Objectives for Chapter 6

Perfect Competition
1. State the assumptions underlying the perfect competition model.
2. Relate the assumptions of perfect competition to the role of a “price taker.”

Economic Profits
3. Define economic costs and economic profit.
4. Distinguish economic profit from accounting profit.
5. Discuss the meaning of positive, zero, and negative economic profits.

Production Function
6. Distinguish the short run from the long run.
7. Explain how the production function relates inputs to outputs.
8. Draw the production function.
10. Explain why diminishing returns only occur in the short run.
11. Explain the relationships between marginal, total, and average product.
12. Graph and calculate the marginal, total, and average product.