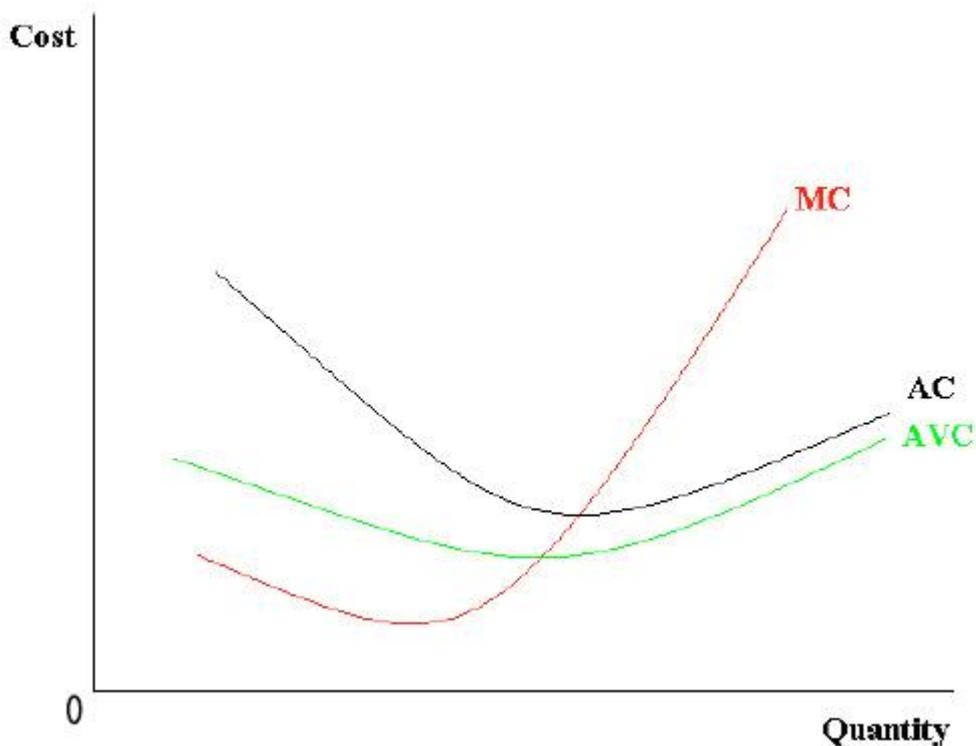


Answer on Question #52667, Economics, Microeconomics

a. A manufacturer of electronics products is considering entering the telephone equipment business.

Q	AVC	AC	MC
9	41.10	52.21	30.70
10	40.00	50.00	30.10
11	39.10	48.19	30.10
12	38.40	46.73	30.70
13	37.90	45.59	31.90
14	37.60	44.74	33.70
15	37.50	44.17	36.10
16	37.60	43.85	39.10
17	37.90	43.78	42.70
18	38.40	43.96	46.90
19	39.10	44.36	51.70
20	40.00	45.00	57.10



b. If the average wholesale price of a wireless phone is currently \$50, it will produce 19 telephones, for which $P = MR = MC = 50$. At this quantity $P > ATC$ ($50 > 44.36$), so this company should enter the market.

c. Suppose the firm does enter the market and that over time increasing competition causes the price of telephones to fall. In this case the firm in the long-run will earn normal profit.