**Economics Chapter 5: Supply Study Guide**

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_­­\_\_\_\_\_\_ Hr: \_\_\_\_

**Test Date: Thursday, May 3**

\*If you are absent on this day, you must make the test up. \*Failure to do so will result in 0% (E)

**Complete and turn this paper in before the test for formative points. Use the text, workbook, and your assignments for help! This test is going to be long.**

1. **\*\*VOCAB: #14-38 From Chapter 5\*\***

**Section 1: What is Supply?**

1. What does the Law of Supply say?
2. Label a **DECREASING** supply curve as S2. Label an **INCREASING** one as S3.



1. Draw a thinking map of your choice to show the factors (shifters) of supply. What causes supply to increase and decrease?

**Section 2: The Theory of Production**

1. Write details about the **stages of production.**

|  |  |  |
| --- | --- | --- |
| **Stage I** | **Stage II** | **Stage III** |
|  |  |  |

1. Compare the **short run vs. long run.** How are they different?

|  |  |
| --- | --- |
| Short Run (A sprint) | Long Run (A marathon) |
|  |  |

1. In which stage (I, II, or III) do firms get the most of their workers? \_\_\_\_\_\_\_\_\_\_\_\_
2. In which stage (I, II, or III) would a firm look to cut jobs? \_\_\_\_\_\_\_\_\_\_\_\_
3. Analyze and understand how to read the chart on textbook pg. 128. There will be questions regarding the stages (green, yellow, red).

**Section 3: Cost, Revenue, and Profit Maximization**

1. **Fixed Costs vs. Variable Costs:** Compare them!

|  |  |
| --- | --- |
| **Fixed Costs (FC)** | **Variable Costs (VC)** |
| * What does “fixed”?
* List 3 examples of FC.
 | * What does “variable”?
* List 3 examples of VC.
 |

1. For most businesses, the largest VC is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
2. Why would a business owner use **Marginal Analysis (MA)?**
3. What is **profit maximization**?
4. Analyze and understand how to read the chart on textbook pg. 134. There will be a question regarding total cost and variable cost.