Managerial Economics and Business Strategy 10th edition Baye Test Bank

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Managerial Economics and Business Strategy 10th Edition by Baye CH03

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

1) The higher the interest rate,

1) ______

A) the greater the present value of a future amount.
B) the smaller the present value of a future amount.
C) the greater the level of inflation.
D) the smaller the level of inflation.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
Accessibility : Screen Reader Compatible

2) If the interest rate is 10 percent and cash flows are $1,000 at the end of year one and $2,000 at the end of year two, then the present value of these cash flows is

2) ______

A) $2,562.
B) $3,200.
C) $439.
D) $3,000.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Accessibility : Screen Reader Compatible

3) Accounting profits are

3) ______

A) total revenue minus total cost.
B) total cost minus total revenue.
C) marginal revenue minus total cost.
D) total revenue minus marginal cost.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-02 Distinguish economic versus accounting profits and costs.
Accessibility : Screen Reader Compatible

4) Economic profits are

4) ______

A) total revenue minus total cost.
B) marginal revenue minus marginal cost.
C) total revenue minus total opportunity cost.
D) total profits of the economy as a whole.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-02 Distinguish economic versus accounting profits and costs.
Accessibility : Screen Reader Compatible

5) Which of the following is an implicit cost to a firm that produces a good or service?
5) ______

A) labor costs
B) costs of operating production machinery
C) foregone profits of producing a different good or service
D) costs of renting or buying land for a production site

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

6) Which of the following is an implicit cost to a firm that produces a good or service?
6) ______

A) Foregone salary of working in the other job.
B) Labor costs.
C) Costs of operating production machinery.
D) Costs of renting or buying land for a production site.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

7) Which of the following is an implicit cost of going to college?

7) ______

A) tuition
B) cost of books and supplies
C) room and board
D) foregone wages

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

8) Which of the following are signals to the owners of scarce resources about the best uses of those resources?

8) ______

A) profits of businesses
B) government regulations
C) economic indicators
D) the accounting cost of those resources

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Explain the role of profits in a market economy.
Accessibility : Screen Reader Compatible

9) The primary inducement for new firms to enter an industry is

9) ______

A) increased technology.
B) availability of labor.
C) low capital costs.
D) presence of economic profits.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-03 Explain the role of profits in a market economy.
Accessibility : Screen Reader Compatible

10) As more firms enter an industry,

10) ______

A) accounting profits increase.
B) economic profits decrease.
C) prices rise.
D) costs rise.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-04 Apply the five forces framework to analyze the sustainability of an indust
Accessibility : Screen Reader Compatible

11) Scarce resources are ultimately allocated toward the production of goods most wanted by society because

11) ______

A) firms attempt to maximize profits.
B) they are not efficiently utilized in these areas.
C) consumers demand inexpensive goods and services.
D) managers are benevolent.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-03 Explain the role of profits in a market economy.
Accessibility : Screen Reader Compatible

12) The opportunity cost of receiving $10 in the future as opposed to getting that $10 today is

12) ______

A) the foregone interest that could be earned if you had the money today.
B) the taxes paid on any earnings.
C) the value of $10 relative to the total income of that person.
D) the value of $10 relative to the total income of all persons.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
Bloom's : Understand
Accessibility : Screen Reader Compatible

13) If the interest rate is 5 percent, what is the present value of $10 received one year from now?

13) ______

A) $9.50
B) $10.05
C) $9.52
D) $9.77

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

14) If you put $1,000 in a savings account at an interest rate of 10 percent, how much money will you have in one year?

14) ______

A) $1,200
B) $909
C) $950
D) $1,100

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Accessibility : Screen Reader Compatible

15) If you put $10,000 in a savings account at an interest rate of 10 percent, how much money will you have in one year?

15) ______

A) $11,000.
B) $12,000.
C) $909.
D) $1,100.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Accessibility : Screen Reader Compatible

16) If the interest rate is 5 percent, the present value of $200 received at the end of five years is

16) ______

A) $121.34.
B) $156.71
C) $176.41.
D) $132.62.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

17) When dealing with present value, a higher interest rate

17) ______

A) does not affect the present value of the future amount.
B) increases the present value of a future amount.
C) decreases the present value of a future amount.
D) only changes the costs of the project.

Question Details
AACSB : Knowledge Application
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Difficulty : 01 Easy
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Bloom's : Understand
Accessibility : Screen Reader Compatible

18) A farm must decide whether or not to purchase a new tractor. The tractor will reduce costs by $2,000 in the first year, $2,500 in the second, and $3,000 in the third and final year of usefulness. The tractor costs $9,000 today, while the above cost savings will be realized at the end of each year. If the interest rate is 7 percent, what is the net present value of purchasing the tractor?

18) ______

A) -$3,467.46
B) -$2,498.35
C) $2,320.12
D) $6,501.65

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
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AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

19) A firm will have constant profits of $100,000 per year for the next four years, and the interest rate is 6 percent. Assuming these profits are realized at the end of each year, what is the present value of these future profits?

