Solutions

Each answer shows the steps, then the **result**.

2.1

- any two of: many firms, identical products, free entry and exit, perfect information

2.2

- it is too small to affect the market price, so it takes the price as given

2.3

- normal profit (zero economic profit)

3.1 B

3.2 A

3.3

(a)

- $10 (equal to the price)

(b)

- no — products are identical, so buyers would switch to rivals

(c)

- zero economic profit (normal profit)