ECONOMICS

BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

COST

Example

1. Calculate Total Fixed Coast (TFC) and Total Variable Cost (TVC).

Output (units)	0	1	2	3	4
TC (₹)	80	102	122	140	156

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2. The total cost curve make an intercept of ₹$50cm$ on the Y-axis. Calculate total fixed cost and total variable cost.

Output (units)	1	2	3	4
TC (₹)	65	90	120	160

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3. The details about total variable cost (TVC) of a firm is given. It is also given that the vertical distance between TVC curve and total cost (TC) curve is fixed at ₹60 at all levels of output. On the basis of this data, calculate TC.

Output (units)	0	1	2	3	4	5	6
TVC (₹)	0	30	40	45	55	75	120

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4. Find out the missing figure from the given below :

Output (units)	0	1	2	3	4	5	6
TC (₹)	—	—	100	—	—	130	150
TFC (₹)	—	—	—	—	60	—	—
TVC (₹)	—	20	—	51	56	—	—

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5. Calculate total variable cost and marginal cost at each given level of output from the following table :

Output (units)	0	1	2	3	4
Total Cost (₹)	50	80	108	136	166

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6. Calculate TFC, TVC, ATC, AFC, AVC and MC :

Output (units)	0	1	2	3	4	5	6
TC (₹)	60	80	100	111	116	130	150

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7. From the following data, detemine the values of TFC, TVC, AC, AVC and AFC :

Output (units)	0	1	2	3	4	5	6
TC (₹)	400	550	660	790	940	1150	1460

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8. Following information is given about a firm :

Output (units)	0	1	2	3	4	5	6
Total Cost (₹)	150	300	420	600	790	1,000	1,260

From this information find out :

(i) Average fixed cost of producing 4 units,

(ii) Average variable cost of producing 5 units,

(iii) Least average cost level of output,

(iv) Marginal cost of producing the 3^{rd} unit,

(v) Total variable cost of producing 6 unit.

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9. A firm's fixed cost is ₹2, 000. Compute TVC, AVC, TC and ATC from the following table :

Output (units)	1	2	3	4	5	6	7
MC (₹)	2,000	1,500	1,200	1,500	2,000	2,700	3,500

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

Output (units)	1	2	3
Average variable cost (₹)	30	28	32

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

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11. Determine AC and MC.

Output (units)	0	1	2	3	4	5	6
TC (₹)	50	70	85	110	150	195	240

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12. Find AVC and MC at each given level of output.

Output (units)	0	1	2	3
TC (₹)	60	100	130	150

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

Output (units)	1	2	3	4
MC (₹)	40	30	35	39

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14. The fixed costs of a firm are ₹60 . Its marginal cost at different levels of output is given below. Calculate ATC and AVC.

Output (units)	1	2	3	4
Marginal Cost (₹)	30	26	28	32

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15. Given the total fixed cost is ₹60, complete the following table,

Output (Units)	AVC (₹)	TC (₹)	MC (₹)
1	20	—	—
2	15	—	—
3	20	—	—

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16. Calculate the values of AC and MC.

Output (in units)	3	4	5	6	7
TC (₹)	35	60	100	145	210

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17. Calculate AC and MC for each level of output.

Output (in units)	6	5	4	3	2
TC (₹)	120	75	55	45	40

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18. Calculate 'total vaiable cost' and 'total cost' from the following cost schedule of a firm whose fixed cost are ₹10.

Output (units)	1	2	3	4
MC (₹)	6	5	4	6

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19. The total fixed cost of a firm is ₹12. Given below is its marginal cost schedule.

Calculate total cost and average variable cost

for each given level of output.

Output (in units)	1	2	3	4	5	6
MC (₹)	9	7	2	4	8	12

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20. A firm's Average Fixed Cost of producing 2 units of a good is ₹9 and given below is its total cost schedule. Calculate its Average Variable Cost and Marginal Cost for each of the given level of output :

Output (units)	1	2	3
TC (₹)	23	27	30

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21. Complete the following table :

Output (units)	1	—	3	—
TVC (₹)	10	—	27	—
AVC (₹)	—	8	—	10
MC (₹)	—	6	—	13

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22. Find out the missing figure from the table given below :

Output (in units)	1	2	3	4	5	6
TC (₹)	—	100	—	—	—	—
AC (₹)	—	—	—	—	27	—
MC (₹)	30	—	5	10	—	45

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23. Complete the following table :

Output (Units)	Average Variable Cost (₹)	Total Cost (₹)	Marginal Cost (₹)
1	—	60	20
2	18	—	—
3	—	—	18
4	20	120	—
5	22	—	—

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24. Suppose that a firm's total fixed cost is ₹100, and the marginal cost schedule of a firm the following :

Output (in Units)	Marginal Cost (₹)
1	10
2	20
3	30
4	40
5	50
6	60
7	70

(a) Is the MC cirve U-shaped ?

(b) Derive the AVC schedule . Will the AVC curve be U-shaped ? Discuss why or why not.

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25. Calculate the weekly TC and AVC from the following particlars:

Particulars	
Number of workers employed	50
Number of units produced per week	100
Weekly wage of each worker	₹ 200
Weekly rent of shed	₹ 400
Raw materials used	₹ 1,600
Power	₹ 300

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26. A firm is producing 20 units. At this level of output, ATC and AVC are respectively equal to ₹40 and ₹37. Find out the total fixed cost of the firm.

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27. TC rises from ₹30 to ₹55 when the output increases from 5 units to 6 units. Find out the MC of 6^{th} unit.

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28. The total cost of producing 9 units of output is ₹85. If average total cost of producing 10 units is ₹10, then what will be the marginal cost of producing this level of output ?

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29. The AC of 5 units is ₹6 and AC of producing 6 units is ₹5. Calculate the MC of 6^{th} unit.

