MICROECONOMICS

Ultimate Cheat Sheet

MICROECONOMICS URP
UltimateReviewPacket.com

Key Equations

1. Utility Maximizing Rule:
2. Percent Change =
3. Elasticity Demand/Supply =
4. Cross-Price Elasticity =
5. Income Elasticity =
6. Consumer Surplus =
7. Marginal Product =
8. Marginal Cost =
9. Total Cost =
10. Average Total Cost =
11. Average Variable Cost =
12. Average Fixed Cost =
13. Total Revenue =
14. Profit =
15. Profit Maximizing Rule:
16. Least Cost Rule:
17. Marginal Revenue Product =
18. Marginal Factor Cost =

Details to Remember

19. Comparative advantage- A country should specialize, if they have a lower ______ than another country.
20. Elasticity-
    When price elasticity of demand coefficient is greater than 1, the demand is ______ .
    When price elasticity of demand coefficient is less than 1, the demand is ______ .
    When price elasticity of demand coefficient is zero, the demand is ______ .
    When the cross-price elasticity is positive, the two goods are ______ .
    When the income elasticity is positive, the product is a ______ good .
21. Total revenue test- When demand is inelastic, an increase in the price will ______ the total revenue.
22. Double shifts- When two curves shift at the same time, either price or quantity will be ______ .
23. Price controls- To be binding, price ceilings go ______ equilibrium and price floors go ______ equilibrium.
24. Costs- Use marginal cost to determine the ______ . Use average total cost to calculate ______ .
25. Perfect competition- In the product market, marginal revenue is horizontal because firms are ______ .
26. Shut-down rule- Firms should shut down if the price falls below the ______ .
27. Monopolies- Price is higher and output is lower than competitive markets causing ______ .
28. Factor markets- In competitive markets, marginal factor cost is horizontal because firms are ______ .
29. Government Regulation- A lump sum tax does not change quantity because it only affects the ______ .
30. Negative externalities- The free market makes too much output where the MSC is ______ than MSB.
31. Positive externalities- The free market doesn't make enough output where the MSC is ______ than MSB.

MICROECONOMICS

Ultimate Cheat Sheet

MICROECONOMICS URP
UltimateReviewPacket.com

Essential Graphs

Production Possibilities Curve	Supply and Demand (CS + PS)	Price Ceiling (CS, PS, DWL)
Tax (Tax Revenue and DWL)	Perfect Competition (Firm, Profit)	Perfect Competition (Firm, Long-run)
Imperfect Comp. Elastic and Inelastic Range	Monopoly (Profit, DWL)	Monopolistic Comp (Long-run)
Perfectly Competitive Labor (Firm)	Negative Production Externality (DWL)	Positive Consumption Externality (DWL)

Ultimate Cheat Sheet

MICROECONOMICS URP
UltimateReviewPacket.com

Additional Graphs and Concepts

Supply and Demand (Trade)

MC, ATC, AVC (Shut Down)

Total, Variable, & Fixed Cost

Perfect Competition (Loss)

Payoff Matrix (Dominant Strategy, Nash Equilibrium)

		Firm A	
		Charge High Price	Charge Low Price
Firm B	Charge High Price	\$1200 \$800	\$700 \$600
	Charge Low Price	\$1000 \$900	\$1000 \$500

Monopoly (Loss)

Perfect Price Discrimination (Profit)

Natural Monopoly

Monopsony

Negative Consumption Externality (DWL)

Positive Production Externality (DWL)