



ECONOMICS

BOOKS - FULL MARKS ECONOMICS (HINGLISH)

COST

Ncert Textbook Questions Solved

1. Briefly explain the concept of the cost function.

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2. What are total fixed cost, total variable cost and total cost of a firm?

How are they related?

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3. Draw TVC, TC, and TFC curves in a single diagram.

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4. What are the average fixed cost, average variable cost and average cost of a firm? How are they related?

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5. Can there be some fixed cost in the long run? If not, why?

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6. What does the average fixed cost curve look like? Why does it look so?

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7. How does AFC behave as output is increased?



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8. What is the behaviour of average fixed cost as output increases?



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9. What do the short run marginal cost, average variable cost and short run average cost curves look like?



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10. Why does SMC curve cut AVC curve at the minimum point of AVC curve?



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11. At which point does the SMC curve cut the SAC curve? Give reason in support of your answer.



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12. Why is the short run marginal cost curve U- Shaped?



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13. The following table shows the total cost schedule of a firm. What is the total fixed cost schedule of this firm? Calculate the TVC , AFC , AVC , SAC and SMC schedules of the firm.



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14. The following table gives the total cost schedule of a firm. It is also given that the average fixed cost at 4 units of output is Rs. 5. Find the TVC , TFC , AVC , AFC , SAC and SMC schedules of the firm for the corresponding values of output.



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15. A firm's SMC schedule is shown in the following table. The total fixed cost of the firm is 100. Find the TVC , TC , AVC and SAC schedules of the firm.



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16. Give the meaning of cost.



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17. What is meant by cost in economics?



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18. What does 'cost' mean in economics?



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19. Give two examples of fixed cost.



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20. Give two examples of variable costs.



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21. Why is average total cost greater than average variable cost?



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22. What is meant by total cost?



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23. Why are TC and TVC curves parallel to each other?



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24. How does the total fixed cost change when output changes?



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25. Give the meaning of marginal cost.



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26. How is MC related to TFC?

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27. How is TVC derived from MC schedule?

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28. What does the area under marginal cost curve show?

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29. Can AC be less than MC when AC is rising?

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30. When AC curve slopes downwards, what will be the position of MC curve?

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31. What happens to AC when MC is equal to AC?

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32. Can AC and AVC curves touch each other?

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33. Give two examples of explicit cost.

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34. Give two examples of implicit cost of a firm.



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35. What is the behaviour of Total Variable Cost, as output increases?



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36. If it is given that the total variable cost for producing 15 units of output is 3000 and for 16 units is 3,500. Find the value of Marginal Cost.



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37. Which cost increases continuously with the increase in production?

A. Average cost.

B. Marginal cost.

C. Fixed cost.

D. Variable cost

Answer: d



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38. Which one of the following cost curves is never 'U' shaped?

A. Average cost curve.

B. Marginal cost curve.

C. Average variable cost curve.

D. Average fixed cost curve.

Answer: d



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39. Total cost in the short run is classified into fixed costs and variable costs. Which one of the following is a variable cost?

- A. Cost of raw materials.
- B. Cost of equipment.
- C. Interest payment on past borrowings.
- D. Payment of rent on building.

Answer: a



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40. In the short run, when the output of a firm increases, its average fixed cost:

- A. increases.
- B. decreases.
- C. remains constant.

D. first declines and then rises.

Answer: b



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41. Which one of the following statements is correct?

- A. When the marginal cost is rising, the average cost must also be rising.
- B. When the average cost is rising, the marginal cost must be falling.
- C. When the average cost is rising, the marginal cost is above the average cost.
- D. When the average cost is falling, the marginal cost must be rising.

Answer: c



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42. Which one of the following statements is an example of "explicit cost"?

- A. The wages a proprietor could have made by working as an employee of a large firm.
- B. The income that could have been earned in alternative uses by the resources owned by the firm.
- C. The payment of wages by the firm.
- D. The normal profit earned by a firm.

Answer: c

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43. Which one of the following statements is an example of an "implicit cost"?

- A. Interest that could have been earned on retained earnings used by the firm to finance expansion.
- B. The payment of rent by the firm for the building in which it is housed.
- C. The interest payment made by the firm for funds borrowed from a bank.
- D. The payment of wages by the firm.

Answer: a



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44. Marginal cost is defined as:

- A. The change in total cost due to a one unit change in output.
- B. Total cost divided by output.
- C. The change in output due to a one unit change in an input.

D. Total product divided by the quantity of input.

Answer: a



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45. Which one of the following statements is true to the relationship between marginal cost function and average cost function?

- A. If MC is greater than ATC, ATC is falling.
- B. ATC curve intersects MC curve at minimum MC.
- C. MC curve intersects ATC curve at minimum ATC.
- D. If MC is less than ATC, ATC is increasing.

Answer: c



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46. Which one of the following statements is true to the relationship among the average cost functions?

