

Chapter 5 Test, Form A

Supply

DIRECTIONS: Matching Match each item with the correct statement below.

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| 1. _____ a chart showing the quantities offered for sale at each possible price in the market | A. average revenue |
| 2. _____ principle that more will be offered for sale at higher prices than at lower prices | B. supply |
| 3. _____ amount offered for sale at a given price; point on the supply curve | C. e-commerce |
| 4. _____ the different amounts offered for sale at each possible price in the market | D. Law of Supply |
| 5. _____ government payment to encourage or protect a certain economic activity | E. marginal cost |
| 6. _____ graph showing how a change in the amount of a single variable input affects total output | F. production function |
| 7. _____ entirety of output or production by a firm | G. quantity supplied |
| 8. _____ extra expense created by producing one additional unit of production | H. subsidy |
| 9. _____ mean price of a unit of output | I. supply schedule |
| 10. _____ business conducted over the Internet | J. total product |

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 11. Which of these would an item's producer be **most** likely to do if total revenue on that item began to drop?
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| A. produce less of that item | C. raise the price of that item |
| B. produce more of that item | D. lower the price of that item |
- _____ 12. Which of these **best** describes the influence of high prices on the behavior of producers?
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| A. High prices are an incentive for producers to produce less. |
| B. High prices are an incentive for producers to produce more. |
| C. High prices have no significant influence on the behavior of producers. |
| D. High prices influence producers to use fewer raw materials and less labor. |
- _____ 13. Which of these industries has the **least** elastic supply curve?
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|--------------------------------|--------------------------------------|
| A. the toy industry | C. the automobile industry |
| B. the nuclear industry | D. the entertainment industry |

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- _____ 14. Which of these do producers of an item hope to achieve when adopting new technologies?
- A. inelasticity of supply of that item
 - B. a repeal of subsidies for production of that item
 - C. a shift of the supply curve for that item to the left
 - D. a shift of the supply curve for that item to the right
- _____ 15. At which stage of production does the concept of “diminishing returns” first become significant?
- A. Stage I
 - B. Stage II
 - C. Stage III
 - D. It is significant throughout the production process.
- _____ 16. At which point in the stages of production does the maximum profitable number of workers become **most** apparent?
- A. the end of Stage I
 - B. the end of Stage III
 - C. the beginning of Stage I
 - D. the beginning of Stage III
- _____ 17. Which term denotes the change in total income when one additional unit of output is added?
- A. total product
 - B. supply schedule
 - C. change in supply
 - D. marginal revenue
- _____ 18. Which two terms are the **most** similar in meaning?
- A. fixed costs and overhead
 - B. variable costs and overhead
 - C. marginal costs and fixed costs
 - D. marginal costs and variable costs
- _____ 19. Which term is generally associated with machines and other capital goods?
- A. total cost
 - B. fixed cost
 - C. variable cost
 - D. marginal cost
- _____ 20. Which of these **best** enables a firm to establish its profit-maximizing quantity of output?
- A. a periodic marginal analysis
 - B. a periodic analysis of total revenue
 - C. a periodic determination of its overhead
 - D. a periodic determination of its break-even point

Chapter 5 Test, Form A *cont.*

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DIRECTIONS: Essay Write a short essay in response to each item.

21. Examine the chart below, which compares the prices of three different items to the quantities supplied at each price:

Price Per Item #1	Quantity Supplied	Price Per Item #2	Quantity Supplied	Price Per Item #3	Quantity Supplied
\$1.00	10	\$1.00	10	\$1.00	10
\$2.00	25	\$2.00	20	\$2.00	15
\$4.00	60	\$4.00	40	\$4.00	25
\$8.00	150	\$8.00	80	\$8.00	45

Name and define the economic concept being illustrated. Then analyze the chart's information, and state which item is a) elastic; b) inelastic, or; c) unit elastic, and tell why.

22. Explain the terms "marginal product" and "total product," and analyze and explain the relationship between the two.