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30. When output increases from 40 units to 55 units, TC increases from ₹$2,500$ to ₹$3,250$. Calculate MC.

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31. The total cost of a firm increased by ₹450, when production increased from 12 units of 15 units, Calculate marginal cost of the firm.

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Hots Higher Order Thingking

1. "The gap between AC and AVC keeps on decreasing with rise in output, but they never

meet each other". Comment.

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2. Why does the minimum point of AV curve fall towards right of AVC curve ?

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3. "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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4. Calculated TFC, it AC and AVC are ₹22 and ₹18 respectively, at output of 10 units.

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5. Classify the following as fixed cost and variable cost :

(i) Salary to manager of the company.

(ii) Wages to casual labour.

(iii) Payment of insurance premium for insurance of factory.

(iv) Payment for raw material.

(v) Payment of rent of Postpaid connection of Mobile Phone.

(vi) Interest on lone taken from ICICl.

(vii) Electicity charges beyond the minimum rent.

(viii) Payment of rent of the factory builing to the landlord.

(ix) Commission to production manager on the basis of number of units produced.

(x) Payment of fuel used in machines.

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6. Answer the following question:

(i) Why does AFC curve never touch the X-axis ?

(ii) Why does TVC curve start from origin?

(iii) Why AC, AVC and MC curves are U-shaped ?

(iv) Why are the gap between TC curve and TVC curve remains constant with rise in output ?

(v) Why does AC curve lie above the AVC curve ?

(vi) Why does TC curve and TFC curve start from the same point above the origin?

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7. The two inversely S-shaped short run cost curve are parallel to each other and maintain a constant distance of ₹50. What cost is indicated by ₹50 ? Also , Identify the two inversely S-shaped short run cost curves.

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8. On the basis of given diagram, answer the following question:

(i) Identify the three short-run cost curves.

(ii) Why all the three curves are U-shaped ?

(iii) Why does the distance between curve A and curve B fall with rise in output ? Will they coincide at any level of output?

(iv) Why does the minimum point of curve A lie to the right of minimum point of curve B.

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9. Identify cost and explicity cost in each of the individual cases.

(i) An individual is both the owner and the manager of a shop taken on rent.

(ii) A producer borrows money and opens a shop. The shop premise is owned by him.

(iii) A producer invests his own savings in starting a business and employs a manager to look after it.

(iv) A farmer takes a farm on rent and carries on farming with the help of family members.

(v) A producer borrows money and starts a

business. He himself looks after the business.

(vi) A woman borrows money from a bank and starts a business in a building owned by her. She manages the business herself.

(vii) A charatered accountant starts accounting services in the office owned by him and by investing his own savings. He employs assistance for this purpose.

(viii) A person starts a taxi service. The taxi is financed by a bank. He himself drives the taxi. He also pays annual license fees to goverment.

(ix) A person starts a goods transport business. He purchases a goods carrier using

partly this own savings and partly borrows money. He drives the carrier himself.

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

Particulars		*(₹ in Thousand)*
(i)	Investment in fixed assets	2,000
(ii)	Borrowings at 12% interest per annum	1,500
(iii)	Wages paid during the year	120
(iv)	Annual rental value of the owner's factory building	100
(v)	Annual depreciation	100
(vi)	Estimated annual value of the management services of owner	240

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11. Dr. Vivek Aggarwal is running a dental clinic at his home. He his invested ₹$2,00,000$ as capital and has also borrowed ₹$1,00,000$ from Axis Bank at an interest rate of 9% p.a. He has also hired an assistant a monthly salary of ₹$12,000$. The estimated monthly rental of his clinic is ₹$25,000$. Calculate the annual implicit and explicity cost if imputed annual value of services of Dr. Vivek Aggarwal is ₹$4,00,000$.

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True And False

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

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

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3. Average cost can rise even when marginal cost is falling.

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4. If a machinary has no possible alternative use, its opportunity cost will be very high.

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5. Average variable cost falls when it is more than marginal cost.

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6. The minimum point of average cost curve lies of the right of average variable cost curve.

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7. Average cost and average variable cost curve coincides when average fixed cost is zero.

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8. Total fixed remains same even if output is zero.

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9. Total fixed cost is more than total variable cost at zero level of output.

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10. Total fixed cost curve is a vertical straight line, parallel to Y-axis.

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11. Total cost can be obtained as summation of marginal costs.

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12. Total cost of production is the sum total of variable cost and marginal cost.

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13. If 10 unit cost ₹36 to produce and 12 units cost ₹50, then marginal cost is equal to ₹14.

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14. Average variable cost curve is a U-shaped curve.

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15. Marginal cost is not affected by total fixed cost.

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16. AFC curve is a rectangular hyperbola curve.

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17. Both total cost and total fixed cost curve start from the same point.

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18. Marginal cost changes at a rate faster than average cost.

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19. When we consider costs in economics, we include explicit cost only.

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20. Average cost falls only when marginal cost falls.

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21. Total cost can never be constant.

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22. Costs that have been already incurred are important factors in making production decisions.

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23. As output is increased, the difference between average total cost and average fixed cost, which never becomes zero as total fixed cost is never zero.

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24. The marginal cost curve can intersect the average cost curve ony at its minimum point.

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25. The difference between average total cost and average variable cost is average fixed cost, which never becomes zero as total cost

decreases with decrease with decrease in the level of output.

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26. Explicit cost includes opportunity cost of resources owned and used by the firm's owners.

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27. When marginal cost rises, average cost also rises.

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28. MC is minimum at point where TC start increasing at an increasing rate.

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29. As soon as marginal cost starts rising, average variable cost also starts rising.

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30. Average cost must exceed marginal cost at the point when average cost is minimum.

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31. Insurance permium on factory building paid to Oriental insurance is a fixed cost.

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32. Average fixed cost curve touches the Y-axis because at zero output, average fixed cost is zero.

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33. The MC curve may be rising or failing just before it becomes equal to AVC and ATC curves.

