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

1) A firm’s basic goal is to maximize its  
   A) revenue. B) cost. C) profit. D) production.

2) Opportunity cost differs from the costs measured by an accountant because opportunity cost includes all  
   A) implicit costs. B) economic profit. C) conventional depreciation. D) profits.

3) Explicit costs differ from implicit costs in that  
   A) explicit costs are paid in money, but implicit costs are often non-paid opportunity costs.  
   B) implicit costs always present while some firms do not have any explicit costs.  
   C) explicit costs are what an accountant would consider costs and are usually less than implicit costs.  
   D) explicit costs are more important than implicit costs.

4) A firm incurs implicit costs when  
   A) it pays interest on loans to a bank. B) it hires labor services at the market wage.  
   C) it rents capital equipment from another firm. D) the company uses capital equipment which it owns.

5) Economic depreciation is the  
   A) return that an entrepreneur can expect to receive on average. B) forgone return on the funds used to buy capital.  
   C) change in the market value of capital over a given period. D) firm’s opportunity cost of using its own capital.

6) An economic profit for a self-employed entrepreneur is  
   A) accounting profit over and above depreciation. B) a profit over and above normal profit.  
   C) a normal profit minus depreciation. D) the same as a normal profit.
7) Economic profit is equal to
A) normal profit.
B) explicit costs plus implicit costs.
C) total revenue minus opportunity cost.
D) total revenue minus economic depreciation.

8) Which of the following are types of economic markets?
I. perfectly competitive.
II. oligopoly.
III. monopoly.
IV. multilateral.
A) I and II
B) II and III
C) I, II and III
D) I and IV

9) Which market type has characteristics as follows: large number of firms, differentiated product?
A) monopoly
B) monopolistic competition
C) perfect competition
D) oligopoly

10) Which market type has characteristics as follows: one firm, good or service produced has no close substitutes, barriers to entry prevent new firms from entering into the industry?
A) monopoly
B) perfect competition
C) oligopoly
D) monopolistically competitive market

11) A market with the characteristics of many firms selling an identical product, many buyers, and no restrictions on entry or exit to the market is
A) an oligopolistic market.
B) a monopoly market.
C) a perfectly competitive market.
D) a monopolistically competitive market.

12) Which market type has characteristics as follows: small number of firms, competition between the firms?
A) perfect competition
B) oligopoly
C) monopoly
D) monopolistic competition

13) Economists define the short run as a period of time so short that
A) only one resource can be varied.
B) at least one resource cannot be varied.
C) output cannot be varied at all.
D) output cannot be varied except under diminishing marginal returns.

14) Which of the following is characteristic of the long run?
A) The firm's plant is fixed.
B) It must exceed 12 months in length.
C) All resources can be varied.
D) All of the above answers are correct.
15) Total product is
A) maximum amount of output produced by a given quantity of labor divided by price of the output.
B) maximum output that a given quantity of labor can produce.
C) the increase in output that results from a one-unit increase in the quantity of labor employed with all other inputs remaining the same.
D) maximum amount of output produced by a given quantity of labor divided by the given quantity of labor employed.

16) Marginal product is
A) total amount of output produced divided by the quantity of labor employed.
B) total amount of output produced.
C) the increase in output that results from a one-unit increase in the quantity of labor employed with all other inputs remaining the same.
D) total amount of output produced divided by price of the output.

17) The average product of labor is equal to the
A) total number of workers hired divided by the total product.
B) slope of the marginal product of labor curve.
C) total product divided by the total number of workers hired.
D) Both answers B and C are correct.

<table>
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<th>Labor (workers)</th>
<th>Total product (suits cleaned per day)</th>
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<td>102</td>
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<td>9</td>
<td>109</td>
</tr>
</tbody>
</table>

Jefferson’s Cleaners

18) Based on the above table, what is the marginal product of the 6th worker hired at Jefferson’s Cleaners?
A) 10 suits per day  B) 11 suits per day
C) 84 suits per day  D) 14 suits per day
19) Using the above table, what is the average product of labor when Jefferson's Cleaners employs six workers?
   A) 11 suits per day  
   B) 14 suits per day  
   C) 12 suits per day  
   D) 13 suits per day

20) Using the data in the above table, which worker hired at Jefferson's Cleaners is the first to yield diminishing marginal returns?
   A) the second  
   B) the fifth  
   C) the third  
   D) the fourth

21) The law of diminishing returns makes it clear that as more a variable input is employed,
   A) in the short-run the marginal product of the variable input will eventually rise.  
   B) in the long-run the marginal product of the variable input will eventually fall.  
   C) in the short-run the marginal product of the variable input will eventually fall.  
   D) in the long-run the marginal product of the variable input will eventually rise.

22) When the marginal product of labor is greater than the average product of labor,
   A) the total product must be increasing at an increasing rate as labor increases.  
   B) the marginal product of labor must be increasing as labor increases.  
   C) the average product of labor must be increasing as labor increases.  
   D) all of the above

23) Which of the following statements regarding a total product curve is true?
   A) All the points that lie below the total product curve are attainable and inefficient.  
   B) All the points that lie below the total product curve are attainable and efficient.  
   C) All the points that lie above the total product curve are attainable and efficient.  
   D) All the points that lie above the total product curve are attainable and inefficient.

24) When the average product of labor is greater than the marginal product of labor,
   A) the marginal product of labor must be increasing as labor increases.  
   B) the average product of labor is decreasing as labor increases.  
   C) there must be increasing marginal returns.  
   D) all of the above

25) At that amount of output where diminishing marginal returns first sets in,
   A) average product will begin to decline.  
   B) marginal product will begin to decline.  
   C) total product will begin to decline.  
   D) all of the above
1) C  
Topic: The Firm's Goal

2) A  
Topic: Opportunity Cost

3) A  
Topic: Explicit and Implicit Costs

4) D  
Topic: Implicit Costs

5) C  
Topic: Implicit Costs, Economic Depreciation

6) B  
Topic: Economic Profit

7) C  
Topic: Economic Profit

8) C  
Topic: Markets

9) B  
Topic: Market Structure, Monopolistic Competition

10) A  
Topic: Market Structure, Monopoly

11) C  
Topic: Market Structure, Perfect Competition

12) B  
Topic: Market Structure, Oligopoly

13) B  
Topic: Short Run

14) C  
Topic: The Long Run

15) B  
Topic: Total Product

16) C  
Topic: Marginal Product of Labor

17) C  
Topic: Average Product of Labor

18) B  
Topic: Marginal Product of Labor

19) B  
Topic: Average Product of Labor

20) D  
Topic: Diminishing Marginal Returns

21) C  
Topic: Law of Diminishing Returns

22) C  
Topic: Relationship Between Average Product and Marginal Product

23) A  
Topic: Total Product Curve

24) B  
Topic: Relationship Between Average Product and Marginal Product
Answer Key
Testname: MICRO QUIZ4

25) B
   Topic: Diminishing Marginal Returns