

Exam

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

Refer to the information provided in Figure 7.1 below to answer the questions that follow.

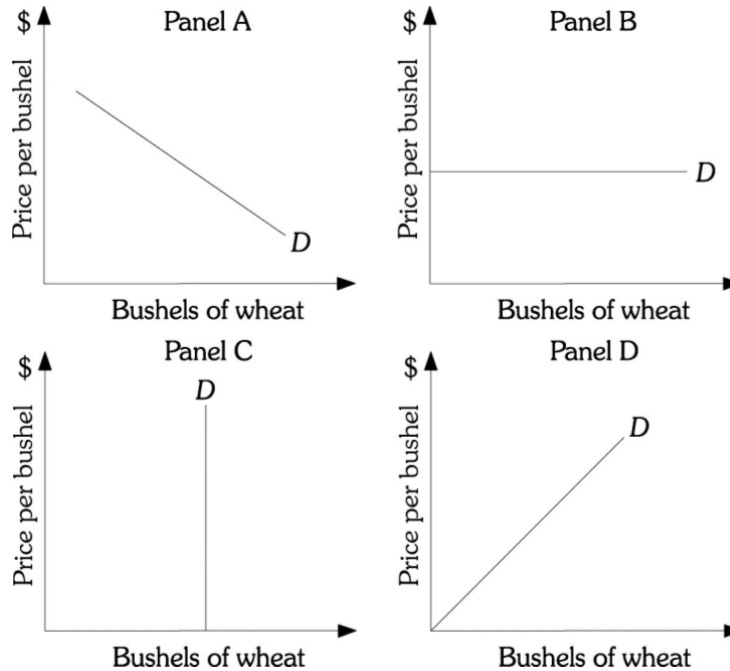


Figure 7.1

- 1) Refer to Figure 7.1. Panel _____ represents the demand curve facing a perfectly competitive producer of wheat. 1) _____
A) A B) B C) C D) D
- 2) Total revenue minus total cost is equal to 2) _____
A) net cost. B) profit.
C) the rate of return. D) marginal revenue.

Refer to the information provided in Scenario 2 below to answer the questions that follow.

SCENARIO 2: You are the owner and only employee of a company that sets odds for sporting events. Last year you earned a total revenue of \$100,000. Your costs for rent and supplies were \$50,000. To start this business you invested an amount of your own capital that could pay you a return of \$20,000 a year.

- 3) Refer to Scenario 2. During the year your economic costs were 3) _____
A) \$70,000. B) \$60,000. C) \$50,000. D) \$20,000.
- 4) Refer to Scenario 2. A yearly normal profit for your company is 4) _____
A) \$20,000. B) \$40,000. C) \$60,000. D) \$100,000.

- 5) Refer to Scenario 2. Your accounting profit last year was 5) _____
A) \$10,000. B) \$30,000. C) \$50,000. D) \$60,000.
- 6) Refer to Scenario 2. Your economic profit last year was 6) _____
A) -\$40,000. B) -\$10,000. C) \$10,000. D) \$30,000.

Refer to the information provided in Scenario 1 below to answer the questions that follow.

SCENARIO 1: You are the owner and only employee of a company that writes computer software that is used by gamblers to collect sports data. Last year you earned a total revenue of \$90,000. Your costs for equipment, rent, and supplies were \$60,000. To start this business you invested an amount of your own capital that could pay you a return of \$40,000 a year.

- 7) Refer to Scenario 1. A yearly normal rate of return for your computer software firm would be 7) _____
A) \$20,000. B) \$40,000. C) \$60,000. D) \$100,000.
- 8) Refer to Scenario 1. Your accounting profit last year was 8) _____
A) \$10,000. B) \$30,000. C) \$50,000. D) \$60,000.
- 9) Refer to Scenario 1. Your economic profit last year was 9) _____
A) -\$40,000. B) -\$10,000. C) \$10,000. D) \$30,000.