Name: ______________________________
Team: ______________________________

Unit 3: Costs of Production and Perfect Competition

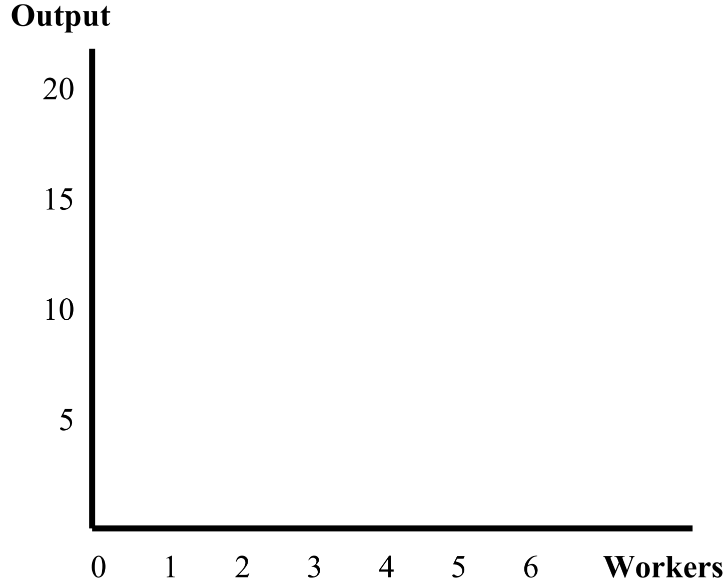
Production and the Law of Diminishing Marginal Returns*

Calculate MP. Plot TP and MP on Graph

Number of Workers	Total Product	Marginal Product
0	0	
1	5	
2	15	
3	19	
4	20	
5	20	
6	18	

Define the Law of Diminishing Marginal Returns

After which worker does diminishing marginal returns set in?



Identify the three stages of returns: increasing, decreasing, and negative marginal returns

Revenue and Costs* (Define the following)

Total Revenue-

Accounting Profit-

Economic Profit-

Normal Profit-

Fixed Cost (FC)-

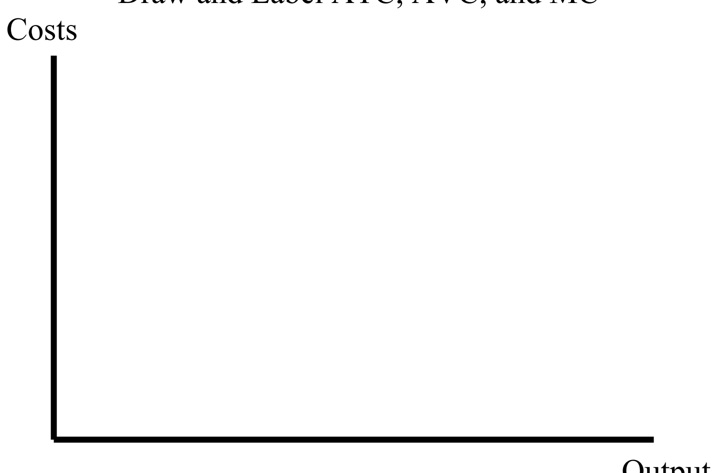
Variable Cost (VC)-

Total Cost (TC)-

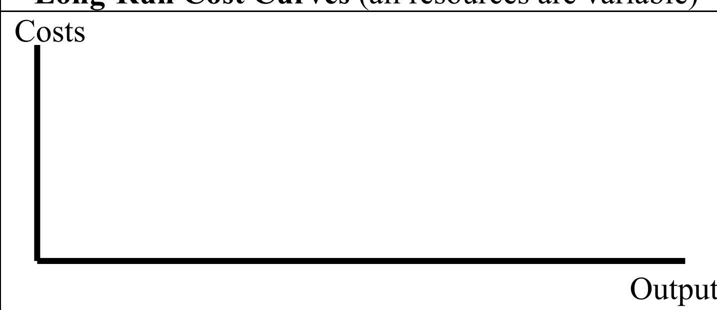
Marginal Cost (MC)-

Short Run Cost Curves* (at least one fixed resource)

Draw and Label ATC, AVC, and MC



Long-Run Cost Curves (all resources are variable)



Economies of Scale-

Diseconomies of Scale-

Name: ______________________________
Team: ______________________________

Calculating ATC, AVC, AFC, and MC

Fill in the blanks for a firm producing boxes of oranges :

Output (box)	Variable Cost	Total Cost	AVC	AFC	ATC	MC
0	$0	$10	-	-	-	-
1	20					
2	30					
3	60			3.33	23.3	
4	100			2.5	27.5	

Assume this firm is in a perfectly competitive market and the price is $35 for each box.

1. How many boxes should they produce? Why?

2. Calculate the profit at that quantity

Shut Down Point*

Shut Down Rule:

Short-Run Supply Curve:

Per-Unit vs. Lump-Sum*

1. A per unit tax shifts ___________________ so quantity will ___________________________.

2. A lump sum tax shifts _________________ so quantity will ___________________________.

Graphing Perfect Competition*

Draw side-by-side graphs showing a perfectly competitive market and firm. Draw the firm making short-run profit

List (in order) what will happen in the long-run

Market
P___ Q___
Firm
P___ Q___

Perfectly Competitive Firm Making a Loss

Price

Quantity

Perfectly Competitive Firm in Long-Run*

Price

Quantity

This firm has both type of efficiency:
1.
2.

*See videos on YouTube channel ACDCLeadership

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Team: ______________________________