

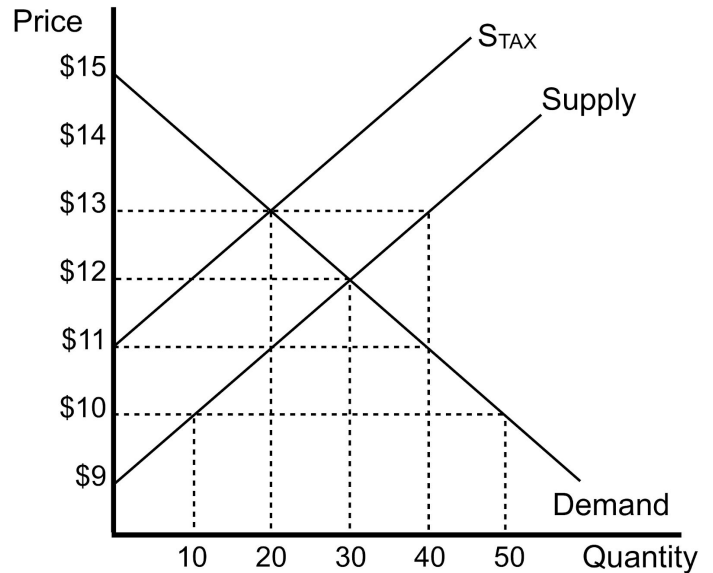


Microeconomics

LIVE Stream Review Session #2

Unit 2 - Excise Tax Practice- Use the graph to answer the following questions.

	Before Tax	After Tax
1. Price and quantity		
2. Per unit amount of the tax		
3. Net price sellers receive		
4. Total expenditures by consumers		
5. Total revenue firms receive		
6. Total tax revenue received by government		



7. Calculate the price elasticity of demand when the price increases from \$10 to \$11. Show your work.

Unit 3: Costs of Production Practice- Fill in the blanks in the chart then answer the questions.

- The fixed cost for producing each unit.
- The average variable cost (AVC) of 5 units.
- The average fixed cost (AFC) of 5 units.
- The average total cost (ATC) of 7 units.
- The average total cost (ATC) of 3 units.
- Which of these columns change when there is a lump sum tax?

Output	Variable Cost	Total Cost	Marginal Cost	Average Total Cost
0	\$20	\$30	-	-
1		\$45	\$15	
2	\$45	\$55		\$27.50
3				\$20
4	\$70	\$80	\$20	\$20
5		\$110	\$30	\$22
6	\$140			\$25
7		\$210	\$60	

LIVE stream video: <http://bit.ly/2W3uVAN>



Microeconomics LIVE Stream Review Session #2

Part 3: Perfect Competition Practice- Assume that the market price is \$40.