19) ______

A) $325,816.49
B) $376,741.64
C) $400,000.85
D) $346,510.56

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

20) A firm will maximize the present value of future profits by maximizing current profits when the

20) ______

A) growth rate in profits is constant.
B) growth rate in profits is larger than the interest rate.
C) interest rate is larger than the growth rate in profits and both are constant.
D) growth rate and interest rate are constant and equal.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

21) Suppose the interest rate is 5 percent, the expected growth rate of the firm is 2 percent, and the firm is expected to continue forever. If current profits are $1,000, what is the value of the firm?

21) ______

A) $31,000
B) $30,000
C) $26,500
D) $35,000

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
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AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

22) To maximize profits, a firm should continue to increase production of a good until
22) ______

A) total revenue equals total cost.
B) profits are zero.
C) marginal revenue equals marginal cost.
D) average cost equals average revenue.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

23) What is the marginal benefit of producing the third unit?

Number Units Produced	Total Benefit	Total Costs
0	0	0

1	100	50
2	180	110
3	250	180
4	290	270
5	310	380

23) ______

A) 250
B) 70
C) 0
D) 90

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

24) What is the marginal cost of producing the fifth unit?

Number Units Produced	Total Benefit	Total Costs
0	0	0
1	100	50
2	180	110
3	250	180
4	290	270
5	310	380

24) ______

A) 270
B) 110
C) 50
D) 0

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

25) At what level of output does marginal cost equal marginal benefit?

Number Units Produced	Total Benefit	Total Costs
0	0	0
1	100	50
2	180	110
3	250	180
4	290	270
5	310	380

25) ______

A) 1
B) 2
C) 3
D) 4

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

26) What is the level of net benefits when four units are produced?

Number Units Produced	Total Benefit	Total Costs

0	0	0
1	100	50
2	180	110
3	250	180
4	290	270
5	310	380

26) ______

A) 0
B) 70
C) −70
D) 20

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

27) What is the level of net benefits when one unit is produced?

Number Units Produced	Total Benefit	Total Costs
0	0	0
1	100	50
2	180	110
3	250	180
4	290	270
5	310	380

27) ______

A) 50.
B) 20.
C) 70.
D) 80.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

28) What is the marginal net benefit of producing the fourth unit?

Number Units Produced	Total Benefit	Total Costs
0	0	0
1	100	50
2	180	110
3	250	180
4	290	270
5	310	380

28) ______

A) -50
B) 0
C) 60
D) 40

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

29) The additional benefits that arise by using an additional unit of the managerial control variable is defined as the

29) ______

A) total benefit.
B) opportunity cost.
C) marginal benefit.
D) present value of benefits.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

30) The additional cost incurred by using an additional unit of the managerial control variable is defined as the

30) ______

A) total cost.
B) net cost.
C) net benefit.
D) marginal cost.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

31) The change in net benefits that arises from a one-unit change in quantity is the

31) ______

A) marginal net benefits.
B) total net benefits.
C) variable benefits.
D) present value benefits.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

32) The difference between marginal benefits and marginal costs is the

32) ______

A) profits.
B) marginal net benefits.
C) opportunity cost.
D) accounting cost.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

33) In order to maximize net benefits, firms should produce where

33) ______

A) total benefits equal total costs.
B) profits are zero.
C) marginal cost is minimized.
D) marginal benefits equal marginal costs.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

34) [Appendix material: calculus required] Given the cost function $C(Y) = 6Y^2$, what is the marginal cost?

34) ______

A) 6Y
B) Y^2
C) 3Y
D) 12Y

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

35) [Appendix material: calculus required] Given the benefit function $B(Y) = 400Y - 2Y^2$, the marginal benefit is

35) ______

A) 200Y.
B) $400 - 2Y^2$.
C) $400 - 4Y$.
D) $800 - 2Y$.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

36) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 100Y - 8Y^2$ and $C(Y) = 10Y^2$. Then marginal benefits are

36) ______

A) $100 - 16Y$.
B) $100Y - 8Y^2$.
C) $50 - 4Y$.
D) $200Y - 10Y$.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

37) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 100Y - 8Y^2$ and $C(Y) = 10Y^2$. Then marginal costs are

37) ______

A) $20Y^2$.
B) 40.
C) $5Y$.
D) $20Y$.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

38) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 100Y - 8Y^2$ and $C(Y) = 10Y^2$. What level of Y will yield the maximum net benefits?

38) ______

A) 75/36
B) 75/18
C) 60/18
D) 100/36

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

39) [Appendix material: calculus required]. Suppose total benefits and total costs are given by $B(Y) = 200Y-5Y^2$ and $C(Y) = 10Y^2$. What level of Y will yield the maximum net benefits?

39) ______

A) 200/30.
B) 100/30.
C) 75/18.
D) 100/36.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

40) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 100Y - 8Y^2$ and $C(Y) = 10Y^2$. What is the maximum level of net benefits (rounded to the nearest whole number)?

