

Economics 5050 flashcard



**ASSIGN
BUSTER**

• Question 1 0 out of 1 points In making a decision about whether to increase its advertising budget the firm management should not consider Answer Selected Answer: the added revenue from increased sales Correct Answer: interest payments on the firm's loan. Response Feedback: Is this fixed cost that the firm has to pay regardless of advertising? • Question 2 0 out of 1 points If marginal cost is equal to average total cost, then Answer Selected Answer: a. marginal cost is minimized. Correct Answer: b. average total cost is minimized. • Question 3 0 out of 1 points

A restaurant currently has two cooks and ten waiters. Cooks earn \$10 an hour and waiters earn \$5 an hour. The last cook added 40 meals served to total output, while the last waiter added 25 meals served to total output. In order to maximize the number of meals served with a fixed budget, the manager should Answer Selected Answer: b. should use more cooks and fewer waiters because cooks are more productive than waiters. Correct Answer: d. should use more waiters and fewer cooks because productivity per dollar is higher for waiters than for cooks.

Response Feedback: What is the Marginal Product (additional meals served) per dollar spent (wages) for cooks? What is the Marginal Product per dollar spent for waiters? Which is more productive per dollar spent? • Question 4 0 out of 1 points If the price elasticity of demand is 1.5 (in absolute value), regardless of which two points on the demand curve are used to compute the elasticity, then Answer Selected Answer: c. demand is perfectly elastic, and the demand curve is horizontal. Correct Answer: d. demand is elastic, and the demand curve is downward sloping but not a straight line. Question 5 0 out of 1 points When marginal cost is rising, average variable cost

Answer Selected Answer: a. must be rising. Correct Answer: d. could be rising or falling. • Question 6 0 out of 1 points The Interior Department recently announced that it will increase the entrance fees at Yellowstone National Park in order to increase park revenues. The Interior Department must believe that Answer Selected Answer: b. the demand for park services is elastic. Correct Answer: c. the percentage increase in fees will be greater than the percentage decrease in the number of park visitors. Question 7 0 out of 1 points A dry cleaner currently has 10 workers and 4 machines. The workers' wage rate is \$300 per worker and the rental rate for a machine is \$500. The last worker added 600 units to total output and the last machine also added 600 units to total output, and the last machine also added 600 units to total output. If the dry cleaner uses 11 workers and 3 machines instead, then Answer Selected Answer: b. cost will be unchanged and output will decrease by 200 units. Correct Answer: d. output will be unchanged and cost will decrease by \$200. • Question 8 out of 1 points A Blue Ribbon Committee has decided that the amount of acid rain should be reduced and is trying to determine the optimal level of reduction. There are benefits from reducing acid rain (reduced loss of wildlife and forest, better health, etc.), but there are also costs. The committee estimates that the marginal benefit of each unit of reduction is $\$1,400 - 5R$, where R is units of reduction, and the marginal cost is $2R$. If the committee wants to maximize the net benefit from reducing acid rain, what is marginal cost at the optimal level of reduction?

Answer Selected Answer: a. \$20 Correct Answer: d. \$400 • Question 9 0 out of 1 points A clinic uses doctors and nurses to serve the maximum number of

patients given a limited annual payroll. The clinic currently has 10 doctors and 30 nurses. The last doctor hired can serve 300 additional patients, while the last nurse hired can serve 200 additional patients. If doctors make \$60,000 a year and nurses make \$20,000 a year, the clinic

Answer Selected Answer: c. could serve more patients with the same payroll by hiring more doctors and fewer nurses. Correct Answer: d. could serve more patients with the same payroll by hiring more nurses and fewer doctors. Response

Feedback: You have to consider the marginal product per dollar spent, i. e. , the number of additional patients served divided by salary. At the optimal, MP/P must be equal for doctors and nurses. Are they? • Question 10 0 out of

1 points We observe that the equilibrium price of coffee falls and the equilibrium quantity falls. Which of the following best fits the observed data?

Answer Selected Answer: a. an increase in demand with supply constant.

