Unit 3.7 Perfect Competition

AP Microeconomics Homework — 17 Questions

MCQ — Past Exam Questions

1. 2021 AP Micro MCQ Q17

Which of the following is true for a perfectly competitive, decreasing-cost industry?

(A) The price of inputs will decrease as the number of firms in the industry decreases.

(B) The long-run market supply curve will be downward sloping.

(C) Firms earn positive economic profit in the long run.

(D) Firms do not have a shutdown condition.

(E) There are no economies of scale.

2. 2021 AP Micro MCQ Q41

In the short run, a firm in a perfectly competitive industry will definitely

(A) shut down if total revenue is less than total variable cost

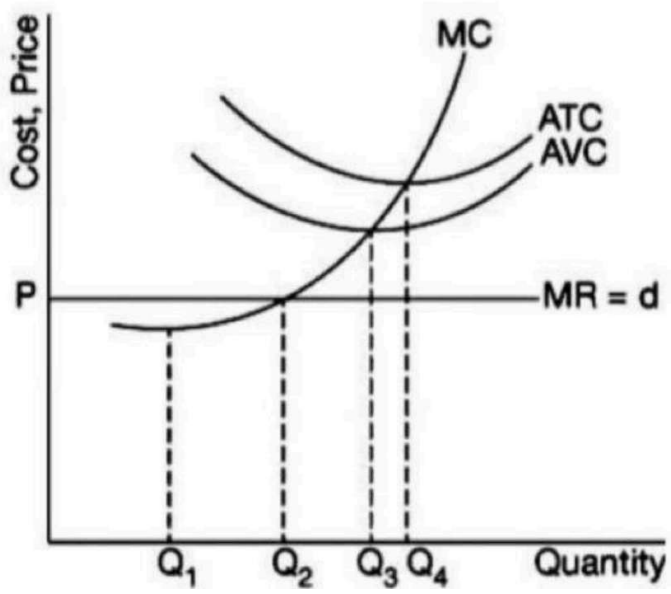
(B) produce the market equilibrium output to maximize profit

(C) earn zero economic profit

(D) cover all of its fixed costs

(E) charge a price lower than its competitors to increase its sales

3. 2021 AP Micro MCQ Q48



The graph provided shows the demand (*d*), marginal revenue (*MR*), marginal cost (*MC*), and average total cost (*ATC*) curves for a perfectly competitive firm. In order to maximize short-run profits, this perfectly competitive firm should produce at which of the following quantities of production?

(A) Zero

(B) Q_1

(C) Q_2

(D) Q_3

(E) Q_4

4. 2021 AP Micro MCQ Q49

A perfectly competitive firm finds that for the last shirt that it produces and sells, the marginal revenue is $20 and the marginal cost is $22. The firm should

(A) charge $22 to maximize profit

(B) produce more shirts to increase profit

(C) produce fewer shirts to increase profit

(D) hire more workers to increase production

(E) shut down if the average variable cost is less than $20

5. 2021 AP Micro MCQ Q55

A perfectly competitive market produces the socially efficient level of output when the marginal social benefit of the last unit of output produced is

(A) equal to the marginal social cost

(B) less than the marginal social cost

(C) zero

(D) greater than the total producer surplus

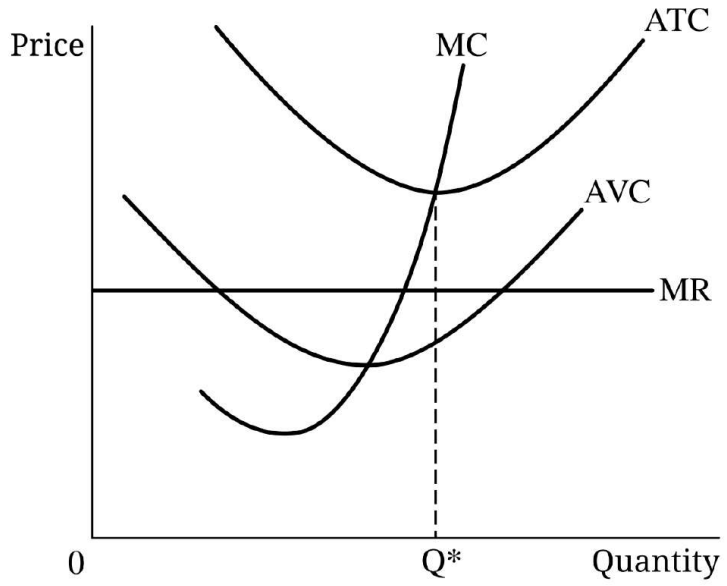
(E) equal to the total producer surplus

6. 2023 AP Micro MCQ Q35

OfficeClips is a typical firm that produces and sells paper clips in a perfectly competitive market. OfficeClips is currently earning a positive economic profit. In the long run, what will happen to the firm's economic profit, the market price, and the market quantity?

