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 ____________________________