

## Homework 3

Due on 10/9/2024, by 23:00

This assignment is optional but **STRONGLY RECOMMENDED**. If you do not submit the answers till the deadline, the score of your final exam will substitute for the score for this assignment. Submit only the correct letter for each task on eLearn under 'Quizzes' within 'COR2100-Economics and Society G10-11-12-13'. Note that the actual text of questions and answers is not supposed to appear on the eLearn quiz. You have unlimited attempts. The system is programmed to credit your last attempt. Be informed that if you submit an attempt and afterwards you re-open the quiz, you must submit your answers **AGAIN** or else the system will grade the unfinished attempt with 0 (because it is the last one) and there is **NOTHING** I can do to fix this after the fact. Late homework or homework submitted outside eLearn cannot be accepted as this would violate SMU official policy for fairness and transparency in grading. This assignment is protected by Grade Insurance™: If the assignment's average turns out to be below 75, an equal amount of bonus points will be given to every work, for the average to become 75. Direct any homework questions to your TA.

- Skibidy-Scootiby PTE LTD can produce 5,000 scooters by using 3 alternative combinations of capital (K) and labor (L): (i) 100K and 30L; (ii) 90K and 40L; or (iii) 95K and 25L. Which of the following is accurate?
  - Combination (i) is inefficient.
  - Combination (ii) is inefficient.
  - Combination (iii) is inefficient.
  - All combinations can be efficient.
- Which of the following is the reason why a PC firm faces a horizontal demand?
  - Consumers do not react to price changes.
  - Consumers do not react to quantity changes.
  - The PC firm does not want to sell more if the market price increases.
  - A PC firm does not want to cut quantity and increase the price.
  - None of the above.
- Which of the following products is more likely to be heterogeneous?
  - Petrol.
  - Instant coffee.
  - Laundry detergents.
  - White sugar.

$q$	$MC$	$AC$	$FC$
1	25	35	10
2	13	24	10
3	15	21	10
4	21	21	10
5	31	23	10
6	41	26	10
7	54	30	10

**Table 3.1:** quantity ( $q$ ),  $MC$ ,  $AC$  and  $FC$  for a PC firm

- Refer to table 3.1, which of the following is most likely for the firm if the market price is \$15?
  - To keep operating indefinitely.
  - To shut-down in the short-run.
  - To shut-down in the long-run.

5. Refer to table 3.1, which of the following is most likely for the firm if the market price is \$31?
- A. To keep operating indefinitely.
  - B. To shut-down in the short-run.
  - C. To shut-down in the long-run.
6. Refer to Table 3.1. If the market price is \$41, how much is the profit for the firm?
- A. Firm operates at a loss.
  - B. Around \$0.
  - C. Around \$30.
  - D. Around \$60.
  - E. Around \$90.
  - F. Around \$120.
  - G. Around \$150.
7. A firm's rent decreases from \$6,000 to \$5,000 per month. Which of the following is most likely true?
- A. AVC will remain constant.
  - B. AVC will increase.
  - C. AVC will decrease.
8. A firm is at the point where  $C < R$  and  $MC > MR$ . Which of the following is accurate?
- A. The firm will earn greater profits by increasing its output.
  - B. The firm will earn greater profits by decreasing its output.
  - C. The firm should not change its output.
  - D. The firm is making losses.
  - E. A firm is not possible to be in this situation.
9. Which of the following is true about sunk costs in economic decision making?
- A. They should only be taken into consideration if they are fixed.
  - B. They should only be taken into consideration if they are variable.
  - C. They should only be taken into consideration if they can be recovered.
  - D. They should always be taken into consideration.
  - E. They should never be taken into consideration.
10. Which of the following is accurate about the cost curves in the short-run period?
- A. MC is always above AC.
  - B. MC is always below AC.
  - C. MC crosses AVC at AVC's minimum.
  - D. MC cuts AVC at AVC's maximum.

Good afternoon! "A student spends 20 minutes struggling with a single task on his homework. He works as hard as he can and finally decides to pick option C. A few days later, while checking the answer key, he realizes that the correct answer was actually B. Reading the solution, he understands why, but he feels frustrated and disappointed. Despite his hard work, he still lost all points on that task and believes his effort was wasted. A few weeks later, he encounters a similar question on the exam. This time, it takes him only a few seconds to figure out the correct answer. Now, he won't fall into the same trap again, he is experienced, he has learned from his previous mistake. After submitting his exam, he realizes that the points he lost on the homework were a small price to pay for the much more valuable exam points he gained. Now, he understands that losing those homework points wasn't such a bad deal after all. There is no better investment in life than learning from your mistakes.

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