

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

Mr. B's Taxi Service	
Annual Income Statement	
Revenue	\$100,000
Labor Expense	\$50,000
Maintenance Expense	<u>\$5,000</u>
Net Income	<u>\$45,000</u>

Table 8.1

- 1) Refer to Table 8.1. Suppose Mr. B withdrew \$50,000 from his account that earned 10% to invest into this business. He quit his full-time job that paid \$40,000 to manage this business. Mr. B's economic profit equals: 1) _____
- A) -\$45,000. B) \$0. C) \$45,000. D) \$100,000.

Number of Workers	Total Output
1	8
2	20
3	35
4	45
5	52
6	57
7	60

Table 8.2

- 2) Refer to Table 8.2. If the firm hires seven workers, then: 2) _____
- A) total product is negative. B) marginal product is equal to three.
 C) marginal product is negative. D) marginal product is less than one.

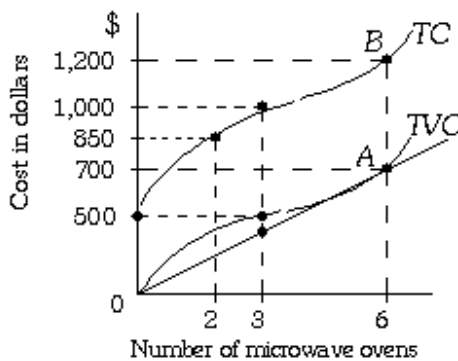


Figure 8.3

- 3) Refer to Figure 8.3. Micro Oven's total fixed costs are: 3) _____
- A) \$0. B) \$500.
 C) \$200. D) indeterminate from this information.

Number of Earrings	TVC	MC	AVC	TFC	TC	AFC	ATC
0					100		
1		50					
2							95
3			46.67				
4					300		
5	270						

Table 8.3

- 4) Refer to Table 8.3. If Sherry produces zero earrings, her total fixed costs are: 4) _____
- A) \$50. B) \$100.
 C) \$0. D) indeterminate from this information.

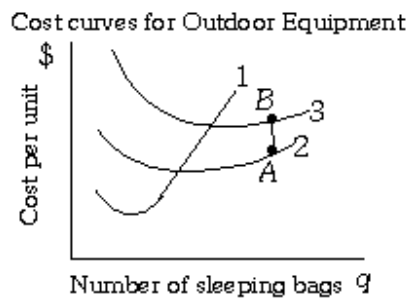


Figure 8.8

- 5) Refer to Figure 8.8. Curve 1 is Outdoor Equipment's: 5) _____
- A) average total cost curve. B) average fixed cost curve.
 C) marginal cost curve. D) average variable cost curve.

Cost curve for a firm in a perfectly competitive industry

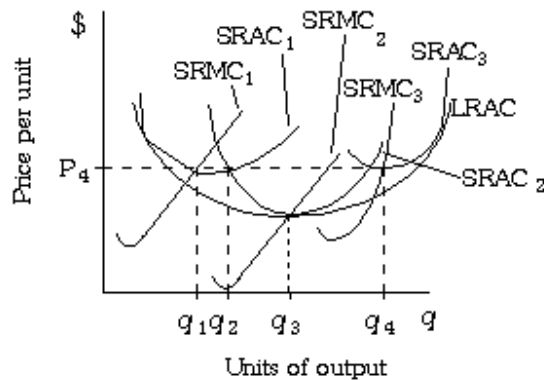


Figure 8.9

- 6) Refer to Figure 8.9. For this firm, diseconomies of scale set in after _____ units of output. 6) _____
- A) q_4 B) q_3 C) q_1 D) q_2

- 7) Refer to Figure 8.9. The minimum efficient scale for this firm is:
- A) q_2 units of output.
 - B) q_1 units of output.
 - C) q_3 units of output.
 - D) an amount that is indeterminate from this information.

7) _____

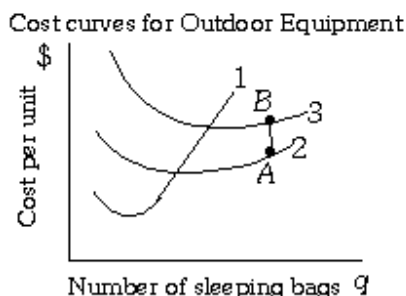


Figure 8.8

- 8) Refer to Figure 8.8. Curve 2 is Outdoor Equipment's:
- A) marginal cost curve.
 - B) average total cost curve.
 - C) average variable cost curve.
 - D) average fixed cost curve.
- 9) Refer to Figure 8.8. Curve 3 is Outdoor Equipment's:
- A) marginal cost curve.
 - B) average fixed cost curve.
 - C) average variable cost curve.
 - D) average total cost curve.
- 10) Refer to Figure 8.8. The vertical distance AB is Outdoor Equipment's:
- A) marginal cost.
 - B) total fixed cost.
 - C) total cost.
 - D) average fixed cost.

8) _____

9) _____

10) _____

Number of Earrings	TVC	MC	AVC	TFC	TC	AFC	ATC
0					100		
1		50					
2							95
3			46.67				
4					300		
5	270						

Table 8.3

- 11) Refer to Table 8.3. If Sherry produces one pair of earrings, her total variable costs are:
- A) \$100.
 - B) \$50.
 - C) \$150.
 - D) indeterminate from this information.
- 12) Refer to Table 8.3. If Sherry produces two pair of earrings, her marginal cost is:
- A) \$122.50.
 - B) \$40.
 - C) \$72.50.
 - D) \$45.
- 13) Refer to Table 8.3. If Sherry produces three pair of earrings, her total variable costs are:
- A) \$175.
 - B) \$140.
 - C) \$225.
 - D) \$26.67.

11) _____

12) _____

13) _____