**Chapter five review weebly**

**Multiple Choice**

*Identify the letter of the choice that best completes the statement or answers the question.*

\_\_\_\_ 1. Which of the following is an example of lower production costs brought about by the use of technology?

|  |  |
| --- | --- |
| a. | the delivery costs of gasoline to the consumer by diesel trucks |
| b. | the use of e-mail to replace slower surface mail |
| c. | the making of breads and pastries in local shops rather than large bakeries |
| d. | the importing of fresh vegetables from South America rather than using canned vegetables |

\_\_\_\_ 2. What is the effect of import restrictions on prices?

|  |  |
| --- | --- |
| a. | They cause prices to drop. |
| b. | They cause prices to rise. |
| c. | They often cause prices to rise steeply and then drop. |
| d. | They usually do not have any lasting effect on price. |

\_\_\_\_ 3. Which of the following is an example of a good with an inelastic supply?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | beanbags | c. | apples |
| b. | toothbrushes | d. | hats |

\_\_\_\_ 4. Which of the following receives government subsidies that are in place to protect the population rather than for economic reasons?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | a national car company in Indonesia | c. | tobacco growers in the United States |
| b. | small farmers in France | d. | national airlines in Western Europe |

\_\_\_\_ 5. When the selling price of a good goes up, what is the relationship to the quantity supplied?

|  |  |
| --- | --- |
| a. | The cost of production goes down. |
| b. | The profit made on each item goes down. |
| c. | It becomes practical to produce more goods. |
| d. | There is no relationship between the two. |

\_\_\_\_ 6. Which of the following is a fixed cost for a store?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | short-term workers | c. | advertising |
| b. | rent | d. | inventory |

\_\_\_\_ 7. Which of these events would indicate a movement *along* a supply curve for batteries?

|  |  |
| --- | --- |
| a. | Workers at a major battery factory go on strike and stop production. |
| b. | A new law requires battery manufacturers to spend more money on environmentally-sound trash disposal. |
| c. | Battery manufacturers raise the price of eight AA batteries from $3.50 to $3.95 a set. |
| d. | A new trade agreement enables stores to import foreign batteries. |

\_\_\_\_ 8. Which of these is an example of a good with elastic supply?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | large hand-made rugs | c. | sandwiches |
| b. | plums | d. | passenger airplanes |

\_\_\_\_ 9. If the supply of a good is inelastic,

|  |  |
| --- | --- |
| a. | producers will not change their quantity supplied by much if the market price doubles. |
| b. | a small increase in price will lead producers to sharply increase their quantity supplied. |
| c. | producers have diminishing marginal returns of labor. |
| d. | producers will increase their quantity supplied in response to sharp drops in the market price. |

\_\_\_\_ 10. An entrepreneur knits sweaters for sale. The entrepreneur has fixed costs of $100. When he makes 10 sweaters in one month, he must spend $15 on wool. To make eleven sweaters in one month, he must spend $17 on wool. If he has no other costs, what is the marginal cost of the eleventh sweater?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | $1 | c. | $17 |
| b. | $2 | d. | $117 |

\_\_\_\_ 11. A baker calculates that by spending $16 on labor and materials, she can bake 10 cakes a day. $24 will allow her to bake 12 cakes, while $36 spent on labor and materials produces 14 cakes. In terms of capital and labor, the baker has

|  |  |  |  |
| --- | --- | --- | --- |
| a. | increasing marginal returns. | c. | decreasing marginal returns. |
| b. | constant marginal returns. | d. | negative marginal returns. |

\_\_\_\_ 12. A shoe factory has an elasticity of supply of .5 as the price of shoes rises from $50 to $75. If the factory produced 100,000 shoes at a market price of $50, how many will be produced at the new price?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | 75,000 | c. | 200,000 |
| b. | 125,000 | d. | 400,000 |

\_\_\_\_ 13. What is an example of a variable cost in a major league baseball franchise?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | stadium rent | c. | stadium maintenance |
| b. | manager’s salary | d. | ticket-takers’ salaries |

\_\_\_\_ 14. Complete the following sentence: At the most profitable level of production, a firm’s marginal cost will be \_\_\_\_\_ the market price.

|  |  |  |  |
| --- | --- | --- | --- |
| a. | equal to | c. | less than |
| b. | set by | d. | greater than |

\_\_\_\_ 15. Which of the following is an example of government influence on supply?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | law of supply | c. | marginal costs |
| b. | subsidies | d. | market supply curve |



\_\_\_\_ 16. If the market price for pizza is $2.00 a slice, how many slices will be supplied by all producers in the market, according to Figure 5.4?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | 200 | c. | 250 |
| b. | 2,000 | d. | 2,500 |

\_\_\_\_ 17. According to Figure 5.4, how many slices of pizza will one pizzeria be willing to supply at a market price of $1.50 a slice?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | 100 | c. | 300 |
| b. | 200 | d. | 1,000 |

