Study Guide
Market Structure and Costs: Chapters 9 – 12

I) Costs and Cost Curves: Chapter 9
A) Explain and give examples of each of the following type of costs:
   1- Fixed costs
   2- Variable costs
   3- Sunk costs
   4- Marginal costs
   5- Average variable costs
   6- Average total costs
B) Last week you purchased a set of golf clubs for $800. This week you’ve decided to give up golfing. Marginal analysis would suggest that you sell the golf clubs for how much?
C) What is marginal revenue?
D) At what level of output would any firm maximize its profit or minimize its loss?

II) Perfect Competition: Chapter 10
A) List and explain the characteristics of a purely competitive industry.
B) What would be the effects on the market if a purely competitive firm decided to withhold its entire output from the market?
C) What would the effect on the market be if a purely competitive firm were to raise the price of its product by a small amount? On the firm?
D) What does it mean to earn a normal profit?
E) What does it mean to earn an economic profit?
F) What does it mean to earn a economic loss?
G) A purely competitive firm can maximize its profit or minimize its loss by producing at what level of output?
H) If the firms in an industry are earning economic profits, what may happen in the long run?

III) Monopoly: Chapter 11
A) List and explain the characteristics of a monopoly industry.
B) What are common criticisms of industry regulation by the government?
C) A monopoly firm can maximize its profit or minimize its loss by producing at what level of output?
D) How can government regulations often act as a barrier to enter an industry? Give examples.
E) What is consumer surplus?
F) How does a monopolist attempt to capture consumer surplus?
G) What are the conditions for a firm to successfully price-discriminate?

IV) Monopolistic Competition and Oligopoly
A) List and explain the characteristics of a monopolistic competition industry.
B) List and explain the characteristics of an oligopoly industry.
C) What does it mean to be a price searcher?
D) What is product differentiation? What does this allow firms to do?
E) A price searcher maximizes profit by producing at what output level?
F) What should a price searcher do if that firm is producing at an output where MC exceeds MR?
G) What should a price searcher do if that firm is producing at an output where MR exceeds MC?

V) Graphing and charts  
A) Be able to calculate marginal costs, fixed costs and average total costs from a chart of costs.  
B) Be able to calculate the profit maximizing point, total revenue and overall profit from a graph depicting a firm operating in each of the above markets.