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34. All per unit cost curves (i.e., AVC and AFC curves) are U-shaped.

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35. With increase in level to output, average fixed cost goes on failling till reaches zero.

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36. Total cost rises only when marginal cost rises.

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37. Average cost will rise only when marginal cost rises.

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38. The difference between average cost and average variable cost is always constant .

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39. As output increase the difference between average cost and average variable cost decreases.

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Guidelines

1. Briefly explain the concept of the cost function.

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

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

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

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5. What does the averge fixed cost curve look like ? Why does it look so ?

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6. What do the short run marginal cost (SMC), average variable cost and short run average cost (SAC) curves look like ?

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

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

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9. Why is the short run marginal cost curve 'U'-shaped?

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10. The following table shows the total sechedule of a firm. What is the total fixed cost schedule of the firm? Calculate the TVC, AFC, AVC, SAC (Short-run Average Cost or AC) and SMC (Short-run Marginal Cost or MC) schedules of the firm.

Output (units)	0	1	2	3	4	5	6
TC (₹)	10	30	45	55	70	90	120

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

Output (units)	1	2	3	4	5	6
TC (₹)	50	65	75	95	130	185

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12. 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.

Output (units)	0	1	2	3	4	5	6
SMC (₹)	—	500	300	200	300	500	800

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Multiple Choice Qns

1. Identify the two cost curves which start from the same point on the Y-axis :

A. TVC and TFC

B. TFC and AVC

C. TFC and TC

D. TFC and AFC

Answer: C

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2. "Salary of Permanent staff" is which type of cost ?

A. Variable and implicit Cost

B. Fixed and implicit Cost

C. Fixed and Explicit Cost

D. Variable and Explicit Cost

Answer: C

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3. The cost curve, which is inversely S-shaped is:

A. Average Cost Curve

B. Total Fixed Cost Curve

C. Total Variable Cost Curve

D. Marginal Cost Curve

Answer: C

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4. Which cure is not affected by fixed cost ?

A. MC Curve

B. TC Curve

C. AC Curve

D. AFC Curve

Answer: A

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5. The cost schedule of a firm is given as :

Output (units)	1	2	3	4
Marginal Cost (₹)	70	60	62	72

In the given case, average variable cost at 3^{rd} level of output will be :

A. 70

B. 66

C. 65

D. 64

Answer: D

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6. Marginal cost refers to addition to the total cost when one more unit of output is _____,

A. Wasted

B. Produced

C. Employed

D. Sold

Answer: B

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7. MC can be direct derived from :

A. TFC

B. TVC

C. AC

D. AFC

Answer: B

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8. Average fixed costs:

A. Remain same at all levels of output

B. Increase as output increases

C. Decreases as output increases

D. Initially increases and then decreases

Answer: C

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9. All the curves except_____ are U shaped curves :

A. Average Fixed Cost Curve

B. Average Variable Cost Curve

C. Average Cost Curve

D. Marginal Cost Curve

Answer: A

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10. Cost schedule is given as :

Output (in units)	6	5	4	3	2
Total Cost (₹)	120	75	55	45	40

In the given case, marginal cost at 4th level of output will be :

A. 10

B. 5

C. 45

D. 20

Answer: A

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11. Area under MC Curve is equal to :

A. TVC

B. AFC

C. AVC

D. AC

Answer: A

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12. Which formula is incorrect to determine the value of TC :

A. $TC = TVC + TFC$

B. $TC = \sum MC$

C. $TC = AC \times \text{Output}$

D. $TC = \sum MC + TFC$

Answer: B

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13. The cost schedule of a firm, whose total fixed cost is ₹12, is given as :

Output (units)	1	2	3	4	5	6
Marginal Cost (₹)	9	7	2	4	8	12

In the given case, total cost at 2^{nd} level of output will be :

A. 16

B. 28

C. 9

D. 7

Answer: B

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14. Normal profits earned by a firm are included will be :

A. Implicit cost

B. Explicit cost

C. Fixed cost

D. Variable cost

Answer: A

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15. The shape of total fixed cost curve is :

A. U-shaped

B. Downward sloping

C. Inversely S-Shaped

D. Horizontal straight line parallel to x-axis

Answer: D

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16. Cost function is a _____ concept:

A. Economical

B. Functional

C. Financial

D. Technical

Answer: B

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17. Nishant, Tavieen and Manas are confused with the formula for deriving TC:

• Nishant says: $TC = TVC + TFC$

• Tavleen says: $TC = AC \times \text{Output}$

• Manas says: $TC = \sum MC + TFC$

Identify who amongst them is correct.

A. Nishant

B. Manas

C. Tavleen

D. All of them

Answer: D

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18. TFC is ₹20 at 2^{nd} unit of output and MC at 3^{rd} unit is ₹5. TFC at 3^{rd} unit of output will be :

A. ₹15

B. ₹20

C. ₹25

D. ₹5

Answer: B

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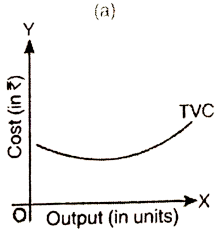
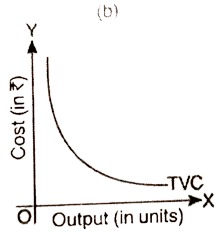
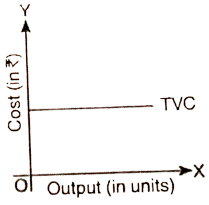
19. Which diagram correctly depicts total variable cost curve :

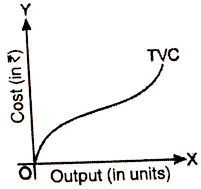
A.



B.



C. 

D. 

