

# Production and Cost Sample Test Questions

## Textbook Chapter 10

1. Total product divided by the total quantity of labor employed equals is
  - a. Average product of labor
  - b. Marginal product of labor
  - c. Average total cost
  - d. Average variable cost
  
2. When the marginal product of labor curve is below the average product of labor curve
  - a. The average product of labor curve has a positive slope
  - b. The average product of labor curve has a negative slope
  - c. The total product curve has a negative slope
  - d. The firm experiences diseconomies of scale
  
3. The marginal product of labor equals the average product of labor when
  - a. The average product of labor is at its maximum
  - b. The average product of labor is at its minimum
  - c. The marginal product of labor is at its minimum
  - d. None of the above answers are correct because the marginal product of labor never equals the average product of labor
  
4. Which curve intersects the minimum point of the average cost curve, that is, minimum point of the AC curve.
  - a. The marginal cost (MC) curve
  - b. The average variable cost (AVC) curve
  - c. The average fixed cost (AFC) curve
  - d. The marginal product (MP) curve
  
5. Over the range of output where the MP curve slopes upward, the
  - a. MC curve slopes downward
  - b. AFC curve slopes upward
  - c. Firm is experience economies of scale
  - d. Total cost slopes downward
  
6. The cost of a variable input, such as the wage paid to workers, rises. This change shifts the
  - a. Total fixed cost curve upward
  - b. Marginal product of labor curve downward
  - c. Average variable cost upward
  - d. Marginal product of labor curve upward
  
7. A technological advance
  - a. Shifts the firm's total product curve upward
  - b. Does not shift the total product curve
  - c. Shifts the firm's total product curve downward
  - d. Cannot occur without raising the firm's average total costs and hence shifts the average total cost curve upward.

8. If a company produces no output, it must pay
  - a. No costs
  - b. A small amount of variable costs
  - c. Its fixed costs
  - d. Its owners a normal profit
  
9. Diminishing marginal returns occurs when
  - a. All inputs are increases and output decreases
  - b. All inputs are increased and output increases by a smaller proportion
  - c. A variable input is increased and output decreases
  - d. A variable unit is increased and its marginal product falls
  
10. Constant returns to scale means that as all inputs are increased,
  - a. Total output remains constant
  - b. Average total cost rises
  - c. Average total cost rises at the same rate as do the inputs
  - d. Total output increases in the same proportion as do the inputs