Student name:\_\_\_\_\_\_\_\_\_\_

**1)** The higher the interest rate,

 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

 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

 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

 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?

 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?

 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?

 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?

 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

 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,

 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

 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

 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?

 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?

 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?

 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

 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

 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
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

**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?

 A) $6,764
 B) $9,362
 C) $18,362
 D) $6,501.65

 **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

**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?

 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

 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?

 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.
Topic : The Economics of Effective Management
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

 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 |

 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 |

 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 |

 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 |

 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 three 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 |

 A) 70.
 B) 0.
 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

**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 |

 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

 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

 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

 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

 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

 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) = 6Y2, what is the marginal cost?

 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 − 2Y2, the marginal benefit is

 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 − 8Y2 and C(Y) = 10Y2. Then marginal benefits are

 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 − 8Y2 and C(Y) = 10Y2. Then marginal costs are

 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 − 8Y2 and C(Y) = 10Y2. What level of Y will yield the maximum net benefits?

 A) 75/36
 B) 75/18
 C) 50/18
 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) = 80Y−5Y2 and C(Y) = 10Y2. What level of Y will yield the maximum net benefits?

 A) 80/30.
 B) 100/30.
 C) 50/18.
 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 − 8Y2 and C(Y) = 10Y2. What is the maximum level of net benefits (rounded to the nearest whole number)?

 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

 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

 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

 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

 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

 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.
Accessibility : Screen Reader Compatible

**46)** Economics

 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

 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**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

**48)** Basic principles that comprise effective management include

 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?

 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.
Accessibility : Screen Reader Compatible

**50)** Which of the following is true?

 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*?

 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?

 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

 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?

 A) 100/(0.05) 7
 B) 100/(1 + 0.05) 7
 C) 100/(1 + 5) 7
 D) 100

 **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

**55)** As the interest rate increases, the opportunity cost of waiting to receive a future amount

 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,

 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

 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

 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

 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

 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

 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

 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

 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?

 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?

 A) The total benefits curve is the slope of the marginal benefits curve.
 B) dB(Q)/dQ MB.
 C) The slope of the net benefit curve is horizontal where MB MC.
 D) The slope of the total benefit curve and the total cost curve is the same 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

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

 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

 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?

 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

 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

 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

 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

 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

 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

 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?

 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?

 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?

 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

 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

 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

 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

 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

 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)

 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?

 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?

 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

 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

 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 − 3Y2, the marginal benefit is

 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

 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

 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?

 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?

 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

 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 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 |

 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 |

 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 |

 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 |

 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 |

 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 |

 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 |

 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 |

 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 |

 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 |

 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 |

 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 |

 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 |

 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.

 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.

 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.

 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 − Q2 and C(Q) = 1 + Q2. Then, net benefits are \_\_\_\_\_\_ when Q equals \_\_\_\_\_\_\_\_\_\_ units since the second-order condition is \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

 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,

 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 |

 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 |

 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 |

 A) 10
 B) 20
 C) 30
 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

**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 |

 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 |

 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 − 10Y2. Then marginal benefits are

 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 − 4Y2. Then marginal benefits are

 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 − 10Y2 and C(Y) = 5Y2. Then marginal costs are

 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 − 10Y2 and C(Y) = 25Y2. Then marginal costs are

 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 − 10Y2 and C(Y) = 5Y2. What level of Y will yield the maximum net benefits?

 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 − 15Y2 and C(Y) = 10Y. What level of Y will yield the maximum net benefits?

 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?

 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 1 percent, the interest rate is 4 percent, and the current profits of the firm are $100 million. What is the value of the firm?

 A) $3,466.67 million.
 B) $3,366.67 million.
 C) $138.58 million.
 D) $141.89 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

**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?

 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?

 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 = 5Y2 + 108, the optimal level of Y is

 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 − 12Y2 and C(Y) = 20Y2. What level of Y will yield the maximum net benefits?

 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 − 12Y2 and C(Y) = 20Y2. What is the maximum level of net benefits?

 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?

 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

 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 − 12Y2 and C(Y) = 20Y2. What is the maximum level of total benefits?

 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.

 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?

 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
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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?

 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 |

 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 |

 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 |

 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?

 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

 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

 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

 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?

 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?

 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?

 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?

 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

**Answer Key**Test name: Chapter 01

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) D

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

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