Answer: D

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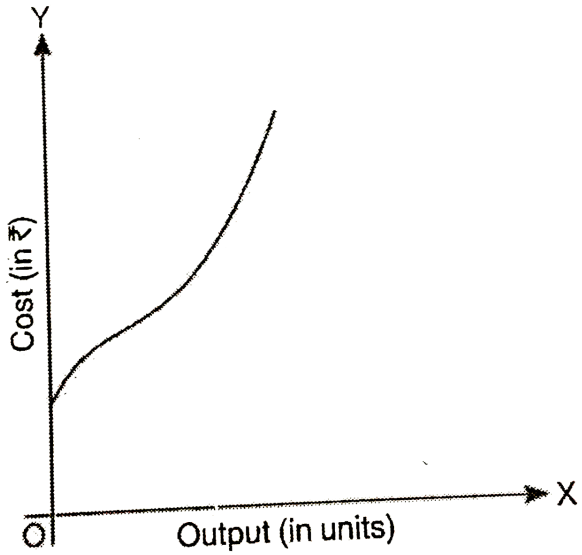
20. The curve in the following diagram is the most similar to a typical ,



A. Total Variable Cost Curve

B. Marginal Cost Curve

C. Total Cost Curve

D. Average Variable Cost Curve

Answer: C

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21. MC curve intersects AC curve at its _____ point and AVC curve at its _____ point.

A. Maximum, Minimum

B. Minimum, Minimum

C. Minimum, Maximum

D. None of these

Answer: B

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22. AC, AVC and MC curves are 'U' shaped because of :

A. Law of Diminishing Marginal Utility

B. Law of Diminishing Returns

C. Law of Variable Proportions

D. None of these

Answer: C

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23. Which two curves are intersected by MC curve at their minimum points:

A. AC and AVC

B. AVC and AFC

C. AC and AFC

D. AC and TVC

Answer: A

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24. Minimum point of MC curve comes before the minimum point of :

A. AC Curve

B. AVC Curve

C. Both (a) and (b)

D. Neither (a) nor (b)

Answer: C

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25. AVC can fall even when MC is rising, provided :

A. $MC < AVC$

B. $MC > AVC$

C. $MC = AVC$

D. None of these

Answer: A

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26. Which condition is incorrect :

A. AC can rise when MC is falling

B. AC can fall when MC is rising

C. AVC can fall when MC is rising

D. AC can rise when MC is rising

Answer: A

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27. Ishaan, Piyush and Bhavya are three friends talking about the relationship between marginal cost (MC) and average cost (AC).

• Ishaan says, "Mc curve intersects AC curve from abvoe".

• Bhavya says, "MC curve does not intersect AC curve at all".

• Piyush says, "MC curve intersects AC curve from below".

Out of the three , Who is correct ?

A. Piyush

B. Ishaan

C. Bhavya

D. All of them

Answer: A

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28. Which one of the following is also known as fixed cost ?

A. Supplementary Cost

B. Primary Cost

C. Direct Cost

D. Avoidable Cost

Answer: A

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29. The cost which is never zero even when production is stopped is known as :

A. Supplementry Cost

B. Primary Cost

C. Explicit cost

D. Avoidable Cost

Answer: A

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30. AC is obtained by dividing TC by the level of :

A. Labour employed

B. Output produced

C. Units consumed

D. Output sold

Answer: B

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31. when change in total cost is divided by change in output, we get :

A. Average cost

B. Total variable cost

C. Marginal cost

D. Average variable cost

Answer: C

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32. Which of the following cost curves is rectangular hyperbola ?

A. Average cost curve

B. Marginal cost curve

C. Average variable cost curve

D. Average fixed cost curve

Answer: D

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33. When AC is rising MC is :

A. Equal to AC

B. More than AC

C. Less than AC

D. Constant

Answer: B

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34. Minimum point of AC occurs to the right of minimum point of :

A. TC

B. TVC

C. AFC

D. AVC

Answer: D

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35. MC curve is common to both :

A. AFC and TFC

B. AC and AVC

C. AVC and AFC

D. AC and AFC

Answer: B

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36. In the short run, total cost curve starts from:

A. Origin

B. Positive vertical intercept

C. Positive horizontal intercept

D. None of these

Answer: B

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37. Identify the correct mathematical expression.

A. $TC = TFC - TVC$

B. $TVC = TFC - TC$

C. $TFC = TC - TVC$

D. $TC = TVC - TFC$

Answer: C

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38. AFC curve :

A. Touches the X-axis

B. Touches the Y-axis

C. Touches both X-axis and Y-axis

D. Does not touch either of the axes

Answer: D

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39. As output arises:

A. AVC curve and AC curve move away from each other

B. AVC curve and AC curve come closer and closer to each other

C. AVC curve and AC curve meet afte sometime

D. AVC curve and AC curve come closer and closer to each other, but do not meet

Answer: D

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40. A firm producing 6 units of output has average total cost ₹150 and has to pay ₹240 to its fixed factors of production. In the given

case, average variable cost at 6 units of output will be :

A. ₹150

B. ₹900

C. ₹110

D. ₹1, 440

Answer: C

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41. Which cost increases continuously with increase in production ?

A. Average cost

B. Marginal cost

C. Variable cost

D. Fixed cost

Answer: C

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42. Which of the following is true with respect to relationship between AC and MC?

A. When $MC > AC$, AC falls

B. AC curve intesects MC curve at minimum MC

C. MC curve intersects AC curve at minimum AC

D. When MC lt AC, ATC` rises

Answer: C

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43. A firm is has variable cost ₹$1,000$ at five units of output. If fixed costs are ₹400, what will be the average total cost at five units of output ?

A. ₹280

B. ₹80

C. ₹200

D. ₹1400

Answer: A

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44. Which is the following is a variable cost for a firm ?

A. Intersect on loan

B. Monthly rent

C. Insurance premium

D. Wages to employes

Answer: D

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45. A firm's average fixed cost (AFC) is ₹20 at six units of output. What will be AFC at four units of output ?

