Q-1. The following information applies to a start- up company solely owned by an entrepreneur.

	Value
total units produced	3500
Average revenue	$1100
Average variable cost	$720
Total fixed cost	$200,000
Total investment	$1,500,000
Required rate of return	12%
Opportunity cost of owner's labor	$130,000

The company's economic profit is closest to:

A. $820,000.

B. $784,250.

C. $978,000.

Q-2. If adding one additional unit of labor results in a positive but declining marginal product of labor, then total product most likely is:

A. constant.

B. decreasing.

C. increasing at a decreasing rate.

Q-3. The marginal revenue per unit sold for a firm doing business under conditions of perfect competition will most likely be:

A. equal to average revenue.

B. less than average revenue.

C. greater than average revenue.

Q-4. With its existing production facilities, a monopolist firm can produce up to 100 units. It faces the following demand and cost schedules:

Output (units)	Price ($/unit)	Total Costs ($)
0	3,100	500
20	2,700	11,500
40	2,500	30,500
60	2,300	65,500
80	2,100	100,500
100	2,000	160,500

The optimal output level for this producer (in units) is closest to:

A. 100.

B. 20.

C. 60.

Q-5. Under monopolistic competition, a firm that introduces a new and differentiated product is least likely to:

A. increase its price.

B. make an economic profit.

C. face a demand that is more elastic.