40) ______

A) 92
B) 139
C) 78
D) 613

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

41) If a producer offers a price that is in excess of a consumer's valuation of the good, the consumer

41) ______

A) must buy the good at that price.
B) will refuse to purchase the good.
C) must revalue the good.
D) will take out a loan to purchase the good.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

42) Negotiations between the buyer and seller of a new house are an example of

42) ______

A) consumer–consumer rivalry.
B) consumer–producer rivalry.
C) producer–producer rivalry.
D) monopoly.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Apply the five forces framework to analyze the sustainability of an indust
Accessibility : Screen Reader Compatible

43) The behavior of bidders in an auction is an example of

43) ______

A) consumer–consumer rivalry.
B) consumer–producer rivalry.
C) producer–producer rivalry.
D) supplier–consumer rivalry.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Apply the five forces framework to analyze the sustainability of an indust
Accessibility : Screen Reader Compatible

44) Under producer–producer rivalry, individual firms want to sell the product at the maximum price consumers will pay, but they are unable to do this because of

44) ______

A) cost considerations.
B) the scarcity of resources.
C) competition among sellers.
D) competition among buyers.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-04 Apply the five forces framework to analyze the sustainability of an indust
Accessibility : Screen Reader Compatible

45) In the *Wealth of Nations*, Adam Smith argues that

45) ______

A) self-interest leads to the efficient allocation of resources.
B) benevolence leads to the efficient allocation of resources.
C) profits are maximized where marginal revenue equals net marginal benefits.
D) minimization of costs occurs when average costs equal average benefits.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-03 Explain the role of profits in a market economy.
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46) Economics

46) ______

A) exists because of scarcity.
B) is not related to decision making.
C) is the science of the rich.
D) has nothing to do with the allocation of resources.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

47) Managerial economics

47) ______

A) has little to say about day-to-day decisions.
B) is valuable to the coordinator of a shelter for the homeless.
C) is not relevant for managers of not-for-profit groups.
D) is the study of how to get rich in the stock market.

Question Details
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Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

48) Basic principles that comprise effective management include

48) ______

A) identifying goals and constraints.
B) focusing only on the importance of costs.
C) ignoring incentives.
D) emphasizing short-term profits

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

49) Which of the following is the main goal of a continuing company?

49) ______

A) to maximize the value of the firm
B) to minimize costs
C) to improve product quality
D) to enhance service to its customers

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-03 Explain the role of profits in a market economy.
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50) Which of the following is true?

50) ______

A) Accounting costs generally understate economic costs.
B) Accounting profits generally understate economic profits.
C) In the absence of any opportunity costs, accounting profits are less than economic profits.
D) Accounting costs generally overstate economic costs.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Learning Objective : 01-02 Distinguish economic versus accounting profits and costs.
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

51) Which of the following is *incorrect*?

51) ______

A) Accounting profits generally overstate economic profits.
B) Accounting profits do not take opportunity cost into account.
C) Economic costs include not only the accounting costs but also the opportunity costs of the resources used in production.
D) Managers should only be interested in accounting profits.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Learning Objective : 01-02 Distinguish economic versus accounting profits and costs.
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

52) What is the main role of economic profits?

52) ______

A) to signal where resources are most highly valued
B) to help firms cover their production costs
C) to help consumers cover their opportunity cost
D) to signal where resources are least-valued

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-03 Explain the role of profits in a market economy.
Accessibility : Screen Reader Compatible

53) If the annual interest rate is 0 percent, the present value of receiving $1.10 in the next year is

53) ______

A) $1.00.
B) $1.01.
C) $1.11.
D) $1.10.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

54) If the interest rate is 5 percent, $100 received at the end of seven years is worth how much today?

54) ______

A) $100/(0.05)^{7}$
B) $100/(1 + 0.05)^{7}$
C) $100/(1 + 5)^{7}$
D) 100

Question Details
Accessibility : Keyboard Navigation
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55) As the interest rate increases, the opportunity cost of waiting to receive a future amount

55) ______

A) increases.
B) decreases.
C) may rise or fall.
D) remains the same.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
Bloom's : Understand
Accessibility : Screen Reader Compatible

56) The higher the interest rate,

56) ______

A) the greater the present value.
B) the greater the net present value.
C) both the present value and net present value are greater.
D) neither the present value nor the net present value is greater.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
Bloom's : Understand
Accessibility : Screen Reader Compatible

57) To an economist, maximizing profit is

57) ______

A) maximizing the value of the firm.
B) maximizing the current year's profits.
C) minimizing the permanent total costs.
D) minimizing the future risks.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Difficulty : 02 Medium
Learning Objective : 01-07 Identify and apply six principles of effective managerial decision making.
Accessibility : Screen Reader Compatible

58) The value of the firm is the

58) ______

A) current value of profits.
B) present discounted value of all future profits.
C) average value of all future profits.
D) total value of all future profits.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Difficulty : 02 Medium
Learning Objective : 01-07 Identify and apply six principles of effective managerial decision making.
Accessibility : Screen Reader Compatible

59) Marginal benefits are the

59) ______

A) incremental benefits of a decision.
B) average benefits of a decision.
C) total benefits of a decision.
D) present discounted benefit of a decision.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

60) The optimal amount of studying is determined by comparing

60) ______

A) marginal benefit and the total cost of studying.
B) marginal benefit and the total benefit of studying.
C) marginal benefit and the marginal cost of studying.
D) total benefit and the total cost of studying.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

61) If marginal benefits exceed marginal costs, it is profitable to

61) ______

A) increase Q (quantity, output produced).
B) decrease Q (quantity, output produced).
C) stay at that level of Q (quantity, output produced).
D) produce zero.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

62) If marginal costs exceed marginal benefits, then

62) ______

A) the firm ends up with a net loss.
B) the firm's average costs exceed average benefits.
C) the firm should decrease its production level.
D) the firm should not change its production level.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

63) In order to maximize net benefits, the managerial control variable should be used up to the point where

63) ______

A) total costs equal total benefits.
B) average costs equal marginal benefits.
C) average benefits equal marginal costs.
D) net marginal benefits equal zero.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

64) Which of the following is the *incorrect* statement?

