Class 11 - Economics
Concepts of Cost Test 01

Question No. 1 to 5 are based on the given text. Read the text carefully and answer the questions:
In economics, the marginal cost of production is the change in total production cost that comes from making or producing one additional unit. To calculate marginal cost, divide the change in production costs by the change in quantity. The purpose of analyzing marginal cost is to determine at what point an organization can achieve economies of scale to optimize production and overall operations. If the marginal cost of producing one additional unit is lower than the per-unit price, the producer has the potential to gain a profit.

1. What is the reason behind the shape of marginal cost curve?
   a. Law of increasing returns
   b. Law of decreasing returns
   c. Law of variable proportion
   d. Law of diminishing marginal utility
2. Marginal cost can be-
   a. Marginal only
   b. Fixed and variable cost both
   c. Variable cost only
   d. Fixed cost only

   To practice more questions & prepare well for exams, download **myCBSEguide App**. It provides complete study material for CBSE, NCERT, JEE (main), NEET-UG and NDA exams. Teachers can use **Examin8 App** to create similar papers with their own name and logo.
3. Falling MC is in accordance with rising MP when there are
   a. Decreasing returns to a factor
   b. Negative returns to a factor
   c. Constant returns to a factor
   d. Increasing returns to a factor
4. Rising MC is in accordance with falling MP when there are –
   a. Decreasing returns to a factor
   b. Increasing returns to a factor
   c. Negative returns to a factor
   d