Taylor Economics Chapter 6

1. What is it called when a supplier can sell an item for more than it costs to produce the item (p. 140)?
2. What is a firm?
3. What two other words can be substituted for "firm"?
4. What percentage of firms in America are sole proprietorships?
5. What is a sole proprietorship?
6. How is a partnership different from a sole proprietorship?
7. Explain the difference between a fixed factor and a variable factor.
8. Define price taker.
9. If a price taking firm raises its prices, what will happen to the number of items sold?
10. Why does the result in number 9 take place?
11. What is the defining characteristic of a competitive market?
12. What are the requirements for a market to be competitive?
13. Define monopoly.
14. What can monopolies do that competitive firms cannot?
15. In terms of pricing what are monopolies called?
16. What is the mathematical formula for defining profit?
17. What is the general assumption used in trying to determine how firms will act in a market?
18. How is total revenue calculated?
19. If Mrkaich is selling Twix for $.50 and he sells 400 how much revenue is generated?
20. If the Twix Mrkaich sold costs him $.27 how much profit has he made from selling 400 Twix for $.50?
21. Using Table 6.1, how much revenue is produced if 3 crates are sold for $35 each?
22. Using Table 6.1, how much revenue is produced if 2 crates are sold for $70 each?
23. Define total costs.
24. What is the difference between looking at variable over the short run versus the long run?
25. Define production function. Use an example that can be understood rather than copying the verbose definition.
26. Refresh my memory, what does marginal mean in economics?
27. Explain Marginal Product of Labor.
28. Define diminishing returns.
29. Give an example of diminishing returns using a scenario of chopping wood.
30. How many hours of labor are needed to produce 3 crates of pumpkins?
31. What is the marginal cost of moving from producing 4 crates of pumpkins instead of 3?
32. Why is rent considered a fixed cost?
33. Explain how a firm can have costs even if it doesn't produce any product?
34. Compare and contrast fixed and variable cost.
35. Explain marginal cost.
36. What is the idea that firms employ the idea of profit maximization?
37. At a price of $35 a crate, why should a firm produce only 2 crates of pumpkins?
38. Why is a firm going to produce 3 crates of pumpkins if the price per crate is $70?
39. Why shouldn't a firm produce 5 crates of pumpkins if the price is $100 per crate?
40. Define marginal revenue.
41. How is marginal cost different from marginal revenue?
42. What determines if a firm is indifferent to additional production?
43. What must be true for a firm to produce an additional unit of a good?
44. What mathematical expression shows the answer to #43?
45. Explain what MR=MC tells the economist when looking at production.
46. When will a firm choose to produce an additional unit of production?
47. What usually causes a firm to choose not to supply more of a product?
48. How do economists determine the market supply curve?
49. Explain producer surplus in relationship to price and marginal cost.
50. Draw a supply and demand curve and shade the area that represents producer surplus.
51. Draw a supply and demand curve using the same units of measurement, but with a lower price. Compare and contrast producer surplus between the two curves.
52. How many points on the producer surplus triangle are on the vertical axis?
53. Identify where the 3 points on the producer surplus triangle will always be.
54. Do problem #1.
55. Do problem #2.
56. Do problem #3.
57. Do problem #5.