A. ₹20

B. ₹30

C. ₹40

D. ₹50

Answer: B

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46. Which of the following statement is true ?

A. $ATC = AFC - AVC$

B. $AVC = AFC + ATC$

C. $AFC = ATC + AVC$

D. $AFC = ATC - AVC$

Answer: D

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47. _____ cost refers to actual payment made by the entreneur to the providers of factor services.

A. Explicit

B. Implicit

C. Variable

D. Fixed

Answer: A

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48. The distinction drawan between fixed and variable costs is based on :

A. Whether the costs or cannot be changed during the life of the plant

B. Whether the costs do or do not vary with the output produced in the long run

C. Whether the costs do not enter the calculation of total costs

D. Whether the costs do or do not vary with the output produced in the short run

Answer: D

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49. Which of the following is an example of "Implicit cost" ?

A. Interest that could have been earned on retained earnings used by the firm to finance expansion

B. Payment of Rent by the Firm

C. Interest Payment made by the firm for funds borrowed from a Bank

D. Payment of Wages by the Firm

Answer: A

View Text Solution

50. If a resource can be put only to particular use, then opportunity cost is :

A. Applicable and quantifiable

B. Applicable but not quantifiable

C. Not applicable at all

D. None of these

Answer: C

View Text Solution

51. If a Firm produces zero output in the short period, then :

A. Total Cost will be zero

B. Variable Cost will be positive

C. Fixed Cost will be positive

D. Marginal Cost will be positive

Answer: C

View Text Solution

52. With which of the following, the concept of marginal cost is closely related ?

A. Variable Cost

B. Fixed Cost

C. Opportunity Cost

D. Implicit cost

Answer: A

View Text Solution

53. Initially, even when there is an increase in AVC, AC may still decline because :

A. Fall in $AFC <$ Rise in AVC

B. Fall in $AFC >$ Rise in AVC

C. Fall in $AFC =$ Rise in AVC

D. None of these

Answer: B

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54. MC Curve cuts the AVC and ATC Curves :

A. From Above

B. From below

C. Either (a) and (b)

D. Neither (a) nor (b)

Answer: B

View Text Solution

55. The total cost at 5 units of output is ₹30. The fixed cost is ₹5. The average variable cost 5 units of output is :

A. ₹25

B. ₹6

C. ₹5

D. ₹1

Answer: C

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56. The average fixed cost at 4 units of output is ₹20. Average variable cost at 5 units of output is ₹40. Average cost of producing 5 units is : (Choose the correct alternative)

A. ₹20

B. ₹40

C. ₹56

D. ₹60

Answer: C

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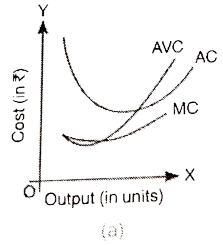
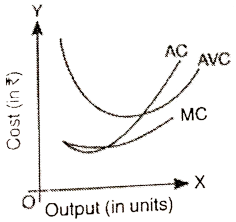
57. The realtionship between AC, AVC and MC is rightly shown by :

A.



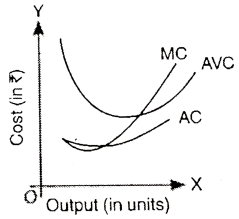
(a)

B.

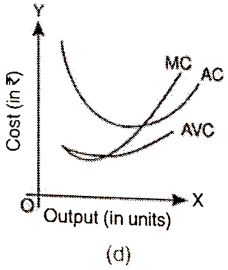


(b)

C.



(c)



(d)

D.

Answer: D

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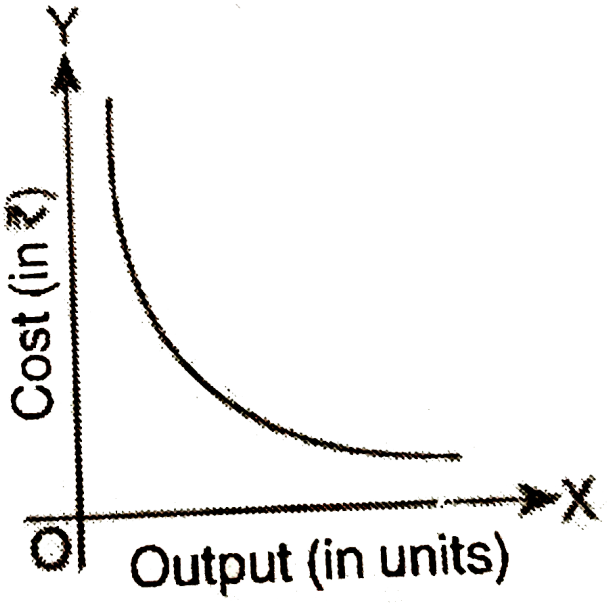
58. Identify the following curve :



A. Average Variable Cost Curve

B. Total Variable Cost Curve

C. Average Fixed Cost Curve

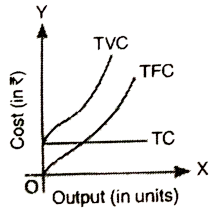
D. Average Cost Curve

Answer: C

Watch Video Solution

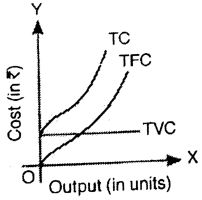
59. Which of the following diagram correctly depicts the relationship between TC, TFC and TVC ?

A.



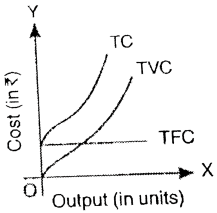
(a)

B.



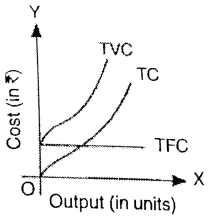
(b)

C.



(c)

D.



