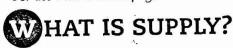
# G Activity 5-1

For use with textbook pages 113-120



### RECALLING THE FACTS

Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary.

- 1. What does the Law of Supply state? \_\_\_\_\_
- 2. Explain how each of the following tools can help businesses make production decisions.
  - a. Supply schedule: \_\_\_\_\_
  - b. Supply curve: \_\_\_\_\_
  - c. Market supply curve:
- 3. What does a change in quantity supplied respond to?
- 4. Why does the supply curve shift to the left? \_\_\_\_\_
- 5. Name the seven factors that determine whether supplies increase or decrease.
- 6. What is supply elasticity? \_\_\_\_\_
- 7. What characterizes an inelastic supply curve?
- 8. What changes does a unit elastic supply curve show?

NI		Class
Name	Date	Class
	27416	120-2000

### GUIDED READING Activity 5-2

For use with textbook pages 122–125

## THE THEORY OF PRODUCTION

#### OUTLINING

**Directions:** Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.

I. Law of Variable Proportions A. What does the Law of Variable Proportions state? \_\_\_ **B.** What happens when more than one factor of production is varied? II. The Production Function A. Introduction 1. What is a production function? 2. What are raw materials? \_\_\_ B. Total Product 1. What happens to resources if there are too few workers? \_\_\_ 2. What happens to output if there are too many workers? **C.** Marginal Product—What is marginal product? \_\_\_ III. Three Stages of Production A. Introduction 1. At what point are changes in marginal product of special interest? 2. What are the stages of production based on? \_\_\_\_\_ B. STAGE I: Increasing Returns 1. What is the criterion for determining how long total output will rise? 2. When should companies stop hiring? \_\_\_\_\_ C. STAGE II: Diminishing Returns 1. What happens to the rate of increase in total production during this stage? 2. What is the principle of diminishing returns? D. STAGE III: Negative Returns 1. What happens to marginal product during this stage? \_\_\_\_\_ 2. What happens to total plant output during this stage?\_\_\_\_ 3. What effect does this stage have on hiring?

Name	 Date	Class	

# GUIDED READING Activity 5-3

For use with textbook pages 127-131

## GOST, REVENUE, AND PROFIT MAXIMIZATION

### FILLING IN THE BLANKS

**Directions:** Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary.

overhead total costs

variable costs total revenue e-commerce

marginal costs

marginal analysis marginal revenues fixed costs

Measures of Cost Cost is divided into several categories. The first is 1 business incurs even if the plant is idle and there is zero output. The total of these unchanging costs, or \_\_\_\_\_\_, remains the same. On the other hand, expenses that change—such as one associated with labor and raw materials—are 3 \_\_\_\_\_\_. The sum of these two costs is \_\_\_\_\_the extra costs incurred \_\_\_\_\_. Another category of cost is 5 \_\_\_\_\_ when a business produces one additional unit of a product. **Applying Cost Principles** Business firms have a different mix of costs. A full-service gas station may have higher 6 \_\_ than one that sells only gas, because it employs a variety of employees. An entrepreneur engaged in business with very low 8 \_\_\_ Measures of Revenue Businesses use two key measures of revenue to find the amount of output that produces the greatest profit. is the number of units sold multiplied by the average price per unit. Even more impor-\_\_\_\_\_, which are the extra revenues associated with the production and sale of tant are 10 \_\_\_\_\_ one additional unit of output. Marginal Analysis , a type of cost-benefit decision making tool that compares the extra Economists use 11 \_\_\_\_\_ benefits to the extra costs of an action. One issue facing a business is that of breaking even, or earning enough rev-. Businesses want to know how to generate the maximum profit. They

\_\_\_\_\_ and **14** \_\_\_\_\_

Copyright © by The McGraw-Hill Companies, Inc.

can do so by comparing 13