MULTIPLE CHOICE Place all answers in the answer table at the end of the quiz.

1) The most important goal of the firm is to
   a. maximize its profits.       b. maximize its sales volume.
   c. minimize its costs.        d. maximize its revenues.

2) The costs of a firm that are paid directly in money are called its
   a. money opportunity costs.   b. alternative costs.
   c. implicit costs.            d. explicit costs.

3) ______ is the change in market value of capital over a given period.
   a. Economic depreciation      b. Accounting implicit rental cost
   c. Accounting depreciation   d. Implicit rental rate

4) A method that is technologically inefficient
   a. means that it uses too much labor and too little capital.
   b. results from failure to calculate the ratio of the cost of labor to the cost of capital.
   c. might or might not be economically efficient.
   d. can never be economically efficient.

<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>

5) In the above table, the technique that is not technologically efficient is
   a. A.               b. B.       c. C.       d. D.

6) 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.

7) An advantage of the corporation over other forms of business organization is that
   a. the owners have unlimited liability.
   b. large-scale, low-cost capital is more readily available.
   c. a corporation’s profits are taxed only once.
   d. the decision-making structure is simple.

8) ______ account for the largest portion of all firms; ______ account for most of the total revenue.
   a. Corporations; proprietorships
   b. Proprietorships; partnerships
   c. Partnerships; corporations
   d. Proprietorships; corporations

9) The market structure in which a large number of firms compete by making similar but slightly different products is called
   a. perfect competition.  b. monopoly.
   c. oligopoly.            d. monopolistic competition.
10) In an oligopoly with two firms, one firm’s share of the market is 70 percent. The Herfindahl-Hirschman Index is ________.
   a. 4,900  
   b. 0.7    
   c. 100    
   d. 5,800

11) The short run is a period of time in which
   a. the quantities used of all resource are fixed.
   b. resource prices are fixed.
   c. the quantity used of at least one resource is fixed.
   d. output prices are fixed.

12) In the figure above, the marginal product of the second worker is
   a. 10 units.  
   b. 1 units.  
   c. 2 units.  
   d. 5 units.

13) In the above figure, the average product of labor at point c is
   a. 10.  
   b. 2.  
   c. 5.  
   d. None of the above answers is correct.

<table>
<thead>
<tr>
<th>Labor (workers)</th>
<th>Total product (units per hour)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
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<tr>
<td>1</td>
<td>8</td>
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<td>2</td>
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<tr>
<td>3</td>
<td>34</td>
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<tr>
<td>4</td>
<td>46</td>
</tr>
<tr>
<td>5</td>
<td>56</td>
</tr>
</tbody>
</table>

14) In the above table, what is average product when 4 workers are employed?
   a. 10  
   b. 12  
   c. 11.5  
   d. 9.5
15) 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. increase its marginal product of labor.  
   b. decrease its average product of labor.  
   c. not change its average product of labor.  
   d. decrease its total product.

<table>
<thead>
<tr>
<th>Labor (workers)</th>
<th>Output (units per day)</th>
<th>Total fixed cost (dollars)</th>
<th>Total variable cost (dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>9</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
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<td>20</td>
<td>75</td>
</tr>
<tr>
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<td>16</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>18</td>
<td>20</td>
<td>125</td>
</tr>
</tbody>
</table>

16) Using the data in the above table, the average fixed cost of producing 9 units per day is
a. $5.55.  
   b. $5.00.  
   c. $20.00.  
   d. $2.22.

17) Using the data in the above table, the average total cost of producing 16 units per day is
a. $7.00  
   b. $1.25.  
   c. $6.25.  
   d. $7.50.

<table>
<thead>
<tr>
<th>Output (units)</th>
<th>Total cost (dollars)</th>
<th>Average variable cost (dollars)</th>
<th>Marginal cost (dollars)</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
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<tr>
<td>9</td>
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<td>20</td>
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<tr>
<td>14</td>
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</tr>
<tr>
<td>17</td>
<td>380</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

18) The above (incomplete) table provides information about the relationships between output and various cost measures. The total fixed cost (TFC) for the firm is
a. $45.  
   b. $10.  
   c. zero.  
   d. None of the above answers is correct.

19) The above (incomplete) table provides information about the relationships between output and various cost measures. The total cost (TC) of producing 9 units of output is
a. $180.  
   b. $20.  
   c. $190.  
   d. None of the above answers is correct.

20) The above (incomplete) table provides information about the relationships between output and various cost measures. The marginal cost per unit when increasing output from 14 to 17 units is
a. $380.  
   b. $30.  
   c. $20.  
   d. None of the above answers is correct.