Mapping of Test Bank Multiple Choice Questions to Chapters							
MC Q	Chapter		MC Q	Chapter		MC Q	Chapter
1	4		51	8		101	7
2	4		52	6		102	8
3	4		53	9		103	8
4	4		54	6		104	8
5	3		55	6		105	8
6	3		56	4		106	17
7	4		57	8		107	14
8	4		58	3		108	15
9	4		59	3		109	15
10	3		60	9		110	14
11	3		61	10		111	12
12	5		62	6		112	12
13	4		63	4		113	14
14	5		64	18		114	15
15	5		65	10		115	15
16	5		66	6		116	14
17	7		67	10		117	19
18	7		68	14		118	20
19	4		69	3		119	81
20	4		70	9		120	20
21	6		71	13		121	21
22	6		72	8		122	18
23	6		73	17		123	20
24	6		74	17		124	8
25	8		75	18		125	20
26	6		76	18		126	19
27	6		77	18		127	7
28	6		78	18		128	3
29	6		79	18		129	10
30	6		80	12		130	19
31	4		81	18		131	21
32	4		82	5		132	21
33	4		83	19		133	15
34	4		84	15		134	14
35	9		85	6		135	15
36	8		86	15		136	20
37	8		87	5		137	12
38	9		88	13		138	12
39	6		89	9		139	18
40	9		90	21		140	18
41	4		91	3		141	16
42	3		92	10		142	22
43	3		93	5		143	15
44	4		94	5		144	17
45	4		95	5		145	12
46	3		96	5		146	12
47	3		97	7		147	12
48	7		98	7		148	12
49	3		99	7		149	12
50	6		100	7		150	16

Multiple-Choice Questions

1. A manufacturer produces 1,000 basketballs each day, which it sells to customers for $30 each. All costs associated with production and sales total $10,000; however, if the manufacturer were to produce one additional basketball per day, total costs would increase to $10,100. From these amounts, we can tell that
    a. the firm has negative profit.
    b. marginal cost equals $100. **
    c. marginal cost equals $150.
    d. marginal cost equals marginal revenue.

2. A retailer has to pay $9 per hour to hire 13 workers. If the retailer only needs to hire twelve workers, a wage rate of $7 per hour is sufficient. What is the marginal cost of the 13th worker?
    a. $117.
    b. $9.
    c. $33. **
    d. $84.

3. A computer manufacturer can produce 5 computers for $5,000 and 10 computers for $7,500. Based on this information, what is the marginal cost per computer of the 6^{th} through 10^{th} computers?
    a. $500 **
    b. $750
    c. $1,000
    d. $2,500

4. To maximize profits, you should produce at the point where
    a. you maximize the amount by which marginal revenue exceeds marginal costs.
    b. you minimize total costs.
    c. you maximize total benefit.
    d. marginal benefits and marginal costs are just equal. **

5. A basketball company is considering purchasing a new machine that doubles capacity from 100 to 200 balls per day. The machine will occupy 1,000 square feet of unused space on the factory floor. Which costs are irrelevant in this decision to purchase a machine?
    a. Rental expense associated with the 20,000 square foot factory. **
    b. Additional personnel required to operate the machine.
    c. Additional electricity required to operate the machine.
    d. Maintenance cost for routine cleaning of the machine.

6. If you are trying to determine the value of a business, which of the following factors would be irrelevant?
    a. Interest rate (discount rate).
    b. Costs incurred by the business.
    c. Revenues generated by the business.
    d. How long the business is expected to survive.
    e. None of the factors are irrelevant. **

7. A basketball manufacturer is considering a number of options for its new factory. Given the following costs and benefits of the four different factory configurations, what are the marginal costs and benefits of the Extra Large configuration relative to the Large configuration?

    ..... Total Cost.....Total Benefit
    Configuration A(Small).....$45,000.....70,000
    Configuration B(Medium).....120,000..... 170,000
    Configuration C (Large).....240,000..... 300,000
    Configuration D (Extra Large).....400,000..... 420,000

    a. Marginal cost of $160,000 and marginal benefit of $120,000. **
    b. Marginal cost of $400,000 and marginal benefit of $420,000.
    c. Marginal cost of $120,000 and marginal benefit of $120,000.
    d. Marginal cost of $160,000 and marginal benefit of $220,000.

8. A basketball manufacturer is considering a number of options for its new factory. Given the following costs and benefits of the four different factory configurations, which Configuration should they select?

    ..... Total Cost.....Total Benefit
    Configuration A(Small).....$45,000.....90,000
    Configuration B(Medium).....120,000..... 180,000
    Configuration C (Large).....240,000..... 290,000
    Configuration D (Extra Large).....400,000..... 420,000

    a. Configuration A.
    b. Configuration B. **
    c. Configuration C.
    d. None of the Configurations.

9. Which of the following would be considered an extent decision?
    a. A business is considering diversifying into a new line of business.
    b. A business is considering shutting down operations.
    c. A business is considering the sale of an underperforming line of business.
    d. A business manager is trying to decide how many workers to hire for a new line of business. **

10. A computer manufacturer shares its production capacity across two separate products, computers and printers. If the profitability of selling printers decreases, then the company will find that the
    a. cost of producing computers decreases. **
    b. cost of producing computers increases.
    c. cost of producing computers is not affected.
    d. profitability of producing computers increases.

11. Which of the following statements is true:
    a. A firm's accounting costs are the same as its economic costs if the firm is earning a normal rate of return.
    b. A firm's accounting costs are larger than its economic costs.
    c. A firm’s accounting costs take account of implicit costs of capital.
    d. A firm's accounting costs are smaller than its economic costs. **

12. Which of the following is NOT true if a firm shuts down and produces zero output in the short run?
    a. Variable costs will be zero.
    b. Losses will be incurred.
    c. Fixed costs will be greater than zero.
    d. Fixed costs will be less than zero. **

13. Of the following types of costs, which is most likely a fixed cost for a shoe manufacturer?
    a. Inventory costs.
    b. Cost of the leather used to produce shoes.
    c. Electricity costs to run manufacturing equipment.
    d. An NBA player's lump-sum royalty payment to endorse the shoe. **

14. A company that produces luxury automobiles has the following simplified costs. What is the marginal cost of the second automobile?

    # of Automobiles.....Fixed Cost.....Total Variable Costs
    0.....$50,000.....$0
    1.....$50,000.....$10,000
    2.....$50,000.....$20,000
    3.....$50,000.....$40,000

    a. $20,000.
    b. $10,000. **
    c. $70,000.
    d. $30,000.

15. A security system company's total production costs depend on the number of systems produced according to the following equation: Total Costs = $10,000,000 + $2000*quantity produced. What is the average total cost of production when 20,000 units are produced?
    a. 4,500.
    b. 3,500.
    c. 2,500. **
    d. 1,500.