

Answer for Quiz *8 part 2

EE211 Section 1

Name _____ Last 4 digits ID _____

Answers all following questions. Provide full explanation with graphs (if necessary).

1. Farmer McDonald gives banjo lessons for \$20 per hour. One day, he spends 10 hours planting \$100 worth the seeds on his farm. What total cost has he incurred?

- a. \$100
- b. \$200
- c. \$300
- d. \$400

$$(20 \times 10) + 100$$
$$200 + 100 = 300$$

2. Diminishing marginal product explains why, as output increases.

- a. the production function and total-cost curve both get steeper.
- b. the production function and total-cost curve both get flatter.
- c. the production function gets steeper, and total-cost curve both get flatter.
- d. the production function gets flatter, and total-cost curve both get steeper.

3. The government imposes a \$1,000 per year license fee on all pizza restaurants. As a result, which cost curves shift?

- a. average total cost and marginal cost
- b. average total cost and average fixed cost
- c. average variable cost and marginal cost
- d. average variable cost and average fixed cost

Hint: SR cost

4. If a higher level of production allows workers to specialize in particular tasks, a firm will likely exhibit _____ of scale and _____ average total cost.

- a. economies; falling
- b. economies; rising
- c. diseconomies; falling
- d. diseconomies; rising

Hint: LR cost

5. If Boeing produces 9 jets per month, its long-run total cost is \$9 million per month. If it produces 10 jets per month, its long run total cost is \$11 million per month. Boeing exhibits

- a. rising marginal cost.
- b. falling marginal cost.
- c. economies of scale
- d. diseconomies of scale

Hint: LR cost

Hint:
SR Production