## Term 121: Econ 101: Principle of Microeconomics <br> Quiz_4

Name $\qquad$ ID:

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

1) Perfectly competitive firms must make all of the following decisions EXCEPT
2) $\qquad$
A) how much of each input to demand.
B) which production technology to use.
C) what price to charge for its output.
D) how much output to supply.

Use the information provided in Table 7.1 below to answer the questions that follow.

Table 7.1
Inputs Required to Produce a Product Using Alternative Technologies

| Technology | Units of Capital | Number of Employees |
| :---: | :---: | :---: |
| A | 4 | 18 |
| B | 6 | 12 |
| C | 8 | 8 |
| D | 12 | 6 |

2) Refer to Table 7.1. If the hourly wage rate is $\$ 7$ and the hourly price of capital is $\$ 10$, which production technology should be selected?
A) A
B) B
C) C
D) $D$

Refer to the information provided in Figure 7.5 below to answer the questions that follow.


Figure 7.5
3) Refer to Figure 7.5. Diminishing marginal returns set in after the $\qquad$ worker is hired.
A) first
B) fifth
C) eighth
D) sixteenth
4) If the marginal product of labor equals the average product of labor, then the
4)
3) $\qquad$
A) average product is maximized.
B) marginal product is still increasing.
C) marginal product is maximized.
D) average product is still increasing.
2) $\qquad$

Refer to the information provided in Figure 7.11 below to answer the questions that follow.


Figure 7.11
5) Refer to Figure 7.11. At Point $C$ the slope of $q 2=200$ is
A) -2 .
B) $-1 / 2$.
C) -1 .
D) indeterminate from this information.
5) $\qquad$
6) $\qquad$
D) capital; long

Refer to the information provided in Table 8.1 below to answer the questions that follow.
Table 8.1

| Produce | Using <br> Techniques | Units of Variable <br> K | Inputs <br> L |
| :--- | :---: | :---: | :---: |
| 1 unit of output | A | 8 |  |
|  | B | 4 | 8 |
| 2 units of output |  |  | 12 |
|  | A | 14 | 12 |
| 3 units of output | B | 8 | 20 |
|  |  |  |  |
|  | A | 16 | 12 |
|  | B | 12 | 22 |

7) Refer to Table 8.1. Assuming the price of labor $(L)$ is $\$ 5$ per unit and the price of capital $(K)$ is $\$ 10$ per unit, what production technique should this firm use to produce 2 units of output?
A) It is impossible to determine if the firm should select production technique A or B because total fixed costs are not given.
B) Production technique A
C) The firm is indifferent between production technique $A$ and production technique $B$.
D) Production technique B
8) Diminishing marginal returns implies
B) decreasing marginal costs.
A) decreasing average variable costs.
D) increasing marginal costs.
C) decreasing average fixed costs.
9) $\qquad$
10) $\qquad$
11) Marginal cost is $\qquad$ average variable cost when $\qquad$ -.
12) $\qquad$
A) greater than; average fixed cost is minimized
B) less than; total cost is maximized
C) equal to; average variable cost is minimized.
D) equal to; average total cost is minimized

Refer to the information provided in Table 8.5 below to answer the following questions.
Table 8.5

| Number of <br> Fruit Baskets | TFC | TVC | TC | MC |
| :---: | :--- | :--- | :--- | ---: |
| 0 | $\$ 50$ | $\$ 0$ | $\$ 50$ | -- |
| 1 | 50 | 10 | 60 | 10 |
| 2 | 50 | 15 | 65 | 5 |
| 3 | 50 | 21 | 71 | 6 |
| 4 | 50 | 31 | 81 | 10 |
| 5 | 50 | 46 | 96 | 15 |
| 6 | 50 | 68 | 118 | 22 |

10) Refer to Table 8.5. Assume that fruit baskets are sold in a perfectly competitive market. The market
11) $\qquad$ price of a fruit basket is $\$ 22$. To maximize profits, Exotic Fruit should sell $\qquad$ fruit basket(s) and their profit is $\qquad$ -.
A) three; \$5
B) four; $\$ 7$
C) five; \$14
D) six; \$14

Answer Key
Testname: QUIZ_4_ANSWERS

1) $C$
2) $C$
3) $B$
4) $A$
5) $B$
6) A
7) $D$
8) $D$
9) C
10) D
