

Managerial Economics

Review Sheet for Exam 2

Spring 2010

Production Theory

Define and calculate the production function, average product, marginal product, marginal revenue product, and marginal expenditure

Optimal utilization of one input (labor)

Given the production function, the price of output, and the wage, find the optimal quantity of labor that the firm should hire

Define returns to scale

The Analysis of Costs

Define and calculate total cost (TC), fixed cost (FC), variable cost (VC), marginal cost (MC), average total cost (ATC), average fixed cost (AFC), average variable cost (AVC), long-run average cost (LRAC), opportunity cost

Graph 1) output and TC, and 2) TC and ATC/AVC/MC using tangency lines and rays

Given Q , w , and r , solve for TC

Solve for the break-even price and quantity (min ATC) and the shut-down price and quantity (min AVC)

Define and graph economies of scale (economies, diseconomies, and minimum efficient scale)

Define and solve algebraically for economies of scope and cost complementarity

Perfect Competition

Identify the characteristics of the four types of market structures (perfect competition, monopolistic competition, oligopoly, monopoly)

Given industry supply and demand and an individual firm's total cost, solve for P , Q_{market} , Q_{firm} , $\text{profit}_{\text{firm}}$

Analyze short-run and long-run profits, and explain the transition from the short run to the long run

Tremblay and Tremblay

Chapter 2, sections 2.2-2.4 (pages 27-39)

Chapter 3, all sections (pages 41-65)