**Chapter - Cost**

Q 1. Find out the missing figure from the table given below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Output (units) | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| TC (Rs.) | - | - | 100 | - | - | 130 | 150 |
| TFC (Rs.) | - | - | - | - | 60 | - |  |
| TVC (Rs.) | - | 20 | - | 51 | 56 | - |  |

Q 2. Calculate total variable cost and marginal cost at each given level of output from the following:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Output(units) | 0 | 1 | 2 | 3 | 4 |
| Total cost | 50 | 80 | 108 | 136 | 166 |

Q 3. Calculate TFC, TVC, ATC, AFC, AVC, MC:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Output (units) | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| TC (Rs.) | 60 | 80 | 100 | 111 | 116 | 130 | 150 |

Q 4. From the following data, determine the values of TFC, TVC, AC, AVC, and AFC:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Output (units) | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| TC (Rs.) | 400 | 550 | 660 | 790 | 940 | 1,150 | 1,460 |

Q 5. Following information is given about a firm:

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

From the information find out:

1. Average fixed cost of producing 4 units;
2. Average Variable cost of producing 4 units;
3. Least average cost level of output;
4. Marginal cost of producing the 3rd unit;
5. Total variable cost of producing 6 units.

Q 6. A firm’s fixed cost is Rs. 2,000. Compute TVC, AVC, TC, and ATC from the following table

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Output(units) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| MC (Rs.) | 2,000 | 1,500 | 1,200 | 1,500 | 2,000 | 2,700 | 3,500 |

Q 7. Given below is the cost schedule of a firm. Its average fixed cost is Rs. 20 when it produces # units.

|  |  |  |  |
| --- | --- | --- | --- |
| Output (units) | 1 | 2 | 3 |
| Average variable cost (Rs) | 30 | 28 | 32 |

Q 8. “The gap between AC and AVC keeps on decreasing with rise in output, but they never meet each other”. Comment.

Ans 8. he given statement is correct. The gap between AC and AVC keeps on decreasing because the difference between them is AFC, which falls with increase in output. However, AFC can never be zero. Therefore, AC and AVC can never meet each other.

Q 9. Why does the minimum point of AC curve fall towards right of AVC curve?

Ans 9. The minimum point of AC curve falls towards right of AVC curve because AC continue to fall due to decreasing AFC even after AVC starts rising.

Q 10. Calculate TFC, if AC and AVC are Rs. 22 – Rs 18 respectively, at output of 10 units.

Ans 10. TFC = Rs. 40

Q 11. Classify the following as fixed cost and variable cost:

1. Salary to manager of the company
2. Wages to casual labour.
3. Payment of insurance premium for insurance of factory.
4. Payment for raw material.
5. Payment of rent of Postpaid connection of Mobile Phone.
6. Interest on lone taken from ICICl.
7. Electicity charges beyond the minimum rent.
8. Payment of rent of the factory building to the landlord.
9. Commission to production manager on the basis of number of units produced. (x) Payment of fuel used in machines.

Ans 11. Fixed Cost : (i), (iii), (v), (vi), (vii) , Variable Cost : (ii), (iv), (vii), (ix),(x)

Q 12. Calculate Total Fixed cost (TFC) and Total Variable cost (TVC)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Output | 0 | 1 | 2 | 3 | 4 | 5 |
| TC (Rs.) | 40 | 100 | 120 | 130 | 150 | 190 |

Ans 12. TFC: 40 at all levels of output, TVC: 0,60, 80, 90, 110, 150

Q 13. Find TFC and TVC.

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

Ans 13. TFC: 50 at all levels of output, TVC: 0,20, 35, 60, 100, 145, 190, 230.

Q 14. Determine TFC and TVC from the following particulars:

|  |  |  |  |
| --- | --- | --- | --- |
| Output | 0 | 1 | 2 |
| TC (Rs.) | 100 | 120 | 130 |

Ans 14. TFC: 100 at all levels of output, TVC: 0,20, 30

Q 15. Estimate Total cost, Given that TFC at 0 level of output is Rs. 60.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Output (units) | 0 | 1 | 2 | 3 | 4 | 5 |
| TC (Rs.) | 0 | 16 | 22 | 29 | 42 | 48 |

Ans 15. TC: 60, 76, 82, 89, 102, 108