





Microeconomics LIVE Stream Review Session #1

Unit 1: Definitions and Practice- Use the graphs below for the countries of Econland and Cliffordia to show the difference between constant and increasing opportunity cost then answer the questions.





<p>1. What is scarcity?</p> <p>2. What is opportunity cost?</p> <p>3. All economic systems must answer what three questions?</p>	<p>Econland</p> <p>Cars</p>  <p>Trucks</p>	<p>Cliffordia</p> <p>Cars</p>  <p>Corn</p>
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Country	Cars	Trucks
Econland	2	4
Scarcityville	1	5

4. Which country has an absolute advantage in producing cars?

5. Which country has a comparative advantage in producing cars?

Unit 2: Graphing Practice- Use the demand and supply model to draw each of the following. Label the equilibrium price P_E , the new price P_1 , the equilibrium quantity Q_E , and the new quantity Q_1 . Lastly, identify the new consumer surplus, producer surplus, and deadweight loss.

6. Equilibrium	7. Supply Decrease	8. Price Ceiling	9. Price Floor
			

10. Gains from Trade	11. Excise Tax	12. Negative Externality	13. Positive Externality
			

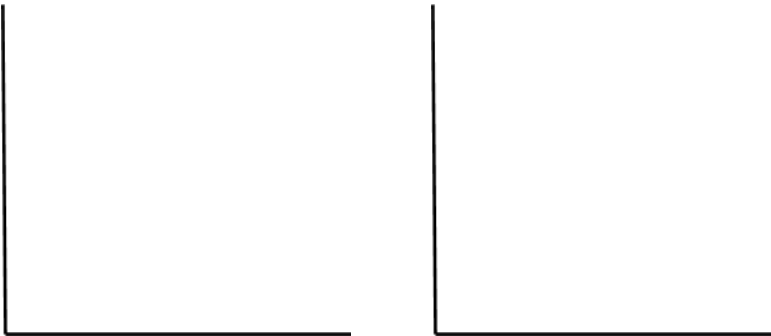


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Unit 3: Perfect Competition Practice- Assume that pizza is sold in a perfectly competitive market and that the current price is \$12.

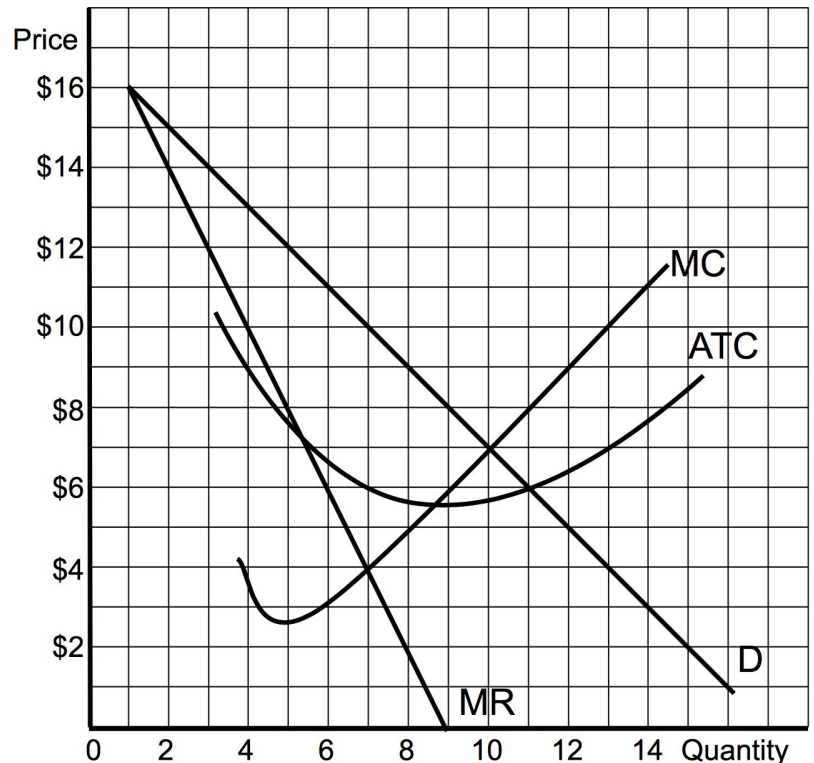
14. Identify the profit maximizing quantity?
15. Calculate the average total cost (ATC) of each pizza at the profit maximizing quantity.
16. Calculate the profit or loss at the profit maximizing quantity.
17. Draw side-by-side graphs for the market and this firm. Show what happens in the short-run and long-run when the firm make profit.

