

Chapter 5 Section 3

Cost, Revenue, and Profit Maximization

What are **fixed costs**? What do they include?

What are **variable costs**? What do they include?

How does a business person calculate **total costs**?

What is a **marginal cost**?

Does a self service gas station have high fixed costs or variable costs? Explain.

How about Internet stores and e-commerce. Do these businesses have high or low fixed costs?

How is **total revenue** calculated?

How is **marginal revenue** different from total revenue?

How do economists use marginal analysis?

What is the break-even point for a business?

Chapter 5 Section 2

The Theory of Production

What is the **theory of production**?

How is the **short run** described in the theory of production?

How is the **long run** described in the theory of production?

What is the **production function**?

What are **raw materials**?

How is **total product** described?

Why can adding more workers increase total product?

What happens when too many workers are added?

What is the **marginal product**?

What does the term **diminishing returns** mean?