	Firm's Profit	**Market Price**	**Market Quantity**
(A)	No change	Decrease	Increase
(B)	No change	Increase	Decrease
(C)	Decrease	Increase	Decrease
(D)	Decrease	Decrease	Decrease
(E)	Decrease	Decrease	Increase

7. 2023 AP Micro MCQ Q37



The graph provided shows the marginal revenue (MR), average variable cost (AVC), average total cost (ATC), and marginal cost (MC) curves for a perfectly competitive firm. Which of the following is true if the firm is currently producing Q* units of output?

(A) The firm can increase its economic profit by producing fewer units of output.

(B) The firm can increase its economic profit by increasing the price of its product.

(C) The firm is maximizing its economic profit at the current level of output.

(D) The firm can increase total revenue by producing fewer units of output.

(E) The firm can increase total revenue by decreasing the price of its product.

8. 2024 AP Micro MCQ Q18

For the last unit produced, allocative efficiency is achieved when

(A) price is equal to marginal cost

(B) price is equal to average total cost

(C) price is equal to marginal revenue

(D) marginal cost is equal to average total cost

(E) marginal cost is equal to average variable cost

9. 2024 AP Micro MCQ Q37

Spinach is produced in a perfectly competitive market. If a popular health and nutrition group releases a new health report regarding the importance of consuming spinach to increase immunity, which of the following will most likely happen in the short run as a result of the health report?

(A) Market equilibrium price will increase, and existing firms will produce a higher quantity.

(B) Market equilibrium price will increase, and existing firms will produce a lower quantity.

(C) Market equilibrium price will decrease, and existing firms will produce a higher quantity.

(D) Market equilibrium price will decrease, and existing firms will produce a lower quantity.

(E) Market equilibrium price will decrease, and some firms will exit the market.

10. 2024 AP Micro MCQ Q40

Kaifani's Kernels is a typical profit-maximizing firm that produces corn in a constant-cost, perfectly competitive market and is currently earning positive economic profit. Based on this information, which of the following will occur in long-run equilibrium?

(A) The firm will produce at minimum average total cost.

(B) The price of corn will increase and be equal to the firm's marginal cost.

(C) The firm's average total cost will increase.

(D) The firm's profit-maximizing quantity will increase.

(E) The firm will continue to earn positive economic profit.

11. 2025 AP Micro MCQ Q21

Which of the following statements is always true for a perfectly competitive market?

(A) Firms have no market power.

(B) Firms produce differentiated products.

(C) Firms earn positive economic profit.

(D) There are high barriers to entry.

(E) There are relatively few competitors.

12. 2025 AP Micro MCQ Q51

Royal Bolts is a profit-maximizing firm in a perfectly competitive market earning positive economic profit. Which of the following will cause an increase in both the firm's profit and the number of units it produces in the short run?

(A) The imposition of a per-unit tax on producers

(B) An increase in the price of a substitute in consumption

(C) An increase in consumers' incomes if the product is an inferior good

(D) A decrease in the rent for the factory, a fixed input

(E) A decrease in the expected future price of the product by consumers

13. 2025 AP Micro MCQ Q58

The table shows the market price, quantity of a good exchanged, and the resulting deadweight loss in five different market structures.

Market	Price ($)	Quantity Exchanged (units)	Deadweight Loss ($)
1	25	100	50
2	30	750	300
3	45	500	100
4	50	300	0
5	60	20	200

Which market displays outcomes that are consistent with those that result under perfect competition?

(A) Market 1

(B) Market 2

(C) Market 3

(D) Market 4

(E) Market 5

14. 题库 Unit 4 Perfectly Competitive Q16

A profit-maximizing, perfectly competitive firm is currently in long-run equilibrium. It is earning $15,000 of total revenue from a sale of 1,000 units. Its total fixed cost of production is $2,500. Which of the following can correctly be inferred from the information provided?

(A) Its marginal cost is $12.50, and its average total cost is $12.50.