A. $ATC = AFC - AVC$.

B. $AVC = AFC + ATC$.

C. $AFC = ATC + AVC$.

D. $AFC = ATC - AVC$.

Answer: d



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47. Which one of the following elements is not a determinant of the firm's cost function?

A. The production function.

B. The price of labour

C. Taxes.

D. The price of the firm's output.

Answer: d



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48. Which one of the following statements is correct concerning the relationships among the firm's cost functions?

A. $TC = TFC - TVC$.

B. $TVC = TFC - TC$.

C. $TFC = TC - TVC$.

D. $TC = TVC - TFC$.

Answer: c



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49. Suppose output increases in the short run, then the Total cost will:

- A. increase due to an increase in fixed costs only.
- B. increase due to an increase in variable costs only.
- C. increase due to an increase in both fixed and variable costs.
- D. decrease if the firm is in the region of diminishing returns.

Answer: b



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50. A firm's average fixed cost is 20 at 6 units of output. What will it be at 4 units of output?

- A. Rs. 60
- B. Rs. 30
- C. Rs. 40
- D. Rs. 20

Answer: b



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51. If marginal cost equals to average total cost,

- A. average total cost is falling
- B. average total cost is rising
- C. average total cost is maximized
- D. average total cost is minimized

Answer: d



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52. When marginal costs are below average total costs,

- A. average fixed costs are rising

- B. average total costs are falling
- C. average total costs are rising
- D. average total costs are minimized

Answer: b

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53. If the average cost is falling,

- A. marginal cost is rising
- B. marginal cost is falling
- C. marginal cost is equal to average cost
- D. it is impossible to tell if marginal cost is rising or falling

Answer: d

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54. The difference between average total cost and average variable cost:

- A. is constant
- B. is total fixed cost
- C. gets narrow as output decreases
- D. is the average fixed cost

Answer: d



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55. If the total cost curve is parallel to X-axis, marginal cost will:

- A. increase
- B. decrease
- C. zero
- D. None of these.

Answer: c



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56. The total cost at 5 units of output is Rs. 30. The fixed cost is Rs. 5. The average variable cost at 5 units of output is:

- A. Rs. 25
- B. Rs. 6
- C. Rs. 5
- D. Rs. 1

Answer: c



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57. Define total fixed cost (Supplement/ Indirect/overhead cost).



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58. Define fixed cost.



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59. What is meant by fixed (supplementary) costs of a firm? Give examples.



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60. What is meant by variable (prime) cost of a firm? Give examples.



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61. Explain the behaviour of average fixed cost using numerical example.



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62. Distinguish between variable cost and fixed cost. Give two examples of each.



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63. Why is AC curve U-shaped in short run?



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64. Why is AC curve U-shaped?



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65. An individual is both the owner and the manager of a shop taken on rent. Identify implicit cost and explicit cost from this information. Explain.



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66. State the distinction between explicit each. Explicit cost and implicit cost. Give an example of each.



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67. A producer starts a business by investing his own savings and hiring the labour. Identify implicit and explicit costs from this information. Explain.



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68. A farmer takes a farm on rent and carries on farming with the help of his family members. Identify explicit and implicit costs from this information. Explain.



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69. Explain the relationship between AC and MC with the help of a diagram.



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70. Define cost. State the relation between marginal cost and average variable cost.

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71. What is the behaviour of (a) Average Fixed Cost and (b) Average Variable Cost as more and more units of a good are produced?

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72. Can MC increase when AC falls?





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73. Find out the total fixed cost in the following:



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74. Find out the total variable cost in the following:



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75. Find out average fixed cost in the following:



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76. Find out average variable cost in the following:



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77. Find out the marginal cost in the following:



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78. Find out the average cost in the following:



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79. Calculate average variable cost and marginal cost from the following table.



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80. From the following data regarding cost of a firm, calculate (i) average fixed and (ii) average variable cost :



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81. From the following data of the cost of production of a firm, calculate (i) average fixed cost and (ii) average variable cost of producing 8 units:

Output	0	3	8
TC (Rs)	80	104	152



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82. From the following data on cost schedule of a firm, calculate (i) average fixed cost and (ii) average variable cost of producing 3 units of

output :



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83. Calculate marginal cost in the following schedule :



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84. AC schedule of a firm is given. Calculate the firm's MC for (i) 6 and (ii) 7 units.



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85. The fixed cost of a firm is Rs 120. Its marginal cost at different levels of output is given below. Calculate the total cost and average variable cost

at each output.



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86. Total fixed cost is Rs 90, complete the following table :



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87. The following table shows the marginal cost at different levels of output of a firm. Its total fixed cost is Rs 120. Find its average total cost and average variable cost at each levels of output.



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88. The following table shows the average variable cost at different levels of output by a firm. Its total fixed cost is Rs 60. Find its average total cost and marginal cost at each level of output.



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89. Given that the total fixed cost is Rs 60, complete the following table :



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90. Total fixed cost is Rs 90, complete the following table :



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91. Given below is the cost schedule of a firm. Its average fixed cost is Rs. 20 when it produces 3 units.



