Econ 301 Intermediate Microeconomics
Chapter 6 and Chapter 7 sections 1 and 2 Quiz

1. Tires are...
   A. an intermediate good  B. a final good  C. both an intermediate good and a final good

2. Circle all of the inputs that appear in our basic model.
   A. capital  B. labor  C. land  D. education

3. Suppose you run a burrito joint. According to the assumptions of our model, if you hire one more worker this will ________ number of burritos produced.
   A. decrease  B. increase  C. neither decrease nor increase  D. indeterminate

4. According to our assumptions, the second worker you hire in your burrito joint will increase the production of burritos ________ the first worker.
   A. more than  B. less than  C. the same as  D. indeterminate

5. In the short run, a firm can vary the amount of ________ it uses.
   A. capital  B. labor  C. capital and labor  D. neither capital nor labor

6. The marginal product of labor (MPL) is defined as...
   A. the change in cost divided by the change in labor.
   B. the change in profit divided by the change in labor.
   C. the change in quantity produced divided by the change in labor.
   D. the change in quantity demanded divided by the change in labor.

7. The marginal technical rate of substitution between labor and capital is defined as (let MPL = marginal product of labor, MPK = marginal product of capital, w = wage rate (price) of labor, and r = rental rate (price) of capital):
   A. MPL / MPK  B. MPK / MPL  C. w/r  D. r/w

8. If a firm has increasing returns to scale, then if it doubles the amount of capital and labor used in production, the quantity produced...
   A. less than doubles  B. doubles  C. more than doubles  D. indeterminate.

9. Which formula relates accounting cost, opportunity cost, and economic cost?
   A. opportunity cost = accounting cost + economic cost  B. accounting cost = economic cost + opportunity cost
   C. economic cost = accounting cost - opportunity cost  D. economic cost = accounting cost + opportunity cost

10. Suppose that in order for you to produce a burrito at your burrito joint, it costs you $3 in ingredients. (Pretend labor is free in this example.) Also, suppose that instead of producing a burrito, you could have just sold the ingredients to your competitor for $1. Then your accounting cost is ________, your opportunity cost is ________, and your economic cost is ________.
    A. $3, $1, $4  B. $1, $3, $4  C. $4, $3, $1  D. $4, $1, $3

11. Suppose you're building a factory that produces shoes. The cost to build the factory is a ________. While the factory is being built, you discover a new technology that renders your equipment obsolete. The cost of your old equipment is a ________.
    A. fixed cost, sunk cost  B. fixed cost, fixed cost  C. sunk cost, fixed cost  D. sunk cost, sunk cost

12. Suppose you already spent $40 million on the old equipment and it will take another $60 million to get the old equipment up to date, while the newer equipment will only costs $50 million. Should you purchase the new equipment or retool the old equipment?
    A. new  B. old