Answer on Question #38108 – Economics – Microeconomics

1) Q = 3,000 units, TC = 36,000 QR (Qatari riyals), FC = 20,000 QR, P = 10 QR.
ATC = TC/Q = 36,000/3,000 = 12, AVC = VC/Q = (TC - FC)/Q = (36,000 - 20,000)/3,000 = 5.33.

As AVC < P < ATC, the firm faces losses, but will continue producing in the short term to cover its variable costs until the price increase or costs decrease.

2) Market strength is a broad term that can mean a lot of things, depending on how we define it. Market strength can be a measure of a market's power to perform either on a relative basis (vs. other markets) or on an absolute basis (vs. its own historical levels of momentum and investor participation).