Quiz #4. Name:
ECON 310 – Fall 2006.

Multiple Choice (3 points each):

1) The value of Average Fixed Costs of Production
   a. does not depend upon the level of output produced.
   b. becomes negative at relatively high levels of output.
   c. is equal to the difference between Average Total Costs and Average Variable Costs (that is, \( AFC(q) = ATC(q) - AVC(q) \)).
   d. increases as a greater amount of output is produced.
   e. More than one of the above answers is correct.

2) In a perfectly competitive market
   a. there is only one single seller and one single buyer.
   b. there are many buyers, but only one single seller.
   c. there are many sellers, but only one single buyer.
   d. there are many buyers and many sellers.
   e. there are many buyers and exactly two competing sellers.

Additional Question:

1) Consider a profit maximizing firm operating in a competitive market in the short run. For this firm the minimum value of Average Variable Costs is \( AVC_{\text{min}} = 8.95 \) and the minimum value of Average Total Costs is \( ATC_{\text{min}} = 12.60 \).
   a. If the price in this market is \( p = 7.50 \), how much output would this firm want to produce? Explain. (2 points)

   b. If the price in this market is \( p = 14.25 \), is this firm able to earn a positive profit? Explain. (2 points)