(B) Its marginal cost is $12.50, and its average variable cost is $12.50.

(C) Its marginal cost is $15.00, and its average total cost is $12.50.

(D) Its marginal cost is $15.00, and its average total cost is $15.00.

(E) Its marginal cost is $15.00, and its average variable cost is $15.00.

15. 题库 Unit 3 Production Function Q24

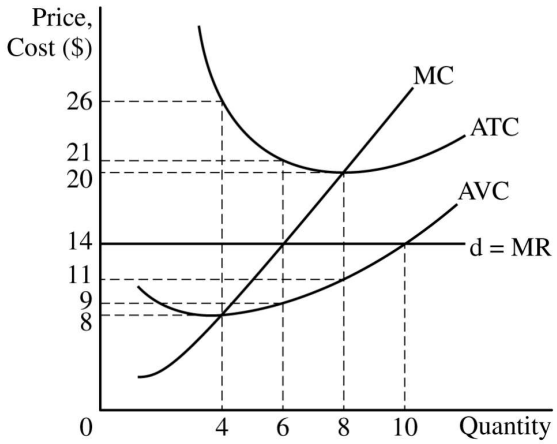
Assume that a profit-maximizing firm is perfectly competitive in both the output and the factor markets and is at its long-run equilibrium. The firm's output is 100 units, its total revenue is $600.00, and the fixed cost of production is $50.00. Based on this information, which of the following is true for the firm?

(A) Its marginal cost is $5.50, and its average total cost is $5.50.
(B) Its marginal cost is $5.50, and its average variable cost is $5.50.
(C) Its marginal cost is $6.00, and its average total cost is $5.50.
(D) Its marginal cost is $6.00, and its average fixed cost is $5.50.
(E) Its marginal cost is $6.00, and its average total cost is $6.00.

FRQ — Past Exam Questions

16. 2023 AP Micro FRQ Q3

The graph provided shows the demand (*d*), marginal revenue (*MR*), average total cost (*ATC*), average variable cost (*AVC*), and marginal cost (*MC*) curves for Hansel Hangout, a typical profit-maximizing firm in a perfectly competitive market producing Good X.



(a) Calculate Hansel Hangout's total fixed cost. Show your work.

(b) Identify the price and Hansel Hangout's profit-maximizing quantity of Good X.

(c) Calculate Hansel Hangout's economic profit at the quantity identified in part (b). Show your work.

(d) As the market for Good X adjusts to the long-run equilibrium, what will happen to the price of Good X? Explain.

(e) Assume the cross-price elasticity of demand between Good X and Good C is positive. Given the change in the long-run price of Good X in part (d), will the quantity demanded of Good C increase, decrease, or remain the same? Explain.

17. 2024 AP Micro FRQ Q1

Soja Farm is a typical profit-maximizing firm that produces and sells soybeans in a constant-cost, perfectly competitive market that is in long-run equilibrium. The market equilibrium price of soybeans is $14 per bushel.

(a) Draw correctly labeled side-by-side graphs for the soybean market and for Soja Farm, and show each of the following.

(i) The market equilibrium price and quantity, labeled $14 and Q_M, respectively

(ii) Soja Farm's profit-maximizing price and quantity, labeled P_F and Q_F, respectively

(iii) Soja Farm's average total cost curve consistent with a long-run equilibrium, labeled ATC

(b) If Soja Farm is the only firm in the market that chooses to increase its price of soybeans to $15 per bushel, will Soja Farm's total revenue increase by $1, remain the same, or decrease to $0? Explain.

(c) Soybeans are used as an input in the production of tofu. Tofu now becomes a more popular food option among consumers. On your graphs in part (a), show the short-run effect of the increased popularity of tofu on each of the following.

(i) The new market equilibrium price and quantity of soybeans, labeled P_2 and Q_2, respectively

(ii) Soja Farm's new profit-maximizing quantity, labeled Q*

(d) Given the increase in popularity of tofu in part (c), what will happen to the number of firms in the soybean market in the long run? Explain.

(e) Suppose a 25%% increase in the market price of quinoa causes a 5%% decrease in the quantity demanded of quinoa and a 10%% increase in the quantity demanded for tofu.

(i) Is the demand for quinoa elastic, inelastic, or unit elastic? Explain using numbers.

(ii) Calculate the cross-price elasticity of demand between quinoa and tofu. Show your work.