**Year 11 Economics Worksheet 1**

## Production Costs and Profit

1. The change in total cost from producing another unit of output equals the

   A. marginal cost.
   B. average total cost.
   C. variable cost.
   D. average variable cost.

2. Which cost always increases as output increases?

   A. total cost
   B. marginal cost
   C. average total cost
   D. average fixed cost

3. Study the information given below about the costs of a firm and answer the following questions.

| Output | AFC ($) | AVC ($) |
|---|---|---|
| 1 | 50.00 | 100.00 |
| 2 | 25.00 | 80.00 |
| 3 | 16.67 | 66.67 |
| 4 | 12.50 | 65.00 |
| 5 | 10.00 | 68.00 |
| 6 | 8.37 | 73.33 |
| 7 | 7.14 | 80.00 |
| 8 | 6.25 | 87.50 |

(i) Calculate the firm's fixed cost? **(1 mark)**

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(ii) If the firm produces five units, what is the average total cost? **(1 mark)**

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(iii) Calculate the total cost of producing four units? **(1 mark)**

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(iv) If the firm closes down and produces no output, what will be its total cost? **(1 mark)**

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(v) If the firm decides to increase its output from 6 to 7 units, by how much will its total cost increase? **(2 marks)**

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