

## Answer on Question #64500 - Economics – Microeconomics

Question:

Assume that a firm in a perfectly competitive industry has the following total costs schedule:

Output

( Units )      Total Cost

( \$ )

10      110

15      150

20      180

25      225

30      300

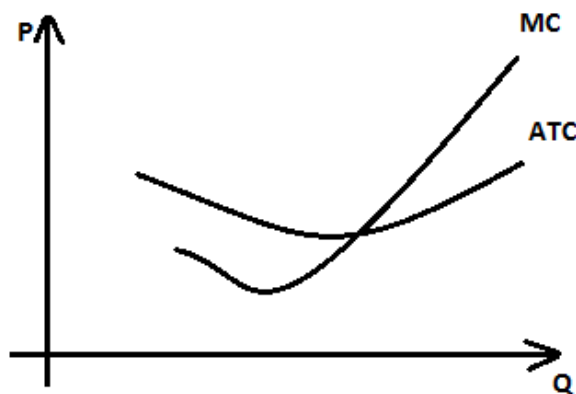
35      385

40      480

- Calculate and graph a marginal cost and an average cost schedule for the firm.
- If the market price is \$17 per unit, how many units will be produced and sold? What are profits per unit? What are total profits?
- Is the company in long-run equilibrium at this price? Explain.

Solution:

- $MC_1=8, MC_2=6, MC_3=9, MC_4=15, MC_5=17, MC_6=19$   
 $ATC_1=11, ATC_2=10, ATC_3=9, ATC_4=9, ATC_5=10, ATC_6=11, ATC_7=12$



- $Q=35$ , Profits per unit are  $17-11=\$6$ , Total profits are  $6*35=\$210$
- In long-run this price can't be equilibrium in the company, because  $P=ATC_{\min}$  in long-run. But  $P=17, LATC_{\min}=9$ .

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