1.- (20 points) What is the marginal revenue of a perfect competitive firm? (that is a firm operating in perfect competitive market) Explain briefly.

2.- (30 points; This is a version of question 1 of the textbook’s section Check your Understanding 9-2). Draw a short-run diagram showing a U-shaped average total cost curve, a U-shaped average variable cost curve, and a “swoosh”-shaped marginal cost curve. On it, indicate the range of output and the range of price for which the following actions are optimal.
   a. The firm shuts down immediately.
   b. The firm operates in the short run despite sustaining a loss
   c. The firm operates while making a profit.

3.- (15 points) What is the short-run supply curve of a competitive firm in the short run?

4.- (5 points) When it comes to evaluate the elasticity of the supply curve of an industry, which is more elastic, the short- or the long-run supply curve?

5.- (20 points) Explain the mechanism through which the entrance of new firms in a competitive market affects the profits of the firms already operating in that market.

6.- (15 points) Answer each of the following multiple choice questions that were available from the class textbook’s website. One of them will be considered as a bonus question.
Which of the following is NOT a characteristic of a perfectly competitive industry?
   a. There is easy entry and exit.
   b. Each firm seeks to undercut the price of its competitors.
   c. Each firm is a price-taking producer.
   d. Each firm has a small share of the market.

The existence of profit in a perfectly competitive industry means that
   a. the current price exceeds marginal cost.
   b. new producers will seek to enter the industry.
   c. consumers will switch to substitute goods.
   d. each producer is charging a different price.

Which of the following is NOT a characteristic of the long-run equilibrium in perfect competition?
   a. Each firm is producing an efficient quantity.
   b. Each firm is producing at the minimum point on the MC curve.
   c. Each firm is earning zero economic profit.
   d. Price equals ATC for each firm.