

# Questions *Microeconomics* (with answers)

## 4 Cost and revenue

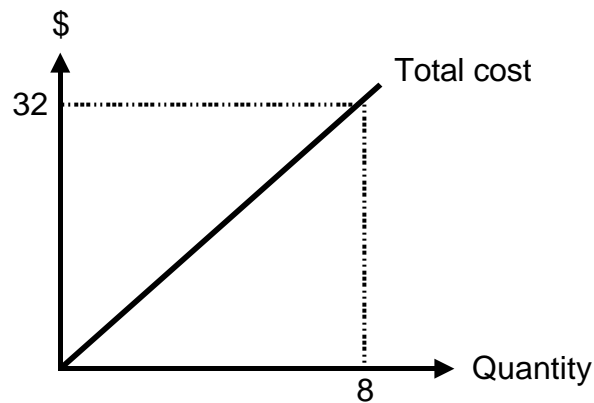
### 01 Total and marginal cost

Quantity (Q)	Average cost
5	12
6	14

Calculate:

- ① Total cost (for Q5 and Q6)
- ② Marginal cost (between Q5 and Q6)

### 02 Average and marginal cost 1



Draw a graph showing average and marginal cost.

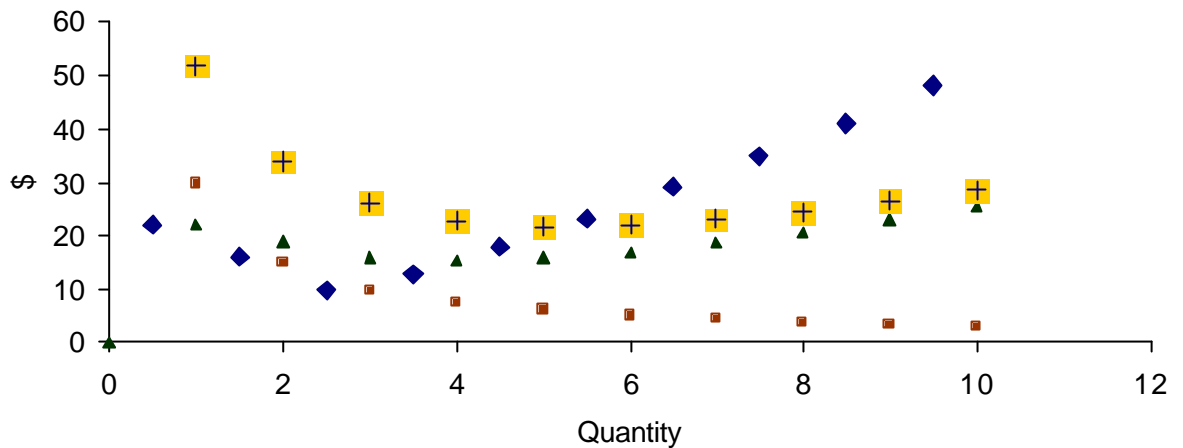
### 03 Average and marginal cost 2

What can be said about the marginal cost curve if one assumes a falling average cost curve?

### 04 Average and marginal cost 3

Which curve represents:

- Average cost (fixed);
- Average cost (variable);
- Average cost (total);
- Marginal cost?



### 05 Returns to scale 1

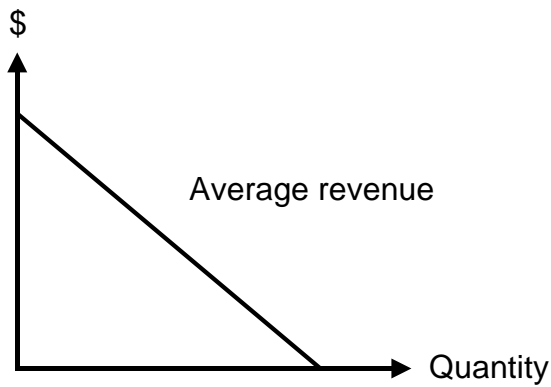
Draw a graph with possible returns to scale.