64) ______

A) The marginal benefits curve is the slope of the total benefits curve.
B) dB(Q)/dQ = MB.
C) The slope of the net benefit curve is horizontal where MB = MC.
D) The difference in the slope of the total benefit curve and the total cost curve is maximized at the optimal level of Q.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

65) Which of the following is the *incorrect* statement?

65) ______

A) dMC(Q)/dQ TC.

B) The slope of the net benefit curve is horizontal where MB MC.

C) The highest profits occur at the output level where the slope of the total benefit curve and the total cost curve is equal.

D) The marginal cost curve is the slope of the total costs curve.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

66) [Appendix material: calculus required] When MB = 300 − 12Y and TC = 12Y + 108, the optimal level of Y is

66) ______

A) 25.

B) 4.5.

C) 8.

D) 24.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

67) Incentive plans imply

67) ______

A) if managers get highly paid, then they work hard.
B) if managers put forth little effort, they receive little pay; if they put forth much effort and hence generate many sales, they receive a lot of pay.
C) managers are not selfish.
D) managers should be watched all the time.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

68) Which of the following is *not* a source of rivalry in economic transactions?

68) ______

A) consumer–producer rivalry
B) producer–producer rivalry
C) government–producer rivalry
D) consumer–consumer rivalry

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

69) Consumer–producer rivalry occurs because of

69) ______

A) consumers' high valuation and producers' low production cost of a good.
B) producers' high production cost and consumers' low valuation of a good.
C) the competing interests of consumers and producers.
D) the competing interests of consumers and suppliers of inputs.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

70) Trade will take place

70) ______

A) if the maximum that a consumer is willing and able to pay is *less* than the minimum price the producer is willing and able to accept for a good.
B) if the maximum that a consumer is willing and able to pay is *greater* than the minimum price the producer is willing and able to accept for a good.
C) only if the maximum that a consumer is willing and able to pay is *equal* to the minimum price the producer is willing and able to accept for a good.
D) if the maximum amount that a consumer is willing to pay equals 0.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

71) Consumer–consumer rivalry

71) ______

A) increases the negotiating power of consumers in the marketplace.
B) reduces the negotiating power of producers in the marketplace.
C) reduces the negotiating power of consumers in the marketplace.
D) increases the likelihood of government intervention in the marketplace.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

72) Consumer–consumer rivalry arises because of

72) ______

A) human nature.
B) the limited number of suppliers.
C) the scarcity of goods available.
D) the dependence of producers upon technology.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

73) Producer–producer rivalry functions

73) ______

A) only when multiple sellers for a product compete in the market.
B) only when single sellers for a product compete in the market.
C) regardless of the number of sellers.
D) even when customers are not scarce.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

74) Because of producer–producer rivalry, the price will tend to

74) ______

A) be driven to a lower price.
B) rise up to the maximum price the consumers are willing and able to pay.
C) be the same as the competitive price.
D) be the same as the monopoly price.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

75) Which is the correct statement about the relationship between government and the market?

75) ______

A) Government should intervene on the consumers' behalf.
B) Government should intervene on the producers' behalf.
C) Government should not intervene on any party's behalf.
D) Government often plays a role in disciplining the market process.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

76) Suppose the growth rate of the firm's profit is 5 percent, the interest rate is 6 percent, and the current profits of the firm are $80 million. What is the value of the firm?

76) ______

A) $89.2 million
B) $1,413.3 million
C) $8,480 million
D) $727.7 million

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

77) Suppose the growth rate of the firm's profit is 5 percent, the interest rate is 6 percent, and the current profits of the firm are $100 million. What is the value of the firm?

77) ______

A) $111.5 million
B) $1,766.6 million
C) $10,600 million
D) $909.1 million

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

78) Maximizing the present value of all future profits is the same as maximizing current profits if the growth rate in profits is

78) ______

A) greater than the interest rate.
B) less than the interest rate.
C) equal to the interest rate.
D) not constant over time.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Difficulty : 02 Medium
Learning Objective : 01-07 Identify and apply six principles of effective managerial decision making.
Accessibility : Screen Reader Compatible

79) Marginal benefit refers to

79) ______

A) the average benefits that arise by using an additional unit of the managerial control variables.
B) the additional benefits that arise by using an additional unit of the managerial control variables.
C) the change in average benefits arising from a change in the control variable.
D) the change in the control variable as average benefits fall.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

80) Generally when calculating profits as total revenue minus total costs, accounting profits are larger than economic profits because economists take into account

