



Section 1: Quiz

Understanding Supply

CHAPTER 5

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. a measure of how suppliers react to a change in price
- _____ 2. a factor that can change
- _____ 3. how much of a good is offered for sale at a specific price
- _____ 4. relationship between price and total quantity supplied by all firms

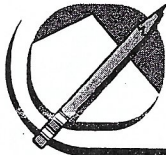
Column II

- a. variable
- b. quantity supplied
- c. market supply schedule
- d. elasticity of supply

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 5. For which of the following products or services is supply likely to be inelastic in the short term whether prices rise or fall?
 - a. cargo ships
 - b. haircuts
 - c. newspapers
 - d. staples
- _____ 6. What is the principle of the law of supply?
 - a. The lower the price, the larger the quantity produced.
 - b. The higher the price, the larger the quantity produced.
 - c. The higher the price, the smaller the quantity produced.
 - d. The lower the price, the more manufacturers will produce the good.
- _____ 7. What is the term for supply of a product that cannot easily or quickly expand or reduce its production?
 - a. profit
 - b. supply schedule
 - c. inelastic
 - d. elastic
- _____ 8. A graph of the data points in the supply schedule creates which of the following?
 - a. a demand curve
 - b. a supply curve
 - c. the quantity of goods demanded
 - d. the supply of goods available
- _____ 9. What happens in the case of a product that has elastic supply when the price decreases?
 - a. Existing producers expand, and new producers enter the market.
 - b. Some producers produce less, and others drop out of the market.
 - c. Existing firms continue their usual output but earn less.
 - d. New firms enter the market as older ones drop out.
- _____ 10. A supply schedule is characterized by which of the following?
 - a. It shows the quantity supplied at only one price.
 - b. It shows the factors that could influence supply.
 - c. It is sensitive to changes in the costs of labor and parts.
 - d. It lists supply for a specific good.



Section 2: Quiz

Costs of Production

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. a cost that rises or falls depending on the quantity produced
- _____ 2. the change in output that results from having one more worker
- _____ 3. a cost that does not change no matter how much is produced
- _____ 4. the additional income from selling one more unit of a good
- _____ 5. the additional cost of producing one more unit

Column II

- a. marginal cost
- b. variable cost
- c. fixed cost
- d. marginal product of labor
- e. marginal revenue

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. When do diminishing marginal returns occur?
 - a. when some workers increase output but others decrease it
 - b. when additional workers increase total output at a decreasing rate
 - c. when extra workers will have to wait their turn to be productive
 - d. when additional workers will get in each other's way
- _____ 7. How does a manufacturer set his or her total output to maximize profit?
 - a. set production so that total revenue plus costs is greatest
 - b. set production at the point where marginal revenue is smallest
 - c. determine the largest gap between total revenue and total cost
 - d. determine where marginal revenue and profit are the same
- _____ 8. If marginal cost becomes higher than price, what happens to a company?
 - a. The company will go out of business.
 - b. The company will lose money on each additional unit produced.
 - c. Company specialization will lower the actual price charged.
 - d. Diminishing marginal returns will shrink the production.
- _____ 9. When would it make sense for a factory that is losing money to remain in operation?
 - a. if marginal revenue is equal to marginal cost
 - b. if total cost of the goods being manufactured exceeds the operating cost
 - c. if marginal product of labor becomes negative
 - d. if the revenue from the goods being manufactured exceeds the operating cost
- _____ 10. How is the total cost of a factory or other production site determined?
 - a. marginal cost plus fixed cost
 - b. fixed cost plus variable cost
 - c. marginal cost plus variable cost
 - d. marginal cost plus output cost



Section 3: Quiz

Changes in Supply

CHAPTER 5

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. government intervention in a market that affects price, quantity, or quality
- _____ 2. payment to the government on the production or sale of a good
- _____ 3. a condition of rising prices
- _____ 4. a government payment that supports a business or market

Column II

- a. subsidy
- b. excise tax
- c. regulation
- d. inflation

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 5. What effect does a rise in the cost of machinery or raw materials have on the cost of a good?
 - a. A rise in the cost of raw materials (but not machinery) raises the cost.
 - b. The good becomes cheaper to produce.
 - c. The good becomes more expensive to produce.
 - d. It does not have any effect on the cost of the good.
- _____ 6. What does new technology generally do to production?
 - a. It lowers cost and decreases supply.
 - b. It lowers cost and increases supply.
 - c. It increases cost and decreases supply.
 - d. It has very little effect on production.
- _____ 7. What is one reason European governments protect the growing of food with subsidies even though imported food would be cheaper?
 - a. to have food in case imports are ever cut off
 - b. to allow the food producers to be able to pay their debts
 - c. to protect cattle growers because they like to see the cattle
 - d. to help the population forget the food shortages after World War II
- _____ 8. Why does the United States regulate automobile manufacturing in so many ways?
 - a. to protect the consumer from Japanese and European automobiles
 - b. to keep the price of U.S. automobiles competitive with others
 - c. to keep the manufacturers of U.S. automobiles from gaining too much of the market
 - d. to offset the air pollution caused by automobiles
- _____ 9. When any effort by government causes the supply of a good to rise, what happens to the supply curve for that good?
 - a. It shifts to the left.
 - b. It shifts to the right.
 - c. It reverses direction.
 - d. The supply curve is not affected.
- _____ 10. How do future expectations about the price of a good affect the present supply?
 - a. If the price is expected to increase, many producers will hold onto their supply.
 - b. If the price is expected to decrease, many producers will hold onto their supply.
 - c. If the price of a related good is expected to increase, only a few sellers will hold onto their supply until the increase occurs.
 - d. If the price is expected to increase and then decrease, most sellers will hold onto their supply until the decrease has occurred.