

Name _____

Cost Chronicles: The Impact of Production Costs on Supply

Multiple Choice Questions

1. What are production costs?
 - a) The expenses that consumers incur when buying products.
 - b) The expenses that businesses incur when making products or providing services.
 - c) The expenses related to advertising and marketing.
 - d) The expenses associated with transportation.

2. How do changes in production costs affect the supply of goods and services?
 - a) Higher production costs lead to an increase in supply.
 - b) Higher production costs lead to a decrease in supply.
 - c) Changes in production costs have no impact on supply.
 - d) Lower production costs lead to a decrease in supply.

3. What factors can influence production costs?
 - a) The price of raw materials and the cost of labor.
 - b) The competition in the market and the location of the business.
 - c) The number of customers and the amount of profit.
 - d) The popularity of the product and the brand reputation.

4. How do businesses respond to increases in production costs?
 - a) By absorbing all cost increases without raising prices.
 - b) By passing on some or all of the cost increase to consumers through higher prices.
 - c) By reducing the quantity supplied.
 - d) By reducing the quality of their products.

5. In a competitive market, what might businesses do to maintain or attract customers when facing higher production costs?
 - a) They may engage in price wars to offer the lowest prices.
 - b) They may reduce the quality of their products.
 - c) They may increase their profit margins.
 - d) They may stop producing certain products.