80) ______

A) only explicit costs.
B) only implicit costs.
C) both explicit and implicit costs.
D) that both types of profits are always equal because they account for the same costs.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-02 Distinguish economic versus accounting profits and costs.
Bloom's : Understand
Accessibility : Screen Reader Compatible

81) "Our marginal revenue is greater than our marginal cost at the current production level." This statement indicates that the firm

81) ______

A) is maximizing profits.
B) should increase the quantity produced to increase profits.
C) should decrease the quantity produced to increase profits.
D) should retire.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

82) If the interest rate is 5 percent and cash flows are $3,000 at the end of year one and $5,000 at the end of year two, then the present value of these cash flows is

82) ______

A) $7,392.29.
B) $8,400.34.
C) $4,222.50.
D) $400.74.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

83) New firms have incentive to enter an industry when there is(are)

83) ______

A) new production technologies.
B) positive economic profits.
C) an abundance of labor.
D) high capital costs.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-04 Apply the five forces framework to analyze the sustainability of an indust
Accessibility : Screen Reader Compatible

84) If the interest rate is 12.5 percent, what is the present value of $200 received in one year?

84) ______

A) $25
B) $177.78
C) $197
D) $225

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

85) If you put $700 in a savings account at an interest rate of 3 percent, how much money will you have in one year?

85) ______

A) $370
B) $679.61
C) $703.00
D) $721

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

86) If the interest rate is 3 percent, the present value of $900 received at the end of four years is

86) ______

A) $792.00.
B) $799.64.
C) $873.79.
D) $927.40.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

87) Maximizing the lifetime value of the firm is equivalent to maximizing the firm's current profits if the

87) ______

A) interest rate is larger than the growth rate in profits and both are constant.
B) growth rate in profits is constant and is larger than the interest rate.
C) interest rate is smaller than the growth rate of profits.
D) growth rate of profits and the interest rate are equal.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : The Economics of Effective Management
Difficulty : 03 Hard
Learning Objective : 01-07 Identify and apply six principles of effective managerial decision making.
Accessibility : Screen Reader Compatible

88) Given the benefit function $B(Y) = 200Y - 3Y^2$, the marginal benefit is

88) ______

A) 600Y.
B) $200 - 3Y$.
C) $200 - 6Y^2$.
D) $200 - 6Y$.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

89) Negotiation between the buyer and seller of a new ski boat is an example of

89) ______

A) consumer–producer rivalry.
B) consumer–consumer rivalry.
C) producer–producer rivalry.
D) supplier–producer rivalry.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

90) If the annual interest rate is 0 percent, the present value of receiving $210 in the next year is

90) ______

A) $221.
B) $200.
C) $201.
D) $210.

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Accessibility : Screen Reader Compatible

91) If the interest rate is 7 percent, $500 received at the end of nine years is worth how much today?

91) ______

A) $500/(0.07)^{9}$
B) $500/(1 + .07)^{9}$
C) $500/(1 + 7)^{9}$
D) 500

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Accessibility : Screen Reader Compatible

92) Suppose the growth rate of the firm's profit is 7 percent, the interest rate is 10 percent, and the current profits of the firm are $120 million. What is the value of the firm?

92) ______

A) $44 million
B) $4,280 million
C) $4,400 million
D) $6,800 million

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

93) The opportunity cost of an action is the

93) ______

A) monetary payment the action required.
B) value of the most highly valued alternative action given up.
C) cost of all alternative actions that could have been taken.
D) amount a person pays another person to not take the action.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

94) What is the total benefit associated with producing four units of the control variable, Q (identify point A in the table)?

Control	Total	Total	Net	Marginal	Marginal	Marginal

variable	Benefits	Costs	Benefits	Benefit	Cost	Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

94) ______

A) 600
B) 2,600
C) 3,000
D) 3,400

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

95) What is the total cost associated with producing eight units of the control variable, Q (identify point B in the table)?

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800

2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

95) ______

A) 3,000
B) 3,600
C) 3,800
D) 4,200

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

96) What is the net benefit associated with producing two units of the control variable, Q (identify point C in the table)?

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F

6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

96) ______

A) 600
B) 800
C) 1,200
D) 1,400

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

97) What is the marginal benefit associated with producing six units of the control variable, Q (identify point D in the table)?

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800

10	4,500	5,500	-1,000	0	1,000	-1,000

97) ______

A) 600
B) 400
C) 200
D) 100

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

98) What is the marginal cost associated with producing three units of the control variable, Q (identify point E in the table)?

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

98) ______

A) 50
B) 100
C) 200
D) 300

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

99) What is the marginal net benefit associated with producing five units of the control variable, Q (identify point F in the table)?

