

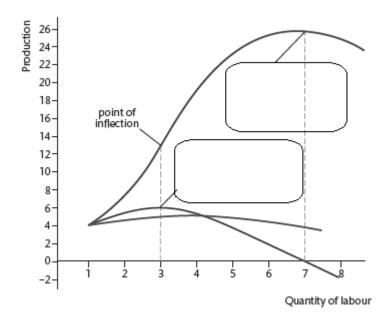


Cost, Revenue and Profits TEST

1. Calculate the average product and the marginal product to complete the following table.

Labour	TP	AP	MP
0	0		
			4
1	4		
			5
2	9		
3	15	5	
			5
4	20		
5	24		
6	26	4.33	
			0
7	26	3.7	
			-2
8	24	3	

2. Label the curves in the following diagram. Complete the boxes given on the diagram.

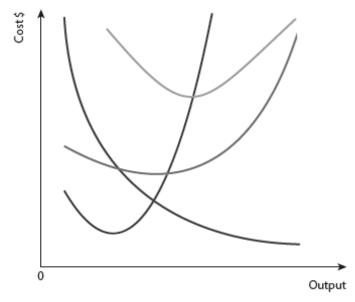




3. Complete the following table.

Output	TFC	TVC	TC	AFC	AVC	ATC	MC
0	100	0					
1	100	100					
2	100	180					
3	100	230					
4	100	260					
5	100	280					
6	100	290					
7	100	325					
8	100	400					
9	100	510					
10	100	650					

4. Label the following curves



5. What is the relationship between average revenue and price?



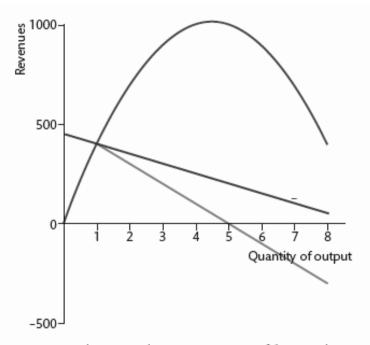


6.	What is the difference berween economic profit and accounting profit?
7.	Distinguish between normal and abnormal profit. Draw diagrams.
8.	Explain why profit is maximized where MR = MC. Explain this with the help of a diagram.
9.	Explain why a firm will continue to operate even when it earns zero economic profit (normal profit).



10. Complete the following table and label the diagram given on the right of the table.

Price (\$)	Output	TR (\$)	AR (\$)	MR (\$)
450	0	0		
				400
400	1		400	
350	2		350	
				200
300		900		
250	4		250	
				0
200	5	1000	200	
				-100
150	6			
	7	700	100	
50	8	400		



Note that MR changes in steps of 100 and AR changes in steps of 50. MR falls at twice the rate of AR.