

Quiz #6 - Economics 101 - Section 5
March 25, 2004

Last Name: _____ **First Name:** _____

Student Number: _____

Instructions: Fill in your name and student number as indicated above. Complete all questions in the space provided on the sheet. The exam is out of 12 total points, 1 point for correctly entering your name and student number and 1 point for black space correctly filled.

Quiz #6

Completion

Complete each sentence or statement.

1. A firm should always keep operating as long as it is covering its _____ costs.
2. In the short-run, a firm should shut down when price is less than _____ cost.
3. What are the three market characteristics of a perfectly competitive market?
 - 1) _____
 - 2) _____
 - 3) _____
4. What is the goal of a perfectly competitive firm (two words)? _____
5. The difference between the goals of a manager and the goals of the employees is called the _____ - _____ problem
6. A good contract should encourage a worker to exert a high level of _____.
7. In perfect competition the firm is a _____ taker.

Quiz #6
Answer Section

COMPLETION

1. ANS: variable
2. ANS: average, variable
3. ANS:
 - 1- Many buyers and sellers (each handling a small portion of total market quantity)
 - 2- homogeneous (standardized) product
 - 3-No restrictions to entry or exit
4. ANS: Profit maximization
5. ANS: principal, agent
6. ANS: effort
7. ANS: price