

Chapter

Production and Costs

01. What type of changes take place in total product and marginal product when there are
 - (a) Increasing returns to a factor?
 - (b) Diminishing returns to factor?
02. Why MP curve cuts the AP curve at its maximum point.
03. Can AP rise when MP starts declining?
04. What is the behavior of TP when MP rises MP falls but remains positive MP 0 MP becomes negative
05. State the behavior of the marginal product in the law of variable proportions. Explain the causes of this behavior.
06. What are the different phases in the law of variable proportion in terms of total product?
07. Give the reasons behind each phase. Use the diagram.
08. Explain the changes that take place in total product and marginal product under increasing returns to a factor.
09. Give the behavior of the marginal product and total product as more and more units of only one input are employed while keeping other inputs as constant.
10. Explain the concept of a production function.
11. What is the total product of input?
12. What is the average product of input?
13. What is the marginal product of input?
14. Explain the relationship between marginal products MP and the total product TP of an input.
15. Explain the concepts of the short run and the long run.
16. What is the law of diminishing marginal product?
17. What is the law of variable proportions?
18. What is meant by production?

19. Give the meaning of the production function.
20. What is the short run?
21. The gap between AC and AVC keeps on decreasing with the rise in output but they never meet each other. Comment.
22. Why does the minimum point of the AC Curve fall towards the right of the AVC curve?
23. MC can be calculated both from the total cost and total variable cost and is not affected by total fixed cost. Discuss.
24. Calculate TFC if AC and BC are rupees 22 and rupees 18 respectively, at the output of 10 units.
25. Briefly explain the concept of the cost function.
26. What are the total fixed cost total variable cost and total cost of a firm? How are they related?
27. Can there be some fixed costs in the long run? if not, why?
28. What does the average fixed cost curve look like? Why does it look so?
29. What do the short-run marginal cost SMC average variable cost and short-run average cost SAC curves look like?
30. Why does the SMC curve cut the AVC curve at the minimum point of the AVC curve?
31. At which point does the SMC curve cut the s a c curve? Give reason in the support of your answer.
32. Why is the short-run marginal cost curve U shaped?
33. Give the meaning of cost.
34. What is meant by explicit cost?
35. What is the meaning of implicit cost?
36. Give the meaning of opportunity cost.
37. What are the two broad divisions of short-run cost?
38. Define fixed costs.
39. Define variable cost.
40. What is meant by total cost?
41. Why TC and TVC are curving parallel to each other?

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