Quantity	Total Cost	Marginal Cost
0	\$20	
1	\$30	
2	\$32	
3	\$38	
4	\$45	
5	\$55	
6	\$70	
7	\$90	



Unit 4: Monopoly Practice- Use the graph to answer the questions.

18. Identify the profit maximizing price and quantity.
19. Calculate the total revenue at the profit maximizing price and quantity.
20. Calculate the total cost at the profit maximizing price and quantity.
21. Calculate the profit or loss at the profit maximizing price and quantity.
22. Identify the socially optimal quantity.
23. Identify the price and quantity where the total revenue is maximized.
24. At the price of \$12, is the demand relatively elastic, relatively inelastic, or unit elastic?

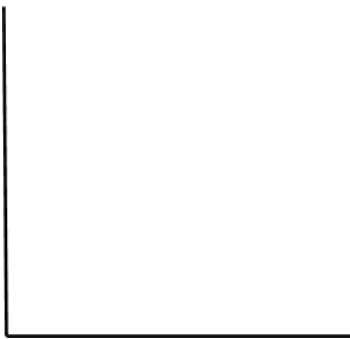




Microeconomics LIVE Stream Review Session #1

Unit 5: Hiring Workers Practice- Assume that workers are hired in a perfectly competitive labor market, the product price is set at \$2, the wage is \$10, and the fixed cost is \$22.

25. What is the profit maximizing quantity of workers?
26. Calculate the profit or loss at the profit maximizing quantity.
27. Draw side-by-side graphs for the market and this firm. Show what happens when there is a minimum wage at \$15



Quantity of Workers	Total Product	Marginal Product
0	0	
1	10	
2	40	
3	60	
4	70	
5	76	
6	80	
7	82	

NOTES



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Unit 1: Definitions and Practice- Use the graphs below for the countries of Econland and Cliffordia to show the difference between constant and increasing opportunity cost then answer the questions.

1. What is scarcity?

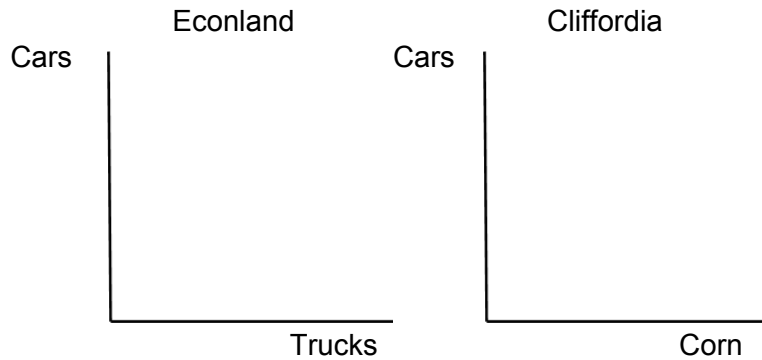
We have unlimited wants, but limited resources

2. What is opportunity cost?

The next best alternative given up

3. All economic systems must answer what three questions?

What to produce, How to produce it, Who gets it.



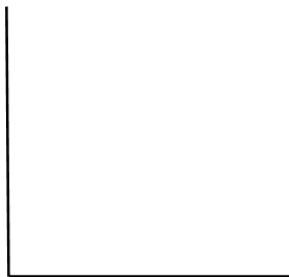
Country	Cars	Trucks
Econland	2 (1C costs 2T)	4 (1T costs 1/2C)
Scarcityville	1 (1C costs 5T)	5 (1T costs 1/5C)

4. Which country has an absolute advantage in producing cars? Econland because they can produce more cars than Scarcityville.

