Multiple Choice (10 points each)

1. Competitive firms cannot individually affect market price because:
   A) There is an infinite demand for their goods.
   B) Demand is perfectly inelastic for their goods.
   C) Their individual production is insignificant relative to the production of the industry.
   D) The government exercises control over the market power of competitive firms.

2. Which of the following characterizes a competitive market?
   A) A downward-sloping demand curve for the market.
   B) A horizontal demand curve facing each firm in the market.
   C) All the firms sell at the equilibrium price for the market.
   D) All of the above.

3. The difference between the total revenue and total cost curves at a given output is equal to:
   A) Total profit.
   B) Profit per unit.
   C) Average revenue.
   D) Average total cost.

4. Which of the following represents the change in total revenue that results from a 1-unit increase in the quantity sold?
   A) Marginal cost.
   B) Total revenue.
   C) Marginal profit.
   D) Marginal revenue.

5. For perfectly competitive firms, price:
   A) Is greater than marginal revenue.
   B) Is less than marginal revenue.
   C) Is equal to marginal revenue.
   D) And marginal revenue are not related.

6. Short-run profits are maximized, for a perfectly competitive firm, at the rate of output where:
   A) Price is equal to marginal cost.
   B) Total revenue is maximized.
   C) Marginal revenue is zero.
   D) Average total costs are maximized.

7. The shutdown point occurs where:
   A) \( P = \text{minimum of } MR \).
   B) \( P = \text{minimum of } AFC \).
   C) \( P = \text{minimum of } AVC \).
   D) \( P = \text{minimum of } ATC \).
8. The marginal cost curve:
   A) Will be affected by changes in the price of variable inputs.
   B) Slopes upward to the right as output increases.
   C) Is the short run supply curve for a competitive firm at prices above the AVC.
   D) All of the above.

9. In a competitive market, economic profits will:
   A) Attract profit-maximizing entrepreneurs.
   B) Cause new firms to leave the market.
   C) Continue to be earned for a long time.
   D) All of the above.

10. Which of the following is characteristic of a perfectly competitive market?
    A) Differentiated products.
    B) A large number of firms.
    C) Price below marginal revenue.
    D) Significant barriers to entry.

11. In long-run perfectly competitive equilibrium, price equals:
    A) The minimum of the long-run average total cost curve.
    B) Marginal revenue.
    C) Marginal cost.
    D) All of the above.