**Theory of the Firm – Short Answer Questions Name:**

Total Marks – 20

Answer TWO of the following FOUR questions on lined paper. You may take 50 minutes to do so.

1. Using one or more diagrams, explain how the characteristics/assumptions of perfect competition and monopolistic competition result in different demand curves for individual firms.
2. With the help of a diagram, explain when a firm operating under perfect competition should shut down in the short run.
3. Explain the concept of a natural monopoly.
4. Using diagrams, explain the difference between the short-run and long-run profit maximizing positions of a firm operating in monopolistic competition.