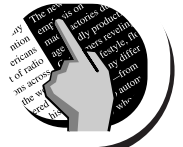


## Section 2: Guided Reading and Review

# Costs of Production



### A. As You Read

As you read Section 2, supply the requested information in the spaces provided.

1. A basic question a producer must answer: \_\_\_\_\_  
\_\_\_\_\_
2. Marginal product of labor benefits gained from worker specialization: \_\_\_\_\_  
\_\_\_\_\_
3. Negative effect of a firm's limited capital: \_\_\_\_\_  
\_\_\_\_\_
4. Curve pattern for marginal product of labor when capital is limited: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Examples of typical fixed costs: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Why labor is a variable cost: \_\_\_\_\_  
\_\_\_\_\_
7. How the marginal costs of production for the beanbag producer changed after the rate of three bags per hour was surpassed: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
8. How total revenue and total cost can help set the most profitable output level: \_\_\_\_\_  
\_\_\_\_\_
9. How marginal revenue and marginal cost can help set the most profitable output level: \_\_\_\_\_  
\_\_\_\_\_
10. Why a producer would continue to increase output even though the marginal cost of production may be rising: \_\_\_\_\_  
\_\_\_\_\_

### B. Reviewing Key Terms

Define the following terms.

11. marginal product of labor \_\_\_\_\_
12. diminishing marginal returns \_\_\_\_\_
13. total cost \_\_\_\_\_
14. marginal cost \_\_\_\_\_