(d)

Answer: C

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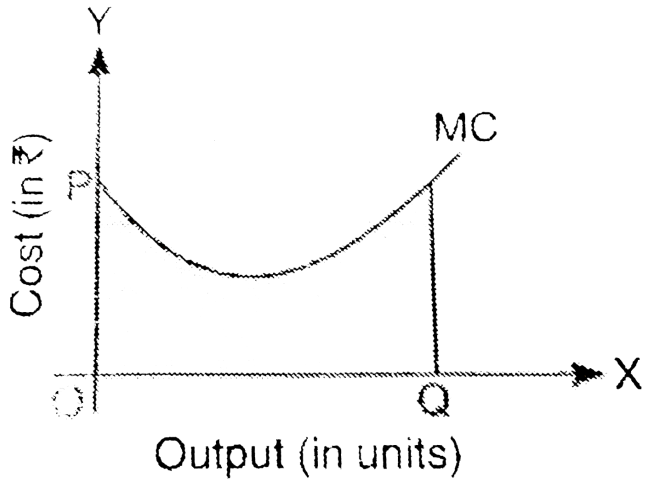
60. The area under the following curve is equal to :



A. Total Cost

B. Average Cost

C. Average Variable Cost

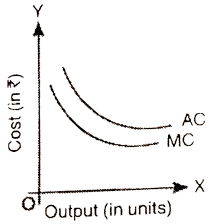
D. Total Variable Cost

Answer: D

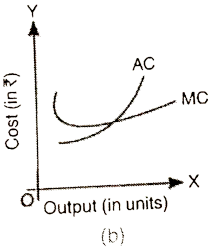
Watch Video Solution

61. Which of the following diagram correctly depicts the ralation between AC and MC ?

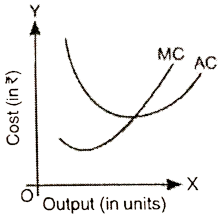
A.



B.

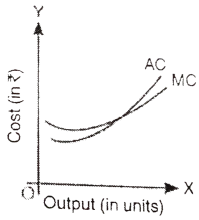


C.



(c)

D.



(d)

Answer: C

Watch Video Solution

62. When $AC > MC$, then MC can:

A. Fall

B. Rise

C. Both (a) and (b)

D. None of these

Answer: C

View Text Solution

63. Out of the following costs, which cost can never be zero :

A. AFC

B. AVC

C. TVC

D. None of these

Answer: A

View Text Solution

64. If a firm's production department data says that the TVC for producing 8 units and 10

units of output is ₹$2,500$ and ₹$3,000$ respectively, marginal cost of 10^{th} unit will be :

A. ₹100

B. ₹150

C. ₹500

D. ₹250

Answer: D

Watch Video Solution

65. When average cost falls, marginal cost: (Choose the correct alternative)

A. Falls

B. Rises

C. May fall or may rise

D. Neither falls nor rises

Answer: C

View Text Solution

Very Short Answer Type

1. Give the meaning of cost.

View Text Solution

2. What is meant by explicit cost ?

View Text Solution

3. What is the meaning of implicit cost ?

View Text Solution

4. Give the meaning of opportunity cost.

View Text Solution

5. What are the 2 broad divisions of short run costs ?

View Text Solution

6. Define fixed costs.

OR

What is meant by supplementary costs ?

View Text Solution

7. Define variable coasts .

OR

What is the meaning of prime costs ?

View Text Solution

8. What is the meant by total cost ?

View Text Solution

9. Why are TC and TVC curves parallel each other ?

View Text Solution

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

View Text Solution

11. How is average fixed cost curve shaped ?

View Text Solution

12. Why does average fixed cost curve shaped ?

View Text Solution

13. What is mean by average variable cost ?

View Text Solution

14. What is the shape of average variable cost curve ?

View Text Solution

15. Give the meaning of marginal cost ?

View Text Solution

16. How is MC related to TFC ?

View Text Solution

17. How is TVC derived from MC schedule ?

View Text Solution

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

View Text Solution

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

View Text Solution

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

View Text Solution

21. Can AC and AVC curves touch each other ?

View Text Solution

22. A producer spent a sum of ₹$12,000$ towards the fixed inputs to produce 200 units of commodity X. What will be the total fixed if the producer wants to produe 300 units ?

Watch Video Solution

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

View Text Solution

24. What is the behaviour of Total Variable Cost as output increase ?

View Text Solution

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

View Text Solution

26. Give two examples of fixed costs.

View Text Solution

27. Give two examples of variable costs.

View Text Solution

28. Give an example each of fixed cost and variable cost.

View Text Solution

29. Give two example of implicit cost.

View Text Solution

30. What is the relation between marginal cost and average variable cost when marginal cost is rising and average variable cost in falling ?

View Text Solution

31. What is the relation between marginal cost and average cost when average cost in constant is constant ?

View Text Solution

32. What is the relation between marginal cost and average cost when average cost is rising ?

View Text Solution

33. What is the relation between Average Variable Cost and Average Total Cost, If Total Fixed Cost is zero ?

View Text Solution

34. What happens to the difference between Average Total Cost and Average Variable Cost as production is increased ?

View Text Solution

35. What happens to the difference between Total Cost and Total Variable Cost as output is increased ?

View Text Solution

36. A producer borrows money to run a business but manages the business himself. Identify implicit cost.

View Text Solution

37. A farmer inverts his own saving in doing farmings, but hires labour to do work. Identify implicit cost.

View Text Solution

38. If it is given that the total variable cost for producing 15 units of output is ₹$3,000$ and for 16 units is $3,500$. Find the value of Marginal Cost.

Watch Video Solution

39. An owner withdraws ₹$10,000$ from his personal bank account and puchaes a machinery for the business. Identify the explicit cost and implicit cost.

