Unit 5. Producer theory: revenues and costs

Quiz

1. The production process described below exhibits

Number of Workers	Output
0	0
1	23
2	40
3	50

A.   constant marginal product of labour
B.   diminishing marginal product of labour
C.   increasing returns to scale
D.   increasing marginal product of labour
E.   decreasing returns to scale

2. If a production technology is characterized by diminishing marginal product, the total product curve
A.   is linear (a straight line)
B.   becomes steeper as the quantity of the input increases
C.   becomes flatter as the quantity of the input increases
D.   may be of any kind as given by the answers above
E.   no true answer

3. If a production technology is characterized by diminishing marginal product, the corresponding total cost curve
A.   is linear (a straight line)
B.   becomes steeper as the quantity of output increases
C.   becomes flatter as the quantity of output increases
D.   may be of any kind as given by the answers above
E.   no true answer

4. The following table indicates a production process characterized
by
A. decreasing returns to scale
B. constant returns to scale
C. increasing returns to scale
D. increasing returns to labour
E. constant returns to labour

		Output					
Units of capital	6	346	490	600	692	775	846
	5	316	448	548	632	705	775
	4	282	400	480	564	632	692
	3	245	346	423	490	548	600
	2	200	282	346	400	448	490
	1	141	200	245	282	316	346
	0	1	2	3	4	5	6
		Units of labour					

5. Which of the following is true about the distance between
average variable cost and average total cost when graphed?
A. It becomes smaller as output goes up
B. It becomes larger as output goes up
C. It is equal to average fixed cost at all levels of output
D. It is zero at all levels of output
E. The answers A and C are both correct

6. The efficient scale of production is the output that minimizes
A. average fixed cost
B. average total cost
C. average variable cost
D. marginal cost
E. the answers B and C are both true

7. The long-run average cost curve
A. is always below the short-run average cost curve
B. is always above the short-run average cost curve
C. always intersects the short-run average cost curve at the minimum of the short-run average cost curve
D. is above the short-run average cost curve except at one point
E. is below the short-run average cost curve except at one point

8. If marginal costs are equal to average total costs
A. average total costs are falling
B. average total costs are rising
C. average total costs are maximized
D. average total costs are minimized
E. average variable costs are minimized

9. When a firm is earning a normal profit from the production of a good, it is true that
A. total revenues from production are equal to explicit costs.
B. explicit costs are equal to implicit costs.
C. total revenues from production are equal to implicit costs.
D. total revenues from production are equal to the sum of explicit and implicit costs.
E. implicit costs are greater than explicit costs.

10. Marginal revenue equals marginal cost at the point where
A. the difference between total revenue and total cost is the greatest
B. total revenue is equal to total cost
C. marginal product is at its maximum
D. total product is at its maximum
E. average total cost is at its minimum