

1. The profit-maximizing level of output occurs where:

- a. marginal cost equals average cost.
- b. marginal revenue equals zero.
- c. total profit equals zero.
- d. marginal cost equals marginal revenue.

ANS: D

2. Marginal profit is:

- a. total revenue minus total cost.
- b. the change in profit caused by a given managerial decision.
- c. the profit earned by the firm over a brief period of time.
- d. the change in profit that results from a unitary change in output.

ANS: D

3. Average cost will fall as output expands so long as:

- a. marginal revenue is less than average revenue.
- b. marginal cost equals zero.
- c. marginal cost is less than average cost.
- d. fixed costs equal zero.

ANS: C

4. If total revenue falls as output increases, marginal revenue:

- a. is greater than average revenue.
- b. is greater than marginal cost.

- c. is always negative.
- d. equals zero.

ANS: C

5. If $TR = \$500Q - \$2Q^2$:

- a. $MR = \$500 - \$2Q$.
- b. $MR = \$500 - \$4Q$.
- c. $MR = \$500Q - \2 .
- d. $MR = \$500 - \4 .

ANS: B

6. The slope of a total profit curve indicates:

- a. an inflection point.
- b. average profit at that point.
- c. marginal profit at that point.
- d. total profit at that point.

ANS: C

7. If marginal cost equals average cost:

- a. marginal cost is rising.
- b. average cost is minimized.
- c. marginal cost is falling.
- d. marginal cost always equals zero.

ANS: B

8. If marginal revenue is less than average revenue, the:

- a. total revenue curve is downward sloping.
- b. demand curve is downward sloping.
- c. average revenue curve is upward sloping.
- d. marginal revenue curve is downward sloping.

ANS: B

9. Profit-maximizing firms always:

- a. sell at lower prices than revenue-maximizing firms.
- b. sell less output than revenue-maximizing firms.
- c. set marginal cost equal to average cost.
- d. none of these.

ANS: B

10. At the profit-maximizing activity level:

- a. marginal cost is rising.
- b. marginal revenue is falling.
- c. marginal cost is falling.
- d. none of these.

ANS: D