**Production costs and revenue**

Some production costs remain exactly the same whatever the level of \_\_\_\_\_\_\_\_\_\_\_\_\_\_. These are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Examples of these include \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. They still have to be met if the firm produces \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

These \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ costs do vary with output and are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Examples of these are \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

The cost to a firm of producing over a period of time is called \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_. Total costs can be worked out by adding \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ together.

TC = \_\_\_\_ + VC.

The \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of production is the cost of producing a single unit of \_\_\_\_\_\_\_\_\_\_\_\_\_. The formula for calculating \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ is given by:

AC = TC/ QP

(\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_ \_\_\_\_\_\_ divided by \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_)

The average costs of a business are can be represented as a \_\_\_ shape. See the diagram to the left (don’t forget to label!)

The reason that it is \_\_\_\_\_ shaped is because as output increases, average costs \_\_\_\_\_ at first, reach a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and then begin to \_\_\_\_\_\_\_\_\_\_.

The amount of money a firm receives from selling its output is called \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_. This is price (not to be confused with the \_\_\_\_\_\_\_ of a good!) multiplied by the number of \_\_\_\_\_\_\_\_\_\_\_\_\_ sold.

**TR = P x \_\_\_**

One of the main reasons why firm calculate their \_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_. Is to work out how much \_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_\_ made. Profit is the difference between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_.

**P = R - \_\_\_\_**

Production variable costs labor raw materials

U Average cost quantity produced ‘U’

Total revenue cost units revenue

Fuel fall minimum rise

labor output fixed costs Total costs

Rent business rates insurance interest payments

C profit loss