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

99) ______

A) −100
B) −75
C) 0
D) 100

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

100) [Appendix material: calculus required] The marginal cost in the table is

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	−200
7	4,200	2,800	1,400	300	700	−400
8	4,400	B	800	200	800	−600
9	4,500	4,500	0	100	900	−800
10	4,500	5,500	−1,000	0	1,000	−1,000

100) ______

A) increasing at an increasing rate.
B) decreasing at an increasing rate.
C) increasing at a constant rate.
D) decreasing at a decreasing rate.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

101) [Appendix material: calculus required] The marginal benefit in the table is

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

101) ______

A) increasing at a constant rate.
B) decreasing at a constant rate.
C) increasing at a decreasing rate.
D) decreasing at an increasing rate.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

102) To maximize net benefits in the table, it is most appropriate to use

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

102) ______

A) four units of the control variable, since the marginal benefit exceeds marginal cost.
B) six units of the control variable, since the marginal cost exceeds marginal benefit.
C) five units of the control variable, since net marginal benefits are zero.
D) one unit of the control variable, since marginal net benefits are highest.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

103) [Appendix material: calculus required] Total benefits in the table are

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

103) ______

A) increasing at a decreasing rate.
B) increasing at a constant rate.
C) decreasing at a constant rate.
D) decreasing at an increasing rate.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

104) [Appendix material: calculus required] Total costs in the table are

Control variable	**Total Benefits**	**Total Costs**	**Net Benefits**	**Marginal Benefit**	**Marginal Cost**	**Marginal Net Benefit**
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

104) ______

A) decreasing at a constant rate.
B) decreasing at a decreasing rate.
C) increasing at a constant rate.
D) increasing at an increasing rate.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

105) Net benefits in the table

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	–	–	–
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

105) ______

A) initially increase, reach a maximum, and then decrease.
B) initially decrease, reach a minimum, and then increase.
C) remain relatively stable over different values for the control variable.
D) initially remain relatively stable and then decrease.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

106) Marginal net benefits in the table

Control variable	Total Benefits	Total Costs	Net Benefits	Marginal Benefit	Marginal Cost	Marginal Net Benefit
Q	B(Q)	C(Q)	N(Q)	MB(Q)	MC(Q)	MNB(Q)
0	0	0	0	-	-	-
1	900	100	800	900	100	800
2	1,700	300	C	800	200	600
3	2,400	600	1,800	700	E	400
4	A	1,000	2,000	600	400	200
5	3,500	1,500	2,000	500	500	F
6	3,900	2,100	1,800	D	600	-200
7	4,200	2,800	1,400	300	700	-400
8	4,400	B	800	200	800	-600
9	4,500	4,500	0	100	900	-800
10	4,500	5,500	-1,000	0	1,000	-1,000

106) ______

A) initially increase, reach a maximum, and then decrease.
B) initially decrease, reach a minimum, and then increase.
C) remain relatively stable over different values for the control variable.
D) decrease at a constant rate.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

107) Compute the present value of a perpetual bond that pays a *monthly* cash flow of $1,000 at an annual interest rate of 12 percent.

107) ______

A) $8,333.33
B) $9,333.33
C) $100,000
D) $101,000

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

108) Find the annual interest rate that would create a perpetual *annual* cash flow stream of $15,000 when the present value of the asset is $100,000.

108) ______

A) 0.15 percent
B) 15 percent
C) 0.1765 percent
D) 17.65 percent

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

109) Compute the present value of a preferred stock that pays, in perpetuity, an annual cash flow of $200 at an annual interest rate of 5 percent.

109) ______

A) $190.48
B) $210
C) $4,000
D) $4,200

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Accessibility : Screen Reader Compatible

110) Suppose $B(Q) = 5Q - Q^2$ and $C(Q) = 1 + Q^2$. Then, net benefits are ______ when Q equals __________ units since the second-order condition is ______________.

110) ______

A) maximized; 5/4; negative
B) minimized; −1; positive
C) maximized; 4/5; positive
D) minimized; 4/5; negative

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

111) The lower the interest rate,

111) ______

A) the greater the present value of a future amount.
B) the smaller the present value of a future amount.
C) the greater the level of inflation.
D) the smaller the level of inflation.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
Bloom's : Understand
Accessibility : Screen Reader Compatible

112) What is the marginal benefits of producing the fortieth unit?

Number Units Produced	Total Benefit	Total Costs
0	0	0
10	120	40
20	200	100
30	270	170
40	310	260
50	330	370

112) ______

A) 4
B) 80
C) 7.75
D) 40

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

113) What is the marginal cost of producing the tenth unit?

Number Units Produced	Total Benefit	Total Costs
0	0	0
10	120	40
20	200	100
30	270	170
40	310	260
50	330	370

113) ______

A) 80
B) 5
C) 40
D) 4

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

114) At what level of output does marginal cost equal marginal benefit?

Number Units Produced	Total Benefit	Total Costs
0	0	0
10	120	40
20	200	100
30	270	170
40	310	260
50	330	370

114) ______

A) 10
B) 20
C) 30
D) 40

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Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

115) What is the level of net benefits when 20 units are produced?

Number Units Produced	Total Benefit	Total Costs
0	0	0
10	120	40
20	200	100
30	270	170
40	310	260
50	330	370

115) ______

A) -100
B) 80
C) 100
D) 10

Question Details
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

116) What is the marginal net benefit of producing the twentieth unit?

