

Lesson 6

Answer the following questions

1. What is cost of production ? Distinguish between fixed costs and variable costs.
2. What is total cost, Average cost and Marginal Cost ? Explain the relationship between average cost and marginal cost with the help of table and diagram.
3. Explain the concept of average cost and marginal cost in short period. Why is the short run AC curve U shaped?
4. What is the relationship between Average Cost and Marginal Cost ? Explain with the help of suitable diagram.
5. Describe the various types of production costs. Explain the mutual relationship between Average cost and Marginal cost.
6. Explain how short period MC curve for a firm serves as firm's supply curve.
7. What are fixed costs ? Explain the nature and shape of the total fixed and average fixed cost curves.
8. Draw Average total Cost, Average Variable Cost and Marginal Cost in a single diagram. Also explain the relation between marginal cost and average total cost with its help. (AI 2004C; Delhi 2006C; Foreign 2007)
9. What do the short run marginal cost, average variable cost and short run average cost curves look like ? (NCERT)
10. Distinguish between fixed costs and variable costs. Explain the relationship between marginal cost and average cost. (Delhi 2000C)

NUMERICAL PROBLEMS

1. From the following data regarding cost of a firm, calculate
 - (a) Average fixed cost
 - (b) Average Variable cost
 - (c) Marginal Cost
 - (d) Total Variable Cost

Input (units)	0	1	2	3	4
Total Cost (Rs)	60	140	190	240	300

2. From the following table, calculate average variable cost of each given level of output.

Input (units)	1	2	3	4
Marginal Cost (Rs)	40	30	35	39

3. From the following information given about a firm, calculate average cost and variable costs.

Input (units)	1	2	3
Total Cost (Rs)	20	26	39
Average Fixed Cost (Rs)	6	3	2

4. From the following data on the cost of production of a firm, calculate-
 - (i) Total Fixed Cost
 - (ii) Total Variable Cost
 - (iii) Average Fixed Cost
 - (iv) Average Variable Cost
 - (v) Marginal Cost

Output (units)	0	1	2	3	4	5	6
Total Cost (Rs)	60	80	100	111	116	130	150

5. From the cost of production of a firm, Calculate
 - (i) average fixed cost
 - (ii) average variable cost

Units of output	0	3	5
Total cost Rs.	50	80	120

6. From the following data on the cost of production of a firm, calculate
 - (i) Total fixed cost
 - (ii) Total variable cost
 - (iii) Marginal cost

Output (units)	0	1	2	3
Total Cost (Rs)	45	75	100	120