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 ________________________________