

Short Answer Questions

Chapter 13.

1. Using examples, explain the difference between explicit and implicit costs.
2. Using an example, explain the difference between economic profit and accounting profit.
3. Distinguish between the short run and the long run in production.
4. Why does marginal product decline as total product increases?
5. Explain the relationship between the production function and the total cost curve. In each case use a diagram to help illustrate your answer and explain why the curve is shaped as it is.
6. Why does the marginal cost curve cut the average cost curve at its lowest point?
7. Explain why it is not always possible to assign production costs to the simple categorisation of fixed or variable.
8. In the short run average total costs will eventually rise as output is increased but in the long run average total cost can fall as output rises. Explain this statement.
9. Describe two different firms where diseconomies would set in at different times and explain why these diseconomies would set in at different times.
10. Even if a firm produces nothing, total costs will always be positive. Explain why this is the case.