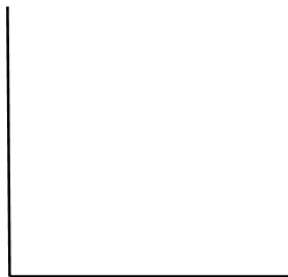
5. Which country has a comparative advantage in producing cars? Econland because they have a lower opportunity cost in producing cars.

Unit 2: Graphing Practice- Use the demand and supply model to draw each of the following. Label the equilibrium price P_E , the new price P_1 , the equilibrium quantity Q_E , and the new quantity Q_1 . Lastly, identify the new consumer surplus, producer surplus, and deadweight loss. See video

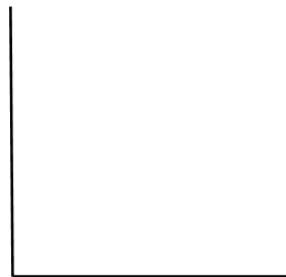
6. Equilibrium



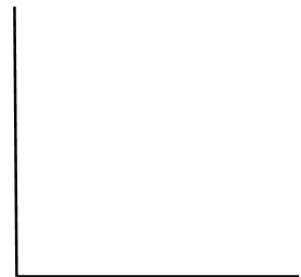
7. Supply Decrease



8. Price Ceiling



9. Price Floor



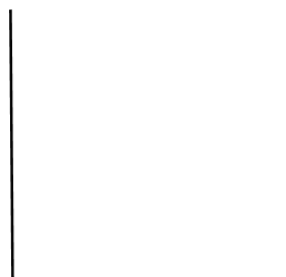
10. Gains from Trade



11. Excise Tax



12. Negative Externality



13. Positive Externality



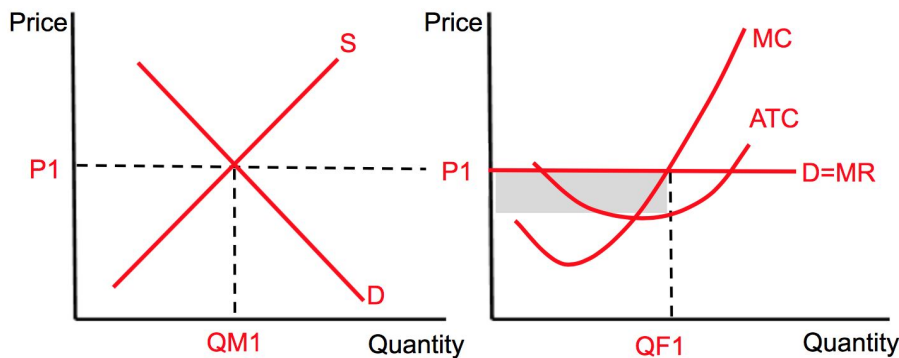


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Unit 3: Perfect Competition Practice- Assume that pizza is sold in a perfectly competitive market and that the current price is \$12.

