1) An implicit cost is an opportunity cost that
A) requires no actual payment of cash.
B) is actually part of the firm's normal profit.
C) is measured by the amount of cash the firm actually pays out.
D) is adjusted for the rate of inflation.

2) The difference between the market price of a new car used by a firm and the market price of the same car one year later is known as
A) economic depreciation.
B) physical deterioration.
C) economic deterioration.
D) physical depreciation.

3) If economic profits are equal to zero then
A) its profits as measured by accountants must be less than zero.
B) below normal profits are being earned.
C) its profits as measured by accountants must also be equal to zero.
D) normal profits are being earned.

Techniques that produce 100 sweaters

<table>
<thead>
<tr>
<th>Technique</th>
<th>Labor (hours)</th>
<th>Capital (machines)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>10</td>
<td>35</td>
</tr>
<tr>
<td>B</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>C</td>
<td>10</td>
<td>60</td>
</tr>
<tr>
<td>D</td>
<td>30</td>
<td>20</td>
</tr>
</tbody>
</table>

4) In the above table, the technique that is not technologically efficient is
A) A. B) B. C) C. D) D.

5) Using the data in the above table, if the price of an hour of labor is $10 and the price of a unit of capital is $20, then the most economically efficient technique for producing 100 sweaters is
A) A. B) B. C) C. D) D.

6) An advantage of the corporation over other forms of business organization is that
A) large-scale, low-cost capital is more readily available.
B) a corporation's profits are taxed only once.
C) the owners have unlimited liability.
D) the decision-making structure is simple.

7) Where large amounts of capital are used, the dominant form of business organization is the
A) nonprofit corporation  B) corporation.
C) is the proprietorship.  D) is the partnership.

8) Under _______, there are many firms selling slightly different products.
A) perfect competition  B) monopolistic competition
C) monopoly  D) oligopoly

9) The air travel market, which is dominated by a few large firms, is an example of a(n)
A) perfectly competitive market.
B) oligopolistic market.
C) monopolistically competitive market.
D) monopoly market.

10) The ________ the Herfindahl-Hirschman Index (HHI), the ________ the industry.
A) lower; less competitive  B) higher; less competitive
C) higher; more firms in  D) lower; more profitable

11) Total revenue minus the sum of implicit and explicit costs is equal to ________ profit.
A) opportunity  B) normal
C) entrepreneurial  D) economic

12) If 10 firms share the sales of the market equally, the four-firm concentration ratio is ________ percent and the Herfindahl-Hirschmann index is ________ percent.
A) 10; 1000  B) 100; 500  C) 40; 1000  D) none of the above.

13) The short run is a period of time in which
A) the amount of output is fixed.
B) nothing the firm does can be altered.
C) the quantities of some resources the firm uses are fixed.
D) prices and wages are fixed.

<table>
<thead>
<tr>
<th>Labor (workers per day)</th>
<th>Total product (units per day)</th>
<th>Marginal product</th>
<th>Average product</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14) In the above table, the marginal product of the third worker is

15) In the above table, the average product of three workers is
A) 4.  B) 2.  C) 1.  D) 3.
16) In the figure above, the marginal product of the second worker is
A) 5 units. B) 1 units. C) 2 units. D) 10 units.

17) At point d in the above figure, the average product of labor equals
A) 15. B) 3.75. C) 4. D) approximately 1.

18) The law of diminishing returns states that as
A) a firm uses more of a variable input, given the quantity of fixed inputs, the firm's average total cost will decrease eventually.
B) the size of a plant increases, the firm's fixed cost decreases.
C) the size of a plant increases, the firm's fixed cost increases.
D) a firm uses more of a variable input, given the quantity of fixed inputs, the marginal product of the variable input eventually diminishes.

19) If a firm's marginal product of labor is less than its average product of labor, then an increase in the quantity of labor it employs definitely will
A) decrease its total product.
B) not change its average product of labor.
C) decrease its average product of labor.
D) increase its marginal product of labor.

20) The above table shows some cost data for Tracey's Tents. What is the marginal cost of the 3rd tent?
A) $70 B) $120 C) $20 D) $25

21) The above table shows some cost data for Tracey's Tents. What is the average total cost when output is 3?
A) $50 B) $120 C) $40 D) $30

22) A firm's marginal cost is $82, its average total cost is $50, and its output is 800 units. Its total cost of producing 801 units is
A) less than $40,000. B) between $40,050 and $40,080. C) between $40,000 and $40,050. D) greater than $40,080.

23) The marginal cost (MC) curve intersects the A) ATC and AFC curves at their minimum points.
B) ATC and AVC curves at their minimum points.
C) AVC and AFC curves at their minimum points.
D) ATC, AVC, and AFC curves at their minimum points.

24) The average total cost curves for plants A, B, C and D are shown in the above figure. Which plant is best to use to produce 20 units per day?
A) plant A B) plant B C) plant C D) plant D

25) Economies of scale refer to
A) the range of output over which the long-run average cost falls as output increases.
B) a feature of short-run production functions but not long-run production functions.
C) the point at which marginal cost equals average cost.
D) the fact that in the long run, fixed costs remain constant as output increases.