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Question 5 (Answer: **B**)

- The short run is defined as the period when at least one factor is fixed.
- In the long run all factors can be varied.
- So it is wrong to say all factors are fixed in the short run – at least one is variable.

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Question 4 (Answer: **D**)

- Marginal cost cuts average total cost at the *minimum* of the ATC curve.
- Left of that point MC is below ATC, which is why average cost is still falling.
- So MC exceeds ATC only to the *right* of the minimum, where average cost is rising.

Question 7 (Answer: **C**)

- Long-run average total cost is total cost divided by output.
- On a total cost curve that is the slope of a ray from the origin to the curve.
- So LRATC is at its minimum where that ray is *tangent* to the LRTC curve – the flattest ray that still touches it.

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Question 5 (Answer: **C**)

- Average fixed cost is fixed cost divided by output, so it falls fastest as output rises.
- $300/1 = 300$ falls to $300/2 = 150$ – a fall of 150.
- Compare that with the fall in average variable cost ($200 \rightarrow 150$) and average total cost to find the smallest fall.