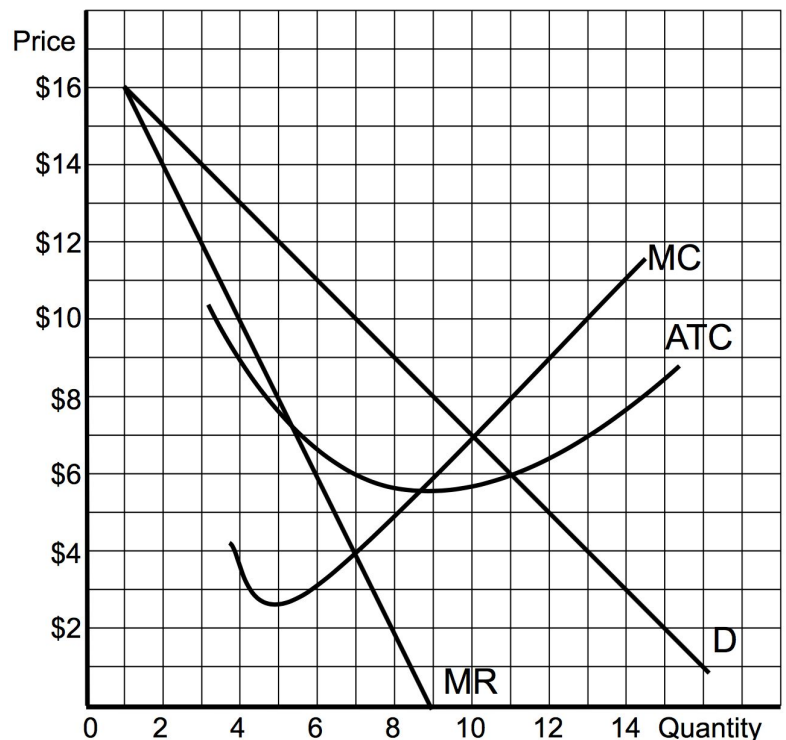
14. Identify the profit maximizing quantity? **5 units. Where $MR = MC$**
15. Calculate the average total cost (ATC) of each pizza at the profit maximizing quantity. **$\$11 = ATC = \$55/5$**
16. Calculate the profit or loss at the profit maximizing quantity. **$\$5 = Profit = TR - TC = \$60 - \$55$**
17. Draw side-by-side graphs for the market and this firm. Show what happens in the short-run and long-run when the firm make profit.
See video for long-run

Quantity	Total Cost	Marginal Cost
0	\$20	-
1	\$30	\$10
2	\$32	\$2
3	\$38	\$6
4	\$45	\$7
5	\$55	\$10
6	\$70	\$15
7	\$90	\$20



Unit 4: Monopoly Practice- Use the graph to answer the questions.

18. Identify the profit maximizing price and quantity. **7 units. $MR = MC$**
19. Calculate the total revenue at the profit maximizing price and quantity.
 $\$70 = TR = \10×7 units
20. Calculate the total cost at the profit maximizing price and quantity.
 $\$42 = TR = \6×7 units
21. Calculate the profit or loss at the profit maximizing price and quantity.
 $\$28 = TR - TC = \$70 - \$42$
22. Identify the socially optimal quantity.
10 Units. Where $MC = D$
23. Identify the price and quantity where the total revenue is maximized. **$P = \$8, Q = 9$.
Where $MR = 0$**
24. At the price of \$12, is the demand relatively elastic, relatively inelastic, or unit elastic? **Elastic. MR is positive.**



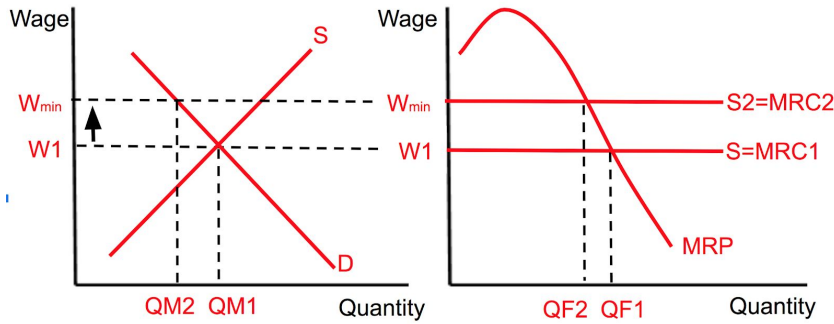


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Unit 5: Hiring Workers Practice- Assume that workers are hired in a perfectly competitive labor market, the product price is set at \$2, the wage is \$10, and the fixed cost is \$22.

25. What is the profit maximizing quantity of workers? **5 workers, MRP = MRC**
26. Calculate the profit or loss at the profit maximizing quantity.
\$80 profit = TR - (VC + FC) = \$152 - (\$50 + \$22)
27. Draw side-by-side graphs for the market and this firm. Show what happens when there is a minimum wage at \$15

Quantity of Workers	Total Product	Marginal Product
0	0	-
1	10	10
2	40	30
3	60	20
4	70	10
5	76	6
6	80	4
7	82	2



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