Number Units Produced	Total Benefit	Total Costs

0	0	0
10	120	40
20	200	100
30	270	170
40	310	260
50	330	370

116) ______

A) 2
B) −5
C) −2
D) 8

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

117) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 150Y - 10Y^2$. Then marginal benefits are

117) ______

A) $150 - 20Y$.
B) $150Y - 8Y^2$.
C) $15 - 4Y$.
D) $5 - 20Y$.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

118) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 80Y - 4Y^2$. Then marginal benefits are

118) ______

A) 80 − 8Y.
B) 80 - 4Y.
C) 80 - 2Y.
D) 80Y - 8Y2.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

119) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 150Y - 10Y^2$ and $C(Y) = 5Y^2$. Then marginal costs are

119) ______

A) 2.5Y.
B) 25Y.
C) 5Y.
D) 10Y.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

120) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 150Y - 10Y^2$ and $C(Y) = 25Y2$. Then marginal costs are

120) ______

A) 50Y.
B) 25Y.
C) 5Y.
D) 2.5Y.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

121) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 150Y - 10Y^2$ and $C(Y) = 5Y^2$. What level of Y will yield the maximum net benefits?

121) ______

A) 7
B) 10/9
C) 5
D) 150/20

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

122) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 220Y - 15Y^2$ and $C(Y) = 10Y$. What level of Y will yield the maximum net benefits?

122) ______

A) 7
B) 10/9
C) 5
D) 150/20

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

123) Suppose the growth rate of the firm's profit is 7 percent, the interest rate is 9 percent, and the current profits of the firm are $60 million. What is the value of the firm?

123) ______

A) $289.4 million
B) $3,270 million
C) $4,480.6 million
D) $375 million

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

124) Suppose the growth rate of the firm's profit is 3 percent, the interest rate is 4 percent, and the current profits of the firm are $75 million. What is the value of the firm?

124) ______

A) $7,800 million.
B) $7,725 million.
C) $178 million.
D) $182 million.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

Managerial Economics and Business Strategy 10th Edition by Baye CH03

125) Suppose the growth rate of the firm's profit is 4 percent, the interest rate is 5 percent, and the current profits of the firm are $75 million. What is the value of the firm?

125) ______

A) $2,111.5 million
B) $7,766.6 million
C) $10,600 million
D) $7,875 million

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

126) Which of the following is the *incorrect* statement?

126) ______

A) The marginal benefits curve is the slope of the total benefits curve.
B) dB(Q)/dQ = MB.
C) The slope of the net benefit curve is vertical where MB = MC.
D) The vertical difference between the total benefit curve and the total cost curve is maximized at the optimal level of Q.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

127) [Appendix material: calculus required] When MB = 171 − 8Y and TC = $5Y^2$ + 108, the optimal level of Y is

127) ______

A) 25.
B) 9.5.
C) 8.
D) 24.

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

128) [Appendix material: calculus required] Suppose total benefits and total costs are given by B(Y) = 600Y − $12Y^2$ and C(Y) = $20Y^2$. What level of Y will yield the maximum net benefits?

128) ______

A) 600/64
B) 600/32
C) 300/64
D) 300/8

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

129) [Appendix material: calculus required] Suppose total benefits and total costs are given by $B(Y) = 600Y - 12Y^2$ and $C(Y) = 20Y^2$. What is the maximum level of net benefits?

129) ______

A) 2,500.75
B) 2,812.5
C) 1,916.4
D) 7,500

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

130) Suppose the interest rate is 6 percent, the expected growth rate of the firm is 3 percent, and the firm is expected to continue forever. If current profits are $1,200, what is the value of the firm?

130) ______

A) $41,200
B) $40,000
C) $36,500
D) $42,400

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

131) If the interest rate is 4 percent, the present value of $500 received at the end of four years is

131) ______

A) $427.40.
B) $431.71.
C) $416.41.
D) $432.68.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

132) [Appendix material: calculus required]. Suppose total benefits and total costs are given by $B(Y) = 600Y - 12Y^2$ and $C(Y) = 20Y^2$. What is the maximum level of total benefits?

132) ______

A) 2,812.5
B) 7,500
C) 1,600
D) 5,625

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

133) Find the annual interest rate that would create a perpetual cash flow stream of $20,000 when the present value of the asset is $250,000.

133) ______

A) 2.5 percent
B) 8 percent
C) 12.5 percent
D) 25 percent

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

134) You are considering paying $200,000 for an annuity today, and you know you need a yearly cash stream of $10,000 for expenses. What is the minimum annual interest rate (that would create a perpetual cash flow stream) needed for the annuity?

134) ______

A) 0.5 percent
B) 5 percent
C) 20 percent
D) 1 percent

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

135) You are considering paying $250,000 for an annuity today, and you know you need a yearly cash stream of $20,000 for expenses. What is the minimum annual interest rate (that would create a perpetual cash flow stream) needed for the annuity?

135) ______

A) 5 percent
B) 8 percent
C) 12.5 percent
D) 25 percent

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Apply present value analysis to make decisions and value assets.
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Accessibility : Screen Reader Compatible

136) What is the marginal benefit of producing the hundredth unit?

Number Units Produced	Total Benefit	Total Costs
0	0	0
20	120	40
40	200	100
60	270	170
80	310	260
100	330	370

136) ______

A) 10
B) 1
C) 100
D) 20

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

137) What is the marginal cost of producing the hundredth unit?

