

# Exam 1 Topics

Note - Your final is cumulative, these are just the topics since the last exam. This is not an extensive list, just broad topics and ideas. Anything covered in class is fair game. Good luck.

## Chapter 13 - Production Costs

Firms existence - maximize profit.

Explicit versus implicit costs, know examples to understand the difference.

Accounting profit versus economic profit - which is bigger and the difference between the two.

Production Function - relationship and purpose.

Total Costs - Fixed Costs + Variable Costs.

Marginal cost - know what it is how and how to calculate it.

Thinking at the margin.

What average costs are.

Average Total Cost = Average Variable Cost + Average Fixed Cost.

Why ATC is U shaped, how marginal cost affects it and efficient scale.

Short Run versus Long Run in costs.

Economies of Scale, Constant Returns to Scale, and Diseconomies of Scale.

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## Chapter 14 - Competitive Markets

Characteristics of Perfect Competition.

How to calculate revenue, average revenue, marginal revenue. Know what all of these mean.

Remember  $MR = P$  for a competitive firm and know why this is true.

The goal of a firm - profit maximization and what that means. How they think about this.

The firm's MC curve as supply curve.

The difference between shutdown and exit and the rules and graphs that govern each.

Short Run Supply Curve versus Long Run, and why they are different.

Sunk Cost and what it implies for a business.

Decision to Enter the market, firms only enter in the long run.

The difference between firm supply and the market supply, in terms of graphs and concepts. How

we can get a market supply curve from an firm's curve if we have identical firms.  
Know the assumptions for market supply.  
Entry and exit in the long run - why it happens and what it does to price.  
Long Run equilibrium - where the price is and what it implies for firms' profit.  
Zero economic profit and why firms still stay in business.  
Long Run Supply Market Supply Curve.  
Adding Demand to our Equilibrium - what does a change in demand do the price and quantity in the short and long run?  
Why short run supply curves may actually slope upwards.  
Firms with different costs and changing costs as the number of firms changes.

## **Chapter 15 - Monopoly**

What is market power?  
Types of barriers to entry and how they prevent competition.  
Difference in demand curves facing a firm in a competitive market versus a monopoly.  
Marginal Revenue drops as Q increases for a monopoly because the monopolist must decrease price to increase the quantity sold.  
Output and Price Effects for monopolists related to MR.  
Profit Maximization for a monopolist.  
Welfare Costs of Monopoly - how it affects consumers and total surplus.  
Public Policy Toward Monopolies.  
Prevalence of Monopolies.  
Price Discrimination - what it is, what it does to consumers, examples.