### 06 Returns to scale 2

Quantity	Total cost
1	80
2	140
3	180
4	200
5	250
6	300
7	420
8	560

Which types of returns to scale can be observed?

**07 Marginal revenue 1**



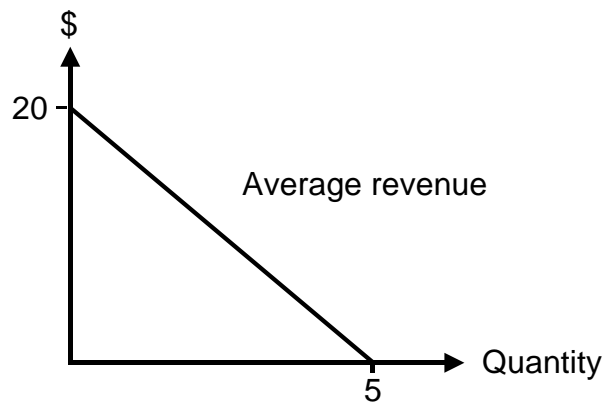
Draw the marginal revenue curve.

**08 Marginal revenue 2**

Explain by using the following numbers why marginal revenue is less than average revenue.

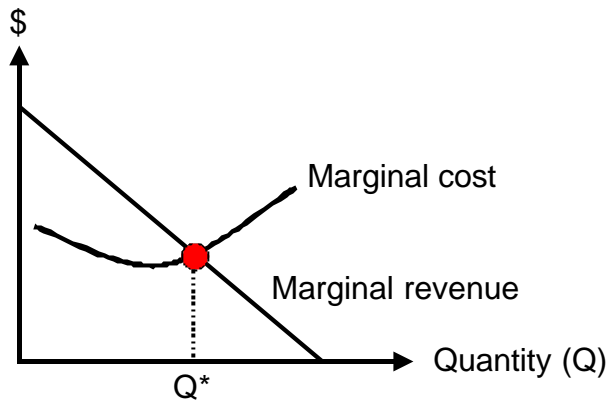
Quantity	Average revenue (= price)
5	15
6	14

**09 Total revenue**



Calculate the total revenue and draw a graph.

## 10 Marginal cost and revenue

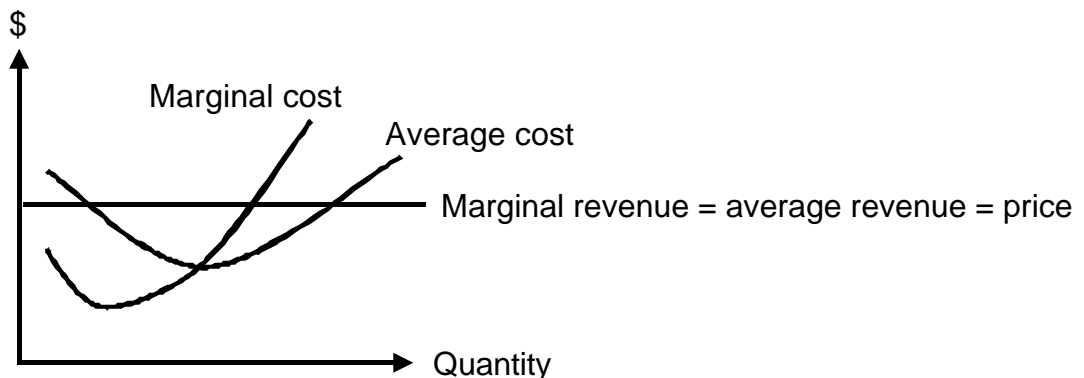


- ① Why is  $Q^*$  optimal?
- ② What happens to  $Q^*$  if
  - (total) fixed cost rises
  - variable cost rises (for example higher wages per hour and constant productivity)

## 11 Profit 1

Are firms maximizing profits by selling as much as possible?

## 12 Profit 2



- ① Which quantity maximizes profit?
- ② How much is the total profit?

## 13 Short run vs long run

Why is it rational to produce goods in the short run with loss, but to close the firm down if the loss persists in the long run?

→ [Answers. Click here!](#)