

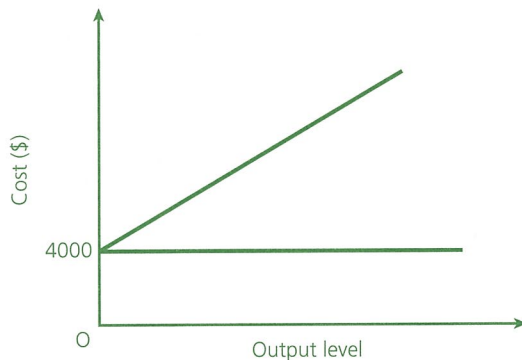
22

Firms' costs, revenue and objectives

- Which is a fixed cost of production for a manufacturing firm?

A electricity charges	C rental payments
B overtime pay	D workers' wages
- What is the term used to describe the costs of production that have to be paid regardless of how much a firm produces or sells?

A average	C total
B fixed	D variable
- What is the correct label for the upwards sloping line shown in the graph below?



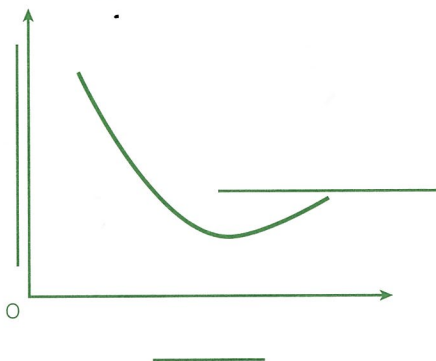
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|-------------------------|
| A average costs |
| B fixed costs |
| C total costs |
| D variable costs |

- A firm's variable costs are \$20 000 in a given week when its output is 2000 units, while fixed costs are \$10 000. What is the value of the firm's average costs?

A \$5	B \$10	C \$15	D \$20
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- The payment received by a firm from the sale of its goods and/or services is known as

A income	C salaries
B revenue	D total costs
- The diagram below shows economies of scale. Identify appropriate labels to complete the diagram.

[2 mark]



- 7 The table below shows a firm's fixed and variable costs of production at different levels of output. Calculate the level of output where average costs are at their lowest. [2 marks]

Output (units)	Fixed costs (\$)	Variable costs (\$)	Total costs (\$)	Average costs (\$)
100	2000	400		
200	2000	760		
300	2000	1200		
400	2000	2320		

- 8 The table below shows the total costs of a firm at different levels of output. It sells each unit for \$20.

Quantity produced (units)	20	30	40	50
Total cost (\$)	200	285	360	460
Average cost (\$)				

- a Calculate the level of output required to minimise average costs. [2 marks]

- b Calculate how many units the firm needs to produce and sell in order to maximise profits. [2 marks]

- 9 Study the data for a firm below and answer the questions that follow.

Output (tonnes)	Total cost (\$)	Total revenue (\$)
0	1000	0
100	2000	1500
200	2800	3000
300	3700	4500
400	5200	6000

- a Calculate the unit price from the data above. [2 marks]

22 FIRMS' COSTS, REVENUE AND OBJECTIVES

- b** Calculate the level of output at which average costs are minimised for the firm. [2 marks]

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- c** Calculate the profit at each level of output. [2 marks]

Output (tonnes)	Total cost (\$)	Total revenue (\$)	Profit (\$)
0	1000	0	
100	2000	1500	
200	2800	3000	
300	3700	4500	
400	5200	6000	

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- 10** Nina's Bakery has fixed costs of \$8000 each month. The firm's average variable costs are \$3 per unit of output. The current level of demand at Nina's Bakery is 20 500 units per month. The average price of its products is \$5.50.

- a** Calculate the monthly total costs of production at Nina's Bakery. [2 marks]

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- b** Calculate the current average costs each month for Nina's Bakery. [2 marks]

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- c** Calculate the profit if demand at Nina's Bakery increases to 25 000 units per month. [2 marks]

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