14. What is the profit maximizing quantity?

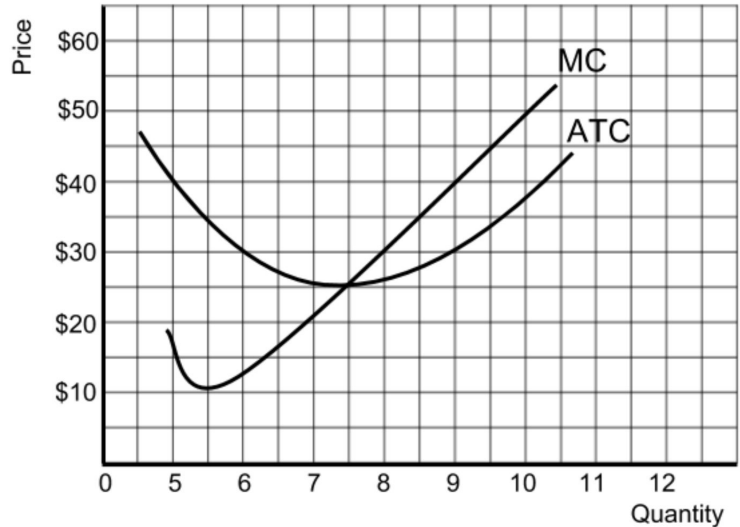
15. Calculate the total revenue

16. Calculate the total cost

17. Calculate the profit or loss

18. What is the price and quantity in the long-run?

19. In the long-run will the firm earn economic profit, accounting profit, neither, or both? Explain.

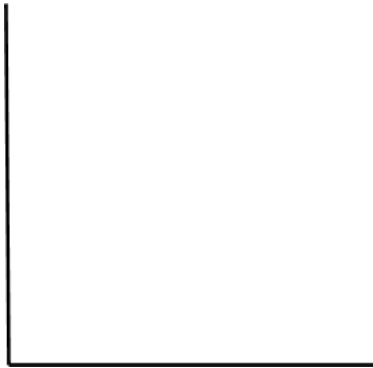


Key Graphs of Micro

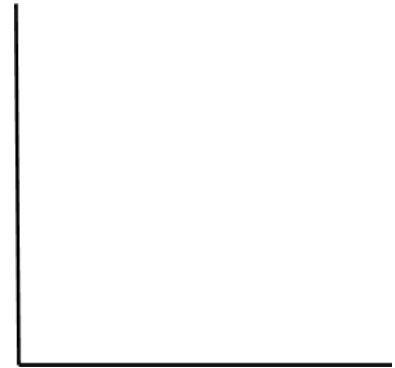
Perfect Comp. Product (Firm)



Monopoly



Monop. Comp. (Long-run)



Perfect Comp. Resource (Firm)



Negative Externality



Positive Externality



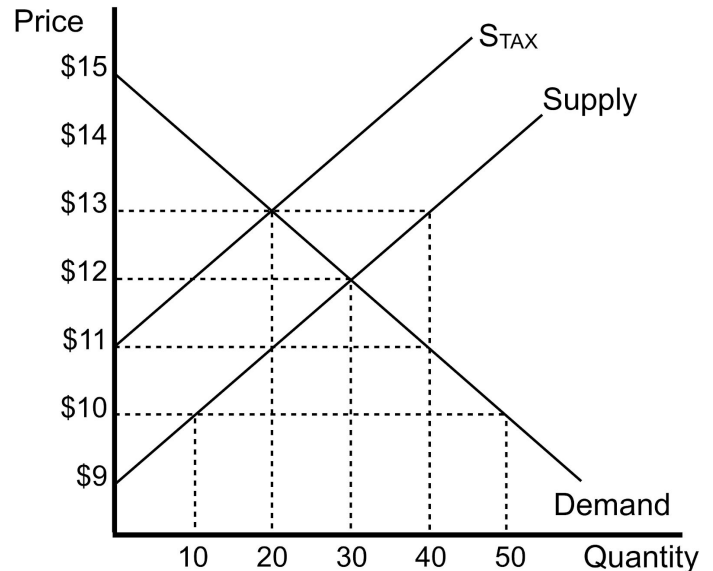


Microeconomics

LIVE Stream Review Session #2

Unit 2 - Excise Tax Practice- Use the graph to answer the following questions.

	Before Tax	After Tax
1. Price and quantity	\$12, 30	\$13, 20
2. Per unit amount of the tax	\$0	\$2
3. Net price sellers receive	\$12	\$11
4. Total expenditures by consumers	\$360	\$260
5. Total revenue firms receive	\$360	\$220
6. Total tax revenue received by government	\$0	\$40



7. Calculate the price elasticity of demand when the price increases from \$10 to \$11. Show your work.

$$\frac{\% \text{Change Quantity}}{\% \text{Change Price}}$$

$$-\frac{20}{10} = -2$$

The demand is elastic from \$10 to \$11

Unit 3: Costs of Production Practice- Fill in the blanks in the chart then answer the questions.

- The fixed cost for producing each unit. **\$10**
- The average variable cost (AVC) of 5 units. **\$20**
- The average fixed cost (AFC) of 5 units. **\$2**
- The average total cost (ATC) of 7 units. **\$30**
- The average total cost (ATC) of 3 units. **\$20**
- Which of these columns change when there is a lump sum tax? **\$10**

LIVE stream video: <http://bit.ly/2W3uVAN>

Output	Variable Cost	Total Cost	Marginal Cost	Average Total Cost
0	\$20	\$30	-	-
1	\$35	\$45	\$15	\$45
2	\$45	\$55	\$10	\$27.50
3	\$50	\$60	\$5	\$20
4	\$70	\$80	\$20	\$20
5	\$100	\$110	\$30	\$22
6	\$140	\$150	\$40	\$25
7	\$200	\$210	\$60	\$30



Microeconomics LIVE Stream Review Session #2

Part 3: Perfect Competition Practice- Assume that the market price is \$40.

