

Chapter 5 Mastery Test A

Part A Circle the letter of the answer that correctly completes each sentence.

1. The law of ____ says that as the price of goods increases, so will the supply.
A demand **B** variable proportions **C** supply **D** production
2. The ____ returns stage of production gives business owners the highest profit.
A increasing **B** diminishing **C** negative **D** production
3. A ____ shows how the law of supply works.
A costs chart **B** supply schedule **C** demand curve **D** production graph
4. If the price of raw materials rises, a company's ____ costs increase.
A variable **B** fixed **C** marginal **D** consumer
5. ____ will increase the supply of goods or services.
A Taxes **B** Expensive labor **C** Competition **D** Unhappy workers

Part B Match the words in Column 1 with their meanings in Column 2.

Write the letter on the line.

Column 1

- _____ **6.** total cost
- _____ **7.** tax
- _____ **8.** subsidy
- _____ **9.** marginal cost
- _____ **10.** elasticity of supply
- _____ **11.** supply
- _____ **12.** negative returns
- _____ **13.** law of variable proportions
- _____ **14.** supply curve
- _____ **15.** zero elasticity of supply

Column 2

- a.** how changes in price affect the quantity of supply
- b.** ability and willingness of sellers to produce and sell a product or service
- c.** when there will never be more than one in supply
- d.** additional cost of producing one more unit
- e.** third stage of production
- f.** shows suppliers are more willing to sell at higher prices
- g.** money paid to help pay the government's expenses
- h.** a government grant
- i.** in the short run, changing one input changes the output
- j.** fixed costs added to variable costs