

IC #11 Key (4-3-09)

Assume a SR production process where  $Q$  = units of output and  $L$  = units of labor, the only variable input. Different combinations of  $Q$  and  $L$  are noted in this table:

$L$	$Q$	$MP = \Delta Q / \Delta L$
2	10	5
4	20	5
6	36	8
8	48	6

1. What is the 'average product' of labor for  $L = 6$ ?

- a. 36 - 2
- b. 16 - 2
- \* c. 6 - 0
- d. 12 - 3
- e. 8 - 3

2. It is apparent that the 'point of diminishing returns' has been reached at what number of  $L$ ?

- a. 0-2 - 3
- b. 2-4 - 3
- c. 4-6 - 2
- \* d. 6-8 - 0
- e. not enough information provided to answer - 3