Number Units Produced	Total Benefit	Total Costs
0	0	0
20	120	40
40	200	100
60	270	170
80	310	260
100	330	370

137) ______

A) 1.50
B) 5.50
C) 100
D) 110

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

138) At what level of output does marginal cost equal marginal revenue?

Number Units Produced	Total Benefit	Total Costs

0	0	0
20	120	40
40	200	100
60	270	170
80	310	260
100	330	370

138) ______

A) 20
B) 40
C) 60
D) 80

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 02 Medium
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

139) Which of the following is *not* an area in which managerial economics is applied?

139) ______

A) assisting a family in deciding whether to buy a new or used car
B) analyzing historical trends in the federal budget deficit
C) helping a real-estate investor understand the flow of returns over the next decade
D) assisting corn farmers about whether to use farmworkers or machines for crop harvest

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

140) Managerial economics assist managers in making

140) ______

A) faster decisions.
B) decisions that best achieve a firm's goal.
C) more inclusive decisions.
D) decisions that best achieve the goals of employees.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

141) Consumer–producer rivalry implies

141) ______

A) a lower price of a good favors both producers and consumers.
B) a higher price of a good hurts producers while favoring consumers.
C) a higher price of a good favors producers while hurting consumers.
D) a lower price of a good hurts both producers and consumers.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Difficulty : 02 Medium
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

142) The power of input suppliers implies

142) ______

A) a lower price of an input favors both suppliers and purchasing firms.
B) a higher price of an input hurts the supplier while favoring the firm purchasing the inputs.
C) a higher price of an input favors the supplier while hurting the firm purchasing the input.
D) a lower price of an input hurts both suppliers and purchasing firms.

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Difficulty : 03 Hard
Accessibility : Screen Reader Compatible

143) Suppose the firm achieves total revenue of $1,000 by selling 150 units, while facing total costs of $900. If the firm produces and sells 151 units, their total revenue is $1,005 and their total costs is $950. Should the firm produce and sell the extra unit?

143) ______

A) no, since marginal profits are positive
B) no, since marginal profits are declining
C) yes, since profits are positive
D) yes, since the marginal benefit is positive

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

144) Suppose the firm achieves total revenue of $1,000 by selling 100 units, while facing total costs of $900. If the firm produces and sells 101 units, their total revenue is $1,009 and their total costs is $905. Should the firm produce and sell the extra unit?

144) ______

A) no, since marginal profits are declining
B) yes, since marginal profits are positive
C) yes, since profits are positive
D) no, since profits are declining

Question Details
Accessibility : Keyboard Navigation
Topic : The Economics of Effective Management
AACSB : Analytical Thinking
Bloom's : Apply
Difficulty : 03 Hard
Learning Objective : 01-06 Apply marginal analysis to determine the optimal level of a managerial con
Accessibility : Screen Reader Compatible

145) Which of the following is least likely to be a constraint facing a hair salon?

145) ______

A) the degree of financing from a bank
B) the number of upcoming graduates from a beauty service training institute
C) the number of hours the owner needs to provide childcare at home
D) the ability to purchase new land

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

146) Which of the following is least likely to be a constraint facing a hotel with an existing contract for room cleaning services?

146) ______

A) the degree of financing from a bank
B) the number of upcoming graduates from a hotel industry training institute
C) the number of hours the owner needs to provide childcare at home
D) the ability to hire new cleaning staff

Question Details
AACSB : Knowledge Application
Accessibility : Keyboard Navigation
Difficulty : 01 Easy
Topic : The Economics of Effective Management
Bloom's : Understand
Learning Objective : 01-01 Summarize how goals, constraints, incentives, and market rivalry affect ec
Accessibility : Screen Reader Compatible

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Answer Key

Test name: CH01

1) B
2) A
3) A
4) C
5) C
6) A
7) D
8) A
9) D
10) B
11) A
12) A
13) C
14) D
15) A
16) B
17) C
18) B
19) D
20) C
21) D
22) C
23) B
24) B
25) C

26) D
27) A
28) A
29) C
30) D
31) A
32) B
33) D
34) D
35) C
36) A
37) D
38) D
39) A
40) B
41) B
42) B
43) A
44) C
45) A
46) A
47) B
48) A
49) A
50) A
51) D
52) A
53) D
54) B
55) A

56) D
57) A
58) B
59) A
60) C
61) A
62) C
63) D
64) D
65) A
66) D
67) B
68) C
69) C
70) B
71) C
72) C
73) A
74) A
75) D
76) C
77) C
78) B
79) B
80) C
81) B
82) A
83) B
84) B
85) D

86) B
87) A
88) D
89) A
90) D
91) B
92) C
93) B
94) C
95) B
96) D
97) B
98) D
99) C
100) C
101) B
102) C
103) A
104) D
105) A
106) D
107) C
108) B
109) C
110) A
111) A
112) A
113) D
114) C
115) C

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116) A
117) A
118) A
119) D
120) A
121) C
122) A
123) B
124) A
125) D
126) C
127) B
128) A
129) B
130) D
131) A
132) B
133) B
134) B
135) B
136) B
137) B
138) C
139) B
140) B
141) C
142) C
143) B
144) B
145) D

146) D