**TUTORIAL 6:**

**COST OF PRODUCTION**

**Name:**

**Marks**:

**ID:**

**Section:**

Question 1

Table below shows the production function for a type of product in a firm.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Production**  **(Units)** | **Total Cost**  **(RM)** | **Total Variable Cost**  **(RM)** | **Total Fixed Cost**  **(RM)** | **Average Variable Cost**  **(RM)** | **Average Fixed Cost**  **(RM)** | **Average**  **Cost**  **(RM)** | **Marginal Cost**  **(RM)** |
| 0 | 400 |  |  |  |  |  |  |
| 2 | 900 |  |  |  |  |  |  |
| 4 | 1300 |  |  |  |  |  |  |
| 6 | 1600 |  |  |  |  |  |  |
| 8 | 2300 |  |  |  |  |  |  |
| 10 | 3100 |  |  |  |  |  |  |

**\*answer in whole number**

1. At each level of production, calculate:
2. Total Fixed Cost (TFC).
3. Average Fixed Cost (AFC).
4. Total Variable Cost (TVC).
5. Average Variable Cost (AVC).
6. Average Cost (AC).
7. Marginal Cost (MC).
8. On a graph paper, plot a graph to show the total variable cost (TVC), total fixed cost (TFC) and total cost (TC) for each unit of production.
9. Does the firm operate in the short run or long run? Give **ONE (1)** reason for your answer.

Question 2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Price (RM)** | **Quantity (unit)** | **Total Revenue (RM)** | **Average Revenue (RM)** | **Marginal Revenue (RM)** |
| 20 | 15 |  |  |  |
| 30 | 20 |  |  |  |
| 40 | 26 |  |  |  |
| 50 | 35 |  |  |  |
| 60 | 45 |  |  |  |
| 70 | 50 |  |  |  |

1. At each level of production, calculate the:
2. Total Revenue.
3. Average Revenue.
4. Marginal revenue.