BA Sangam College

Year 12

Economics

Worksheet 4

Production Possibility Curve

A.Use the table below to answer questions as follows.

Combination	Rice (tonnes)	Boats
A	100	0
B	95	1
C	75	2
D	50	3
E	0	4

Calculate the opportunity cost of moving from:

- B to C _____ D to C _____
- A to E_____ B to D_____
- E to A_____ D to A _____

Production and Producer

Singh is a market vendor who sells grog in Namaka market. He is a price taker. He sells grog at $4.50 a bag. The table below shows the cost of his business at each level of output being produced.

Labour[workers/day]	Output[grog bag/day]	Total cost[$]	Variable cost [$]	Marginal Cost [$]
0	0	100	_____	_____
1	5	120	_____	_____
2	15	140	_____	_____
3	30	160	_____	_____
4	50	250	_____	_____
5	75	280	_____	_____

(i) Determine the **fixed cost**? (1/2 mark)

(ii) Complete the table given in the answer book by calculating the total variable cost and marginal cost at each level of output. (2 marks)

(iii) Calculate the **profit maximizing output** for this market vendor. (1 mark)

(iv) Calculate the **average physical product** [APP] at the profit maximizing level of output. (1 mark)

C.

Use the data given below to answer the questions that follow.

Schedule of Production Costs and Average Revenue for a Dalo Producing Company

Output (dalo)	AVC (of dalo)	AR ($)
1	320	800
2	300	610
3	276	530
4	250	410
5	220	340
6	250	320

NOTE: The fixed cost of production is $400.

(a) Calculate the short-run:

(i) Marginal cost at 4 units of dalo.

(ii) Total cost at 6 units of dalo.

(iii) Total revenue at 5 units of dalo.

(iv) Total variable cost at 3 units of dalo.

(4 marks)

(b) Indicate the profit maximizing output of the firm. Show your working. **(1 mark)**

The End