Senior Lecturer: Kirkland Anderson**

1. What role do business firms play in output markets and in factor markets?

2. Explain what is meant by the term production.

3. What is a firm?

4. List the characteristics of a perfectly competitive market.

5. What is the difference between accounting cost and economic cost?

6. What is a normal rate of return?

7. What assumptions do economists make about the time period known as the short run?

8. How do economists define the time period known as the long run?

9. What three pieces of information do firms need to know to make production decisions?

10. What is production technology?

11. Define what is meant by the period known as the short run.

12. What is meant by fixed cost? What kinds of things might be included in fixed cost?

13. What is meant by variable cost? What kinds of things might be included in variable cost?

14. Comment on the following statement: "Average fixed cost falls as output rises, but average fixed cost will never be equal to zero."

15. What is the relationship between marginal product and marginal cost?

16. What is the shape of the total variable cost curve? Explain.

17. What is the relationship between total variable cost and marginal cost? Explain.

18. How is average variable cost calculated? If a firm has total variable costs of $19,200 when producing 575 units, what is the firm's average variable cost?

19. Suppose that a firm has an average variable cost of $52.50 when producing 120 units of output. What is the firm's total variable cost?

20. What is the relationship between a perfectly competitive firm's marginal cost curve and its short- run supply curve?