View Text Solution

40. Why average cost falls upto a greater output level as compared to average variable cost ?

View Text Solution

41. At what level of production is total cost equal to total fixed cost ?

View Text Solution

Short Answer

1. Giving examples, explain the meaning of cost in economics.

View Text Solution

2. Explain, in brieef, the meaning of opportunity cost.

View Text Solution

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

View Text Solution

4. What is the meaning of fixed cost? Draw a fixed cost curve with the help of an imaginary schedule. Also, give two examples of fixd cost.

Watch Video Solution

5. Explain, in brief, the meaning of variable cost with the help of a hypothetical schedule and diagram.

Watch Video Solution

6. Distinguish between fixed costs and variable costs. Give two examples of each.

View Text Solution

7. Define average variable cost (AFC) ? Discuss the shape of AFC curve with the help of a schedule and a diagram.

Watch Video Solution

8. What is meant by averge variable cost (AVC) ? Why is AVC curve U-shaped ?

View Text Solution

9. Explain the concept of marginal cost with the help of a hypothetical schedule and diagram.

Watch Video Solution

10. Why does the vertical distance between AC curve and AVC curve gradually decline ?

View Text Solution

11. What is the relationship between marginal cost and average variable cost ?

View Text Solution

12. Explain the relation between marginal cost and average cost.

View Text Solution

13. Draw average total cost, average variable cost and marginal cost curves in a single diagram. Also, explain the relationship between ATC and AVC.

View Text Solution

14. State the relation between total cost and marginal cost.

View Text Solution

15. Discuss the relationship between TVC and MC.

OR

Draw a diagram showing TVC in terms of the area under MC curve.

View Text Solution

16. State the behaviour of Total Variable Cost. Draw Total Variable Cost, Total Cast and Total Fixed Cost Curves in a single diagram.

View Text Solution

17. Explain the behaviour of Average Fixed Cost. Use diagram.

View Text Solution

18. What is the behaviour of average fixed cost as output is increased ? Why is it so ?

View Text Solution

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

View Text Solution

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

View Text Solution

21. Explain the distinction between "change in quantity supplied" and "change in supply". Use diagram.

View Text Solution

22. Define cost. State the behaviour of : (a) Total Fixed Cost and (b) Total Variable Cost as output is increased ?

View Text Solution

23. Justify the statement, 'in economics, normal profits are always a part of total cost'.

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Long Answer Type

1. Explain, in brief, the various points of difference between fixed cost and variable cost.

View Text Solution

2. Explain the relationship between average variable cost and marginal cost with the help of a diagram.

View Text Solution

3. Draw Average Variable Cost (AVC), Average Total Cost (ATC) and Marginal Cost (MC)curves in a single diagram. State the relation between MC curve and AVC & ATC curves.

Watch Video Solution

4. Explain the relationship between TC, TVC and TFC with the help of a hypothetical schedule and diagram.

Watch Video Solution

5. 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.

Watch Video Solution

6. State the relationship between : (a) Marginal cost and average variable cost : (b) Total cost and marginal cost.

Watch Video Solution

Unsolved Practicals

1. Calculate Total Fixed Cost (TFC) and Total Variable Cost (TVC) .

Output (units)	0	1	2	3	4	5
TC (₹)	40	100	120	130	150	190

Watch Video Solution

2. Find TFC and TVC .

Output (units)	0	1	2	3	4	5	6	7
TC (₹)	50	70	85	110	150	195	240	280

Watch Video Solution

3. Determine TFC and TVC from the following particulars :

Output (units)	0	1	2
TC (₹)	100	120	130

Watch Video Solution

4. Estimate total cost, given that TFC at 0 level of output is ₹60.

Output (units)	0	1	2	3	4	5
TVC (₹)	0	16	22	29	42	48

Watch Video Solution

5. Complete the following table:

Units of Output	TC (₹)	TFC (₹)	TVC (₹)	MC (₹)
0	100	—	—	—
1	120	—	—	—
2	130	—	—	—

Watch Video Solution

6. Given the fixed costs is ₹30, calculate : (a) Marginal Cost and (b) Total Cost from the following :

Output (units)	0	1	2	3
Total Variable Cost (₹)	0	20	50	100

Watch Video Solution

7. The table given below shows the total cost of a firm at different levels of output. Calculate marginal cost and average variable cost at each level of output.

Output (units)	0	1	2	3	4
Total Cost (₹)	100	160	212	280	356

Watch Video Solution

8. Calculate total variable cost and marginal cost at each given level of output from the

following table:

Output (units)	0	1	2	3	4
Total Cost (₹)	40	60	78	97	124

Watch Video Solution

9. Calculate TFC, TVC, AFC, AVC and MC.

Output (units)	0	1	2	3	4	5	6
TC (₹)	120	150	170	186	200	220	270

Watch Video Solution

10. Calculate TVC and AVC from the following table :

Output (units)	0	1	2	3
TC (₹)	50	150	230	290

Watch Video Solution

11. Calculate TFC, TVC, AVC, AFC, AC and MC.

Output (units)	0	1	2	3	4	5	6
TC (₹)	40	80	110	126	128	135	180

Watch Video Solution

12. Given the fixed costs is ₹20, calculate : (a) Total Variable Cost and (b) Total Cost from the

following

Output (units)	1	2	3
Marginal Cost (₹)	10	15	25

Watch Video Solution

13. Fixed costs of a firm are ₹30. Its total variable cost at different levels of output is given below. Calculate total cost and marginal cost at each of output.

