

Worksheet for Chapter 4—the economics of production
AGEC 1113

(1) All the money that a business receives from selling a good is referred to as ...

- a) Revenue
- b) Variable cost
- c) Fixed cost
- d) Total cost
- e) Marginal product

(2) A tomato processing facility must pay its managers salaries totaling \$1,100,000 regardless of how many tomatoes the facility processes. This \$1,100,000 salary payment is a ...

- a) Revenue
- b) Variable cost
- c) Fixed cost
- d) Total cost
- e) Marginal product

(3) A tomato canning facility must purchase more aluminum the more cans of tomatoes it produces. The payments for this aluminum are a ...

- a) Revenue
- b) Variable cost
- c) Fixed cost
- d) Total cost
- e) Marginal product

(4) A business sells canned tomatoes for a price of \$0.50 per can. It costs \$0.45 to produce each can. It sells 1,500,000 cans. Its revenue is then \$ _____.

- a) 0.5
- b) 0.45
- c) $0.5 - 0.45 = 0.05$
- d) $0.5 \times 1,500,000 = 750,000$
- e) $0.05 \times 1,500,000 = 75,000$

(5) The formula for revenue is (where output is the number of units of a good you sell)

- a) (price of output)(output)
- b) (average variable cost)(output)
- c) (average cost)(marginal product)
- d) (average fixed cost)(input usage)
- e) (average variable cost) / (output)

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(6) A firm earns \$1,000,000 in revenue from selling 20,000 units of output. Assuming it charged the same price for each unit, what was that price?

- a) 5
- b) 50
- c) 20,000,000,000
- d) 0.02
- e) 1,000,000

(7) A firm's total cost is \$500,000 and its fixed cost is \$100,000. What is its variable cost?

Variable cost = \$_____

(8) A firm's total cost is \$500,000 and its variable cost is \$100,000. What is its fixed cost?

fixed cost = \$_____

(9) A firm's total cost is \$500,000 and it produces 10,000 units. What is its average total cost?

Average total cost = \$_____

(10) A firm's total, variable, and fixed cost is \$500,000, 300,000, and 200,000, respectively. If its average variable cost is \$15,000, how many units is it producing?

Output = _____ units

(11) A firm calculates that its fixed cost is 17,000. What are the units of that cost?

(12) A firm calculates that its average variable cost is 25,000. What are the units of that cost?

(13) A firm earns profits of \$150,000 while entailing \$125,000 of total costs. What are its revenues?

(14) A firm experiences \$500,000 in variable costs, \$100,000 in fixed costs, and \$600,000 in total costs. If its revenues are \$3,000,000, what are its profits?

(15) A firm experiences \$900,000 in revenues and \$100,000 in fixed costs. If its profits are \$100,000, what are its variable costs?
