## Review Questions

9.

What are explicit and implicit costs?

10.

Would you consider an interest payment on a loan to a firm an explicit or implicit cost?

11.

What is the difference between accounting and economic profit?

12.

What is a production function?

13.

What is the difference between a fixed input and a variable input?

14.

How do we calculate marginal product?

15.

What shapes would you generally expect a total product curve and a marginal product curve to have?

16.

What are the factor payments for land, labor, and capital?

17.

What is the difference between fixed costs and variable costs?

18.

How do we calculate each of the following: marginal cost, average total cost, and average variable cost?

19.

What shapes would you generally expect each of the following cost curves to have: fixed costs, variable costs, marginal costs, average total costs, and average variable costs?

20.

Are there fixed costs in the long-run? Explain briefly.

21.

Are fixed costs also sunk costs? Explain.

22.

What are diminishing marginal returns as they relate to costs?

23.

Which costs are measured on per-unit basis: fixed costs, average cost, average variable cost, variable costs, and marginal cost?

24.

What is a production technology?

25.

In choosing a production technology, how will firms react if one input becomes relatively more expensive?

26.

What is a long-run average cost curve?

27.

What is the difference between economies of scale, constant returns to scale, and diseconomies of scale?

28.

What shape of a long-run average cost curve illustrates economies of scale, constant returns to scale, and diseconomies of scale?

29.

Why will firms in most markets be located at or close to the bottom of the long-run average cost curve?