Output (units)	1	2	3	4
Total Variable Cost (₹)	20	38	60	86

Watch Video Solution

14. Find MC from the following data :

Output (units)	1	2	3	4	5	6
AC (₹)	60	40	30	26.25	28	35

Watch Video Solution

15. Calculate total cost and average variable cost of a firm at each given level of the output from its cost schedule given below :

Output (Units)	Average Fixed Cost (₹)	Marginal Cost (₹)
1	60	32
2	30	30
3	20	28
4	15	30
5	12	35
6	10	43

Watch Video Solution

16. Calculate Marginal Cost and Average Variable Cost from the following cost schedule of a firm whose Total fixed Costs are ₹10 :

Output (Units)	Total Cost (₹)
1	18
2	24
3	31
4	42

Watch Video Solution

17. A firm's fixed cost is ₹400. Compute TC, TVC, AFC, and AC from the following table:

Output (units)	1	2	3	4	5	6
MC (₹)	150	110	130	150	210	310

Watch Video Solution

18. Calculation Total Variable Cost and Marginal Cost from the following cost schedule of a firm whose Total Fixed Costs are ₹12 :

Output (units)	1	2	3	4
Total Cost (₹)	20	26	31	38

Watch Video Solution

19. Assuming that the total fixed cost is ₹24, complete the following table :

Output (units)	1	2	3
ATC (₹)	50	40	45
TVC (₹)	—	—	—
MC (₹)	—	—	—

Watch Video Solution

20. Determine AC and MC :

Output (units)	0	1	2	3	4	5
TC (₹)	40	100	120	130	150	190

Watch Video Solution

21. A firm's average fixed cost, when it produces 2 units, is ₹30. Its average total cost schedule is given below. Calculate its marginal cost and average variable cost at each level of output.

Output (units)	1	2	3
Average Total Cost (₹)	80	48	40

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22. Suppose that TFC is ₹120, find out : (i) TC and TVC, and (ii) MC from the following data:

Output (units)	1	2	3	4	5
ATC (₹)	240	160	140	160	180

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23. Find AC and TC from the following table :

Output (units)	1	2	3
MC (₹)	10	8	6

Watch Video Solution

24. Find TC and MC, given TFC is ₹60.

Output (units)	0	1	2	3
AVC (₹)	—	20	15	20

Watch Video Solution

25. Find TC and AVC, given TFC is ₹120,

Output (units)	1	2	3	4
MC (₹)	60	52	56	64

Watch Video Solution

26. Calculate AVC at each level of output.

Output (units)	1	2	3	4
MC (₹)	40	30	35	39

Watch Video Solution

27. The information about the total cost for a firm is given below :

Output (units)	0	1	2	3	4	5
Total Cost (₹)	150	155	170	192	228	275

From this information find out : (a) Average fixed cost of producing 3 units, (b) Marginal cost of producing 4^{th} unit, (c) Output level

when marginal cost is greatest , (d) Total variable cost of producing 5 units,

(e) Average variable cost of producing 3 units,

(f) Averge total of producing 4 units.

Watch Video Solution

28. Calculate Marginal Cost and Total Cost from the following Cost Schedule of a firm whose Total Fixed costs are ₹15 :

Output (units)	1	2	3	4
Total Variable Cost (₹)	10	19	29	40

Watch Video Solution

29. Find out the missing figures from the table given below :

Output (units)	0	1	2	3	4	5	6
TC (₹)	50	—	100	—	—	—	—
AC (₹)	—	—	—	—	—	—	—
MC (₹)	—	20	—	51	56	60	70

Watch Video Solution

30. Find out the missing figure from the table given below:

Output (units)	1	2	3	4	5
TFC (₹)	10	—	—	—	—
TVC (₹)	50	—	—	—	—
TC (₹)	—	—	—	270	—
MC (₹)	—	30	—	—	—
AFC (₹)	—	—	—	—	—
AVC (₹)	—	—	40	—	—
AC (₹)	—	—	—	—	70

Watch Video Solution

31. Complete the following table :

Output (units)	AFC (₹)	MC (₹)	TC (₹)
1	—	—	72
2	—	10	—
3	20	8	—
4	—	—	99
5	12	10	—

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32. Find AVC and MC at each given level of output.

Output (units)	0	1	2	3
TC (₹)	60	100	130	150

Watch Video Solution

33. A firm is producing 20 units. At this level of output, ATC and AVC are respectively equal to ₹40 and ₹37. Find out the total fixed cost of the firm.

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34. Output increases from 3 units to 4 units. As a result, TC rises from ₹19.60 to ₹24.50. Find out MC.

Watch Video Solution

35. Calculate AC, AVC and the amount of profit that the firm will earn, if it sells the entire output at ₹60 per unit.

Particulars	
Wages Bill	₹ 20,000
Value of raw materials	₹ 60,000
Interest	₹ 6,000
Fuel consumption	₹ 10,000
Rent	₹ 4,000
Units of output produced	2,000

View Text Solution

36. Complete the following table :

Output (units)	AFC (₹)	AC (₹)	AVC (₹)	MC (₹)
1	—	140	—	50
2	—	—	45	—
3	—	—	—	45
4	22.5	—	48	—
5	18	—	52	—

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37. Complete the following table :

Output (Units)	Average Cost (₹)	Marginal Cost (₹)
1	12	—
2	10	—
3	—	10
4	10.5	—
5	11	—
6	—	17

Watch Video Solution

38. Calculate marginal cost at each level of output:

Output (units)	1	2	3	4	5	6
Average variable cost (₹)	13	11	10	10	11	12

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39. Calculate marginal cost at each level of output :

Output (units)	1	2	3	4	5	6
Average variable cost (₹)	26	22	20	20	22	24

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40. Calculate average variable cost at each level of output :

Output (units)	1	2	3	4	5	6
Marginal cost (₹)	24	20	16	12	18	30

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41. Complete the following table:

Output (Units)	Total Cost	Average Variable Cost	Marginal Cost	Average Fixed Cost
0	30			
1	—	—	20	—
2	68	—	—	—
3	84	18	—	—
4	—	—	18	—
5	125	19	—	6

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42. Complete the following table:

Output units	Average Fixed Cost (₹)	Marginal Cost (₹)	Average Variable Cost (₹)	Average Cost (₹)
1	60	20	—	—
2	—	—	19	—
3	20	—	18	—
4	—	18	—	—
5	12	—	—	31

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