Calculate its marginal cost and average total cost and average total cost at each given level of output.

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

Output	Marginal cost
1	80
2	70
3	72
4	78

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93. A firm fixed average cost of producing 2 units of a good is Rs. 9 and its total cost schedule is given, below. Calculate average variable cost and

marginal cost for each of given level of output.



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94. Complete the following table :



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95. Given below is the cost schedule of a firm. Its total fixed cost is Rs 120.

Calculate the marginal cost and average variable cost at each level of output.



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96. Calculate TV and MC at each given level of output from the following table :



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97. Calculate TVC and total cost from the following cost schedule of a firm whose fixed cost is Rs 10.



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98. Calculate MC and TC from the following cost schedule of a firm whose total fixed cost is Rs. 15.



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99. Complete the following table :



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100. A firm's average fixed cost (AFC), when it produces 2 units, is Rs 30. Its ATC schedule is given below. Calculate its marginal cost and average variable cost at each level of output.



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101. Average cost falls only when marginal cost falls.



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102. The difference between average total cost and average variable cost is constant.



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103. As output is increased, the difference between average total cost and average variable cost falls and ultimately becomes zero.



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104. The difference between average total cost and average variable cost decreases with the decrease in the level of output.



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105. When marginal cost rises, average cost will also rise.



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106. Average variable cost can fall even when marginal cost is rising.

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107. The difference between total cost and total variable cost falls with the increase in output.

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108. Total Cost rises only when marginal cost rises.

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109. With the increase in level of output, average fixed cost goes on falling till it reaches zero.

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110. The total fixed cost of a firm is Rs 12. Given below is its marginal cost schedule.

Calculate total cost and average variable cost for each given level of output.



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111. Calculate TC and AVC of a firm at each given level of output from its cost schedule.



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112. Why does the difference between Average Total Cost and Average Variable Cost decrease with an increase in the level of output? Can these two be equal at some level of output? Explain.



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113. Why does difference between ATC and AVC decrease with increase in level of output? Explain.



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114. If a firm shuts down in the short run, will it have zero costs or not? Explain.



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115. Why is the TVC an inverse S-shaped curve?



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116. "MC can be calculated both from total cost and total variable cost and is not affected by total fixed cost". Discuss.



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117. What is the relationship between total variable cost and marginal cost? Explain.



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118. What is the relationship between marginal cost and fixed cost?



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119. Explain that area under marginal cost (MC) is total variable cost (TVC).



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120. Complete the following table



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121. Complete the following table :



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122. Complete the following table :



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123. Complete the following table :



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124. A firm is producing 20 units. At this level of output, ATC and AVC are respectively equal to Rs 40 and Rs 37. Find out TFC of this firm.



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125. Complete the following table if AFC of one unit of production is Rs 60.



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126. A firm's fixed cost is 2000. Compute TVC, AVC, TC and ATC form the following table.



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127. Suppose that a firm's TFC is Rs 100 and MC schedule of the firm is the following :



- (i) Is the MC curve U - shaped?
- (ii) Derive AVC schedule. Discuss why or why not?



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128. Complete the following table :



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129. In a situation of fall in the sale of ice cream, the ice cream producer would like to reduce the production. What factors of production fixed or variable will be reduced by him? Explain with reasons.



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130. Which one of the following is the fixed cost for a firm?

- (i) Rent paid in advance for 3 months.
- (ii) Hourly wage to be paid to labour every month.

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131. Comment on the following statement: "In the short run, a firm's total costs will be zero if the firm chooses to produce nothing".

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132. Show the behaviour of AC when AVC per unit of output is constant.

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133. Why does marginal cost eventually rise as output increases?

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134. What is the relationship between marginal product and marginal cost?



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135. Calculate:



AFC for 5 units of output is Rs. 2,000.

AVC for 4 units of output is Rs. 850.

TC rises by Rs. 1,240 when the 6th unit of output is produced.

AC for 5 units of output is Rs. 2,880.

It costs Rs. 1,000 more to produce 1 unit of output than to produce nothing.

TC for 8 units of output is Rs. 19,040.

TVC increases by Rs. 1,535 when the seventh unit of output is produced.

AFC plus AVC for 3 units of output is Rs. 4,135.

AC falls by Rs.5,100 when output rises from 1 to 2 units.

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136. Calculate Total Variable Cost, Total Fixed Cost, Total Cost, Average Fixed Cost, Average Variable Cost, Average Total Cost.

(i) Rent	10,000
(ii) Number of workers employed	50
(iii) Salary paid to each worker	200
(iv) Interest on capital	5,000
(v) Raw material purchased	6,000
(vi) Total quantity produced	100
(vii) Insurance premium paid	1,500

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137. Find out (a) explicit cost and (b) implicit cost from the following data:

	(Rs Tho
Investment in fixed assets	2000
Borrowings at 12% interest per annum.	1500
Wages paid durig the year	120
Annual rental value of the owner's factory building	100
Estimated annual value of the management services of the owner	240

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