Answer Key

Chapter 5

Section 2

Reading Study Guide

1. the change in total output of a business brought about by hiring one more worker
2. This can help a business owner figure out how many workers to hire to produce quantities that are profitable for the business.
3. having one or more workers focus on a particular aspect of producing a good or service
4. This can allow workers to work more efficiently, causing an increase in marginal product.
5. This situation occurs when hiring new workers causes marginal product to increase.
6. Diminishing returns
7. This situation occurs when hiring new workers causes marginal product to decrease
8. Negative returns
9. This situation occurs when hiring new workers causes total output of the business to decrease.

Mark It Up!

10. Students' notes should show underlining or highlighting for the definitions of fixed costs, variable costs, and total costs. Students should label the line C, which is horizontal and has a value of $180, fixed costs; they should recognize this line as representing the fixed costs since the costs are constant no matter the number of backpacks. Students should label the line B, which is vertical and connects data from line C and line A, variable cost; they should recognize this line as representing variable cost since its height contrasts with other vertical lines drawn on the graph, depending on the number of backpacks produced. Students should label the line A, total costs; they should recognize this line as representing the addition of the fixed costs (the horizontal line) and the variable costs (the vertical line) at each point on the graph.
11. Costs increase with increasing numbers of goods produced. You can tell because the graph of the total costs rises from left to right.
12. Find the point that represents 7 backpacks and the one that represents 20 backpacks on the total cost line. (A) Use the values from the vertical axis to find the difference in cost. (B) Use the values from the horizontal axis (7 and 20) to find the difference in numbers of backpacks produced; divide the results of (A) by the results of (B) to get the marginal cost for producing one more backpack, if you start with 7 backpacks.

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