\_\_\_\_ 18. A shortage of tomato sauce and mozzarella cheese causes the market supply curve for pizza slices to shift. Based on Figure 5.4 Supply Curves, which of the following combinations of quantity supplied and price would you expect to find on the new curve?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | 2,500 slices at $2.50 each | c. | 3,500 slices at $2.50 each |
| b. | 1,500 slices at $1.00 each | d. | 3,000 slices at $1.50 each |

\_\_\_\_ 19. The market price of a slice of pizza has risen from $1.50 to $2.00. Based on Figure 5.4, the average pizzeria will respond by

|  |  |  |  |
| --- | --- | --- | --- |
| a. | making 50 fewer slices a day. | c. | making 500 fewer slices a day. |
| b. | making 50 more slices a day. | d. | making 500 more slices a day. |

\_\_\_\_ 20. According to Figure 5.4, what is the elasticity of supply as the price decreases from $3.00 to $1.50 a slice?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | 0 | c. | .86 |
| b. | .43 | d. | 1.71 |

**Matching**

***Identifying Key Terms***

*Match each term with the correct statement below.*

|  |  |  |  |
| --- | --- | --- | --- |
| a. | subsidy | h. | increasing marginal returns |
| b. | supply schedule | i. | diminishing marginal returns |
| c. | supply curve | j. | marginal revenue |
| d. | elasticity of supply | k. | marginal product of labor |
| e. | excise tax | l. | marginal cost |
| f. | law of supply | m. | market supply schedule |
| g. | variable cost |

\_\_\_\_ 21. the tendency of suppliers to offer more of a good at a higher price

\_\_\_\_ 22. a payment to the government on the production or sale of a good

\_\_\_\_ 23. a measure of the way a quantity supplied reacts to a change in price

\_\_\_\_ 24. a chart that lists how much of a good a supplier will offer at various prices

\_\_\_\_ 25. a government payment that supports a business or market

\_\_\_\_ 26. a level of production in which the marginal production decreases with new investment

\_\_\_\_ 27. the cost of producing one more unit of a good

\_\_\_\_ 28. a chart that lists how much of a good all suppliers will offer at different prices

\_\_\_\_ 29. the additional income from selling one more unit of a good

\_\_\_\_ 30. the change in output from hiring one additional unit of labor

***Identifying Key Terms***

*Match each term with the correct statement below.*

|  |  |  |  |
| --- | --- | --- | --- |
| a. | increasing marginal returns | h. | market supply curve |
| b. | diminishing marginal returns | i. | total cost |
| c. | marginal revenue | j. | law of supply |
| d. | marginal product of labor | k. | variable |
| e. | marginal cost | l. | elasticity of supply |
| f. | supply schedule | m. | regulation |
| g. | quantity supplied |

\_\_\_\_ 31. the change in output from hiring one additional unit of labor

\_\_\_\_ 32. a chart that lists how much of a good a supplier will offer at different prices

\_\_\_\_ 33. the cost of producing one more unit of a good

\_\_\_\_ 34. the additional income from selling one more unit of a good

\_\_\_\_ 35. a level at which the marginal production goes up with new investment

\_\_\_\_ 36. government intervention in a market that affects the production of a good

\_\_\_\_ 37. a factor that can change

\_\_\_\_ 38. fixed costs plus variable costs

\_\_\_\_ 39. the amount a supplier is willing and able to supply at a certain price

\_\_\_\_ 40. a graph of the quantity supplied of a good by all suppliers at different prices

**Short Answer**

**Reading a Chart**

|  |
| --- |
| **Production Costs** |
|  |  |  |  |  |  |
| **Beanbags****(per hour)** | **Fixed****cost** | **Variable****cost** | **Marginal****cost** | **Total****revenue** | **Profit** |
| 0 | $36 | $0 | — | $0 | $-36 |
| 1 | 36 | 8 | $8 | 24 | -20 |
| 2 | 36 | 12 | 4 | 48 | 0 |
| 3 | 36 | 15 | 3 | 72 | 21 |
| 4 | 36 | 20 | 5 | 96 | 40 |
| 5 | 36 | 27 | 7 | 120 | 57 |
| 6 | 36 | 36 | 9 | 144 | 72 |
| 7 | 36 | 48 | 12 | 168 | 84 |
| 8 | 36 | 63 | 15 | 192 | 93 |
| 9 | 36 | 82 | 19 | 216 | 98 |
| 10 | 36 | 106 | 24 | 240 | 98 |
| 11 | 36 | 136 | 30 | 264 | 92 |
| 12 | 36 | 173 | 37 | 288 | 79 |

**Figure 5.1**

 41. According to Figure 5.1, how is the figure for profit arrived at?

 42. According to Figure 5.1, to achieve the greatest profit, how many beanbags should be made?

 43. According to Figure 5.1, how is the figure for total revenue calculated?

 44. According to Figure 5.1, why does the fixed cost stay the same no matter how much is produced?