Quiz 3 - ECN 143.01 - Fall 2009
Principles of Microeconomics - Dr. Allen
20 points

Name_______________________________________

Circle the letter corresponding to the correct response.

1. Marginal cost
   a. is calculated as: total cost/quantity
   b. refers to the increase in total cost resulting from a one-unit increase in output
   c. is calculated as: total cost - total variable cost
   d. declines and approaches zero asymptotically as output increases

2. An increase in a consumer's income will cause the consumer's budget line to
   a. become steeper
   b. become flatter (less steep)
   c. move away from the origin
   d. move closer to the origin

3. When a firm's output is zero,
   a. total fixed cost and total variable cost are both zero
   b. total fixed cost is zero, but total variable cost may be positive
   c. total variable cost is zero, but total fixed cost may be positive
   d. both total fixed cost and total variable cost may be positive

4. The relationship between marginal cost and average total cost is such that
   a. if marginal cost is greater than average total cost, ATC is rising
   b. if marginal cost is declining, average total cost must also be declining
   c. if average total cost exceeds marginal cost, marginal cost must be rising
   d. if marginal cost exceeds average total cost, marginal cost must be falling

5. At any given level of output, a firm's total variable cost equals
   a. its total cost minus its marginal cost
   b. its total cost minus its average cost
   c. its total cost minus its total fixed cost
   d. its average variable cost plus its marginal variable cost