14. What is the profit maximizing quantity? **9**

MR=MC

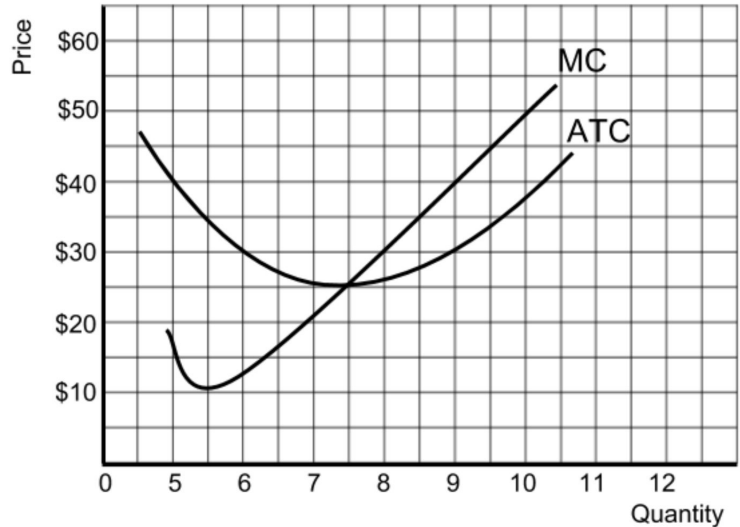
15. Calculate the total revenue. **\$360**

16. Calculate the total cost **\$270**

17. Calculate the profit or loss **\$90**

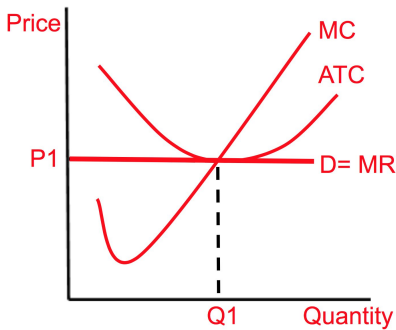
18. What is the price and quantity in the long-run? **\$25, 7.5**

19. In the long-run will the firm earn economic profit, accounting profit, neither, or both? Explain. **Accounting profit.**

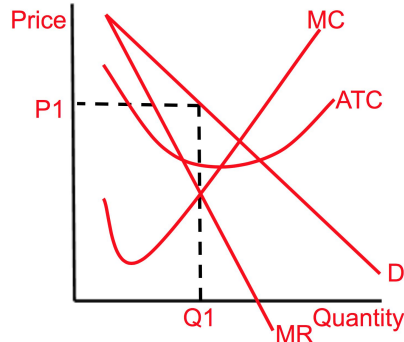


Key Graphs of Micro

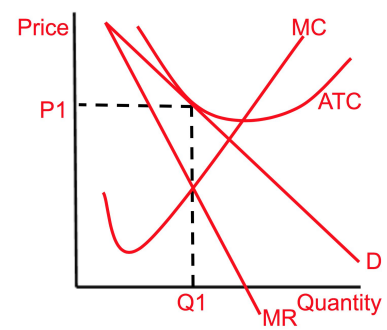
Perfect Comp. Product (Firm)



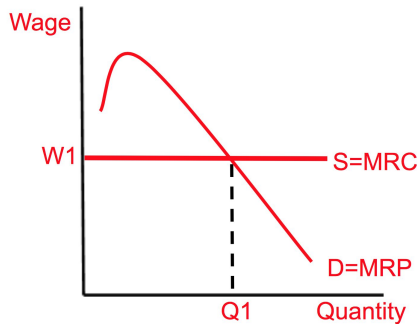
Monopoly



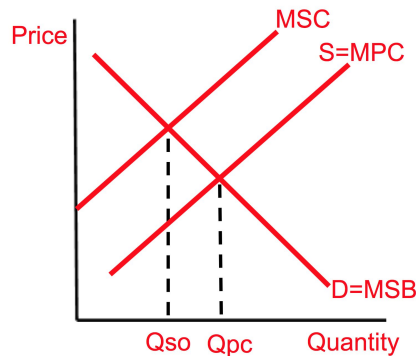
Monop. Comp. (Long-run)



Perfect Comp. Resource (Firm)



Negative Externality



Positive Externality

