Problem Set #8
Perfect Competition

Tutorial Problems

1. Assume quantities must be integers and that we are in a perfectly competitive market. What do we know about the break-even price?

Q	1	2	3	4	5	6	7	8	9	10
AFC	120	60	40	30	24	20	17.14	15	13.33	12
AVC	20	18	15	16	17	19	21	23	25	27
MC	20	16	9	19	21	29	33	37	41	45

   A. Between \$9 and \$19.
   B. Between \$19 and \$37.
   C. Between \$37 and \$41.
   D. Between \$41 and \$45.
   E. More than \$45.

2. Continuing from the previous question, if the market price is \$15.50 then what does a perfectly competitive firm do in the short run?

Q	1	2	3	4	5	6	7	8	9	10