National Institute of Open Schooling
Sr. Sec – Economics (318)
Lesson 18 : Cost of Production
Work-Sheet 18

1. Mr. Amar is working as Asst. Professor in GGSIPU Delhi. His monthly salary is Rs. 50,000 per month. Suddenly, he gets an opportunity to join as a research scholar in foreign university, where he has been offered a salary of Rs. 90,000 per month. On the basis of above information discuss the concept of Opportunity cost and its importance in economics.

2. Classify the following into fixed cost and variable cost:-

   i) Rent for a shed

   ii) Daily Wages

   iii) Telephone Charges beyond the minimum.

   iv) Payment for transportation of goods.

   v) Cost of raw materials

   vi) Interest on capital.

   vii) Wages for permanent staff

   viii) Minimum telephone bill.

3. Complete the following table, if the AFC unit is RS.60.

Output	1	2	3	4	5	6	7	8
TC	90	105	115	120	135	160	200	260
TVC								
TFC								
AVC								
AFC								
MTC								
MC								

4. On the basis of the above given cost schedule, in Question 3, draw Total Cost, Total Fixed Cost and Total Variable Cost in one diagram. Also mention the features of TVC and TVF.

5. Draw AC and MC from the schedule given in Q3, explain the relationship between AC and MC.
6. Make a visit to a manufacturing unit in the industrial region of your hometown with a questionnaire related to expenditure incurred to run that unit. Collect data and information relating expenditure of the unit and categories them into explicit and implicit cost.
7. Discuss the concept of Private Cost and Social Cost with suitable references and examples from your locality.
8. "Study of cost of a production unit provides the basis for the decision making process for a producer". In the light of the statement, explain the importance of the study of cost-analysis.
9. "Attaining the minimum level of AC and MC curve indicates the optimum level of production of output of a unit". Give arguments in favour of this statement.
10. Following information given about a firm:-

Output (units)	0	1	2	3	4	5	6
Total Cost (Rs.)	400	550	660	790	940	1150	1460

From the above table, find out

i) The average fixed cost of producing 4 units.

ii) The average variable cost of producing 5 units.

iii) The marginal cost of producing 3 units.

iv) The total variable cost of producing 6 units.