Correct Answer: d. a decrease in demand with supply constant. Question 11

1 out of 1 points When Sonoma Vineyards reduces the price of its Cabernet Sauvignon from \$15 a bottle to \$12 a bottle, the result is an increase in

Answer Selected Answer: c. the quantity of this wine demanded. Correct

Answer: c. the quantity of this wine demanded. • Question 12 0 out of 1

points Economic profit is the best measure of a firm's performance because

Answer Selected Answer: b. economic profit fully accounts for all sources of revenue. Correct Answer: d. the opportunity cost of using ALL resources is subtracted from total revenue. • Question 13 out of 1 points You receive a

phone call from a telemarketing firm and are informed that your name is one of only five names drawn in a recent lottery. Each of the five people will receive a prize. In order to claim your prize, however, you must visit Summer Resorts, Inc. the following Friday (with no commitment to purchase

anything), take a 90-minute tour of their facilities, and, at that time, your prize will be awarded. In order to visit Summer Resorts, Inc. the next Friday, you would have to miss 8 hours of work (\$15 per hour), pay for the gas to drive there and back home (\$20).

Because you won't go to work that day you won't have to pay the \$3 for gas to drive to and from work, not pay to park for which you already have a monthly pass that costs \$50. It is rational for you to visit summer Resorts, Inc. if the prize has a minimum value to you of Answer Selected Answer: a. \$87 Correct Answer: b. \$137 Response Feedback: What is the sunk cost that you would have to pay regardless? • Question 14 0 out of 1 points Suppose that the Houston Rockets' management is considering a plan in which fans who donate blood can attend games for \$35 instead of the usual \$40.

If both ticket revenues and blood donations rise with this plan, which of the following is true? Answer Selected Answer: d. The demand for blood donations is price inelastic. Correct Answer: a. The demand for Houston Rockets' tickets is price elastic. • Question 15 0 out of 1 points Suppose that the firm's only variable input is labor. When 50 workers are used, the average product of labor is 50 and the marginal product of labor is 75. The wage rate is \$80 and the total cost of the fixed input is \$500. What is average variable cost? Answer Selected Answer: a. \$0. 63 Correct Answer: b. \$1. 60 Question 16 0 out of 1 points Which of the following statements is false? Answer Selected Answer: b. Economic profit is usually bigger than accounting profit. Correct Answer: d. If economic profit is negative, accounting profit must also be negative. • Question 17 0 out of 1 points If the market price of eggs rises at the same time as the market quantity of

eggs purchased decreases, this could have been caused by Answer Selected Answer: c. an increase in supply and an increase in demand. Correct Answer: b. a decrease in supply with no change in demand. • Question 18 0 out of 1 points St.

Charles Hospital, located in an upper-income neighborhood of a large city, recently received a restored mansion as a gift from an appreciative patient. The board of directors decided to remodel the mansion and use it as recuperative quarters for patients willing to pay a premium for luxurious accommodations. The cost to the hospital of using the mansion includes Answer Selected Answer: b. how much the hospital pays for upkeep—taxes, insurance, utilities, maintenance, etc. Correct Answer: d. both b and c Response Feedback: What is the opportunity cost of using the building? • Question 19 0 out of 1 points

For a particular good, a 2 percent increase in price causes a 12 percent decrease in quantity demanded. Which of the following statements is most likely applicable to this good? Answer Selected Answer: d. The relevant time horizon is short. Correct Answer: b. The good is a luxury. • Question 20 0 out of 1 points A firm is using 500 units of capital and 200 units of labor to produce 10,000 units of output. Capital costs \$100 per unit and labor \$20 per unit. The last unit of capital added 50 units of output, while the last unit of labor added 20 units of output. The firm Answer Selected Answer: b. should use less of both inputs in equal proportions. Correct Answer: d. could produce the same level of output at a lower cost by using less capital and more labor. • Question 21 0 out of 1 points John has decided to start his own lawn-mowing business. To purchase the mowers and the trailer to transport

the mowers, John withdrew \$1, 000 from his savings account, which was earning 3% interest, and borrowed an additional \$2, 000 from the bank at an interest rate of 7%. What is John's annual opportunity cost of the financial capital that has been invested in the business? Answer Selected Answer: b. \$140 Correct Answer: c. \$170