

Question 1

Multiple Choice0 points

Question The primary virtue of managerial economics lies in its:

- Answer**
- logic.
- ✔

usefulness.
- consistency.
- mathematical rigor.

Question 2

Multiple Choice0 points

Question Managerial economics cannot be used to identify:

- Answer**
- how macroeconomic forces affect the organization.
- ✔

goals of the organization.
- ways to efficiently achieve the organization's goals.
- microeconomic consequences of managerial behavior.

Question 3

Multiple Choice0 points

Question The value-maximizing organization design does not involve the:

- Answer**
- assignment of decision rights.
- matching of worker incentives with managerial motives.
- development of mechanisms for decision management and control.
- ✔

establishment of the regulatory environment.

Question 4

Multiple Choice0 points

Question Business profit is:

- Answer**
- ✔

the residual of sales revenue minus the explicit accounting costs of doing business.
- a normal rate of return.
- economic profit.
- the return on stockholders' equity.

Question 5

Multiple Choice0 points

Question In a free market economy, the optimal quality of goods and services is determined by:

- Answer**
- workers.
- firms.
- government.
- ✔

customers.

Question 6

Multiple Choice0 points

Question Managers who seek satisfactory rather than optimal results:

- Answer**
- ✔

take actions that benefit parties other than stockholders.
- are insensitive to social constraints.
- are insensitive to self-imposed constraints.
- increase allocative efficiency.

Question 7

Multiple Choice0 points

Question Nonvalue-maximizing behavior is most common:

- Answer**
- in vigorously competitive markets.
- ✔

when shareholders are poorly informed.
- when managers own a significant ownership interest.
- in the production of goods rather than services.

Question 8

Multiple Choice0 points

Question Government regulation is important because government:

- Answer**
- regulation reduces public-sector employment.
- produces most of society's services output.
- produces most of society's material output.
- ✔

uses scarce resources.

Question 9

Multiple Choice0 points

Question The share of revenues paid to suppliers does not depend upon:

- Answer**
- resource scarcity.
- input market competition.
- ✔

output market competition.

relative productivity.

 [Add Question Here](#)

Question 10

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question Warren Buffett looks for "wonderful businesses" that feature:

- Answer**
- ☐ ongoing innovation.
 - ☐ large capital investment.
 - ☒ consistent earnings growth.
 - ☐ complicated business strategies.

 [Add Question Here](#)

Question 11

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question To maximize value, management must:

- Answer**
- ☐ maximize short run revenue.
 - ☐ minimize short run average profit.
 - ☒ maximize long run profit.
 - ☐ maximize short run profit.

 [Add Question Here](#)

Question 12

Multiple Choice 0 points

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Question Value maximization is broader than profit maximization because it considers:

- Answer**
- ☐ total revenues.
 - ☐ total costs.
 - ☐ real-world constraints.
 - ☒ interest rates.

 [Add Question Here](#)

Question 13

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question Industry profits can be increased by constraints on:

- Answer**
- ☐ natural resources.
 - ☒ imports.
 - ☐ skilled labor.
 - ☐ worker health and safety.

 [Add Question Here](#)

Question 14

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question Managers display less than optimal behavior if they seek:

- Answer**
- ☐ to maximize leisure.
 - ☐ to maximize community well-being.
 - ☐ to maximize employee welfare.
 - ☒ an industry-average profit rate.

 [Add Question Here](#)

Question 15

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question Unfriendly takeovers have the greatest potential to enhance the market price of companies whose managers:

- Answer**
- ☐ maximize short-run profits.
 - ☐ maximize the value of the firm.
 - ☒ satisfice.
 - ☐ maximize long-run profits.

 [Add Question Here](#)

Question 16

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question Value maximization theory fails to address the problem of:

- Answer**
- ☐ risk.
 - ☐ uncertainty.
 - ☐ sluggish growth.
 - ☒ self-serving management.

 [Add Question Here](#)

Question 17

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question Constrained optimization techniques are not designed to deal with the problem of:

- Answer**
- ☒ self-serving management.
 - ☐ contractual requirements.
 - ☐ scarce investment funds.
 - ☐ limited availability of essential inputs.

 [Add Question Here](#)

Question 18

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question Economic profit equals:

- Answer**
- ☐ normal profits plus opportunity costs.
 - ☒ business profits minus implicit costs.
 - ☐ business profits plus implicit costs.
 - ☐ normal profits minus opportunity costs.

 [Add Question Here](#)

Question 19

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question The return to owner-provided inputs is an:

- Answer**
- ☒ implicit cost.
 - ☐ economic rent.
 - ☐ entrepreneurial profit.
 - ☐ explicit cost.

 [Add Question Here](#)

Question 20

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question To be useful, the theory of the firm must:

- Answer**
- ☐ refrain from abstraction.
 - ☐ only consider quantitative factors.
 - ☒ accurately predict real-world phenomena.
 - ☐ rely upon realistic assumptions.

 [Add Question Here](#)

Question 21

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question The value of a firm is equal to:

- Answer**
- ☐ the present value of tangible assets.
 - ☐ the present value of all future revenues.
 - ☒ the present value of all future cash flows.
 - ☐ current revenues less current costs.

 [Add Question Here](#)

Question 22

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question The value of the firm decreases with a decrease in:

- Answer**
- ☒ total revenue.
 - ☐ the discount rate.
 - ☐ the cost of capital.
 - ☐ total cost.

 [Add Question Here](#)

Question 23

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question Direct regulation of business has the potential to yield economic benefits to society when:

- Answer**
- ☐ barriers to entry are absent.
 - ☒ there are no good substitutes for a product.
 - ☐ many firms serve a given market.
 - ☐ smaller firms are most efficient.

 [Add Question Here](#)

Question 24

Multiple Choice 0 points

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Question Monopoly exploitation is reduced by regulation that:

- Answer**
- ☒ enhances product-market competition.
 - ☐ increases the bargaining power of workers.
 - ☐ increases the bargaining power of employers.
 - ☐ restricts output.

 [Add Question Here](#)

Question 25

Multiple Choice 0 points

[Modify](#) [Remove](#)

Question A typical annual rate of return on invested capital is:

- Answer**
- ☐ 5%.
 - ☒ 10%.
 - ☐ 15%.
 - ☐ 20%.

 [Add Question Here](#)