3 A firm's costs – Part 1 —Answers

Answers

Work through these after you have tried the questions yourself.

2.1 a fixed cost stays the same at any output (rent); a variable cost rises with output (materials).
2.2 $ATC = \dfrac{200}{5} = \$40$.
2.3 marginal cost $= 236 - 200 = \$36$.
2.4 the average cost per unit falls as the firm produces more, through bulk buying and specialization.
2.5 it becomes too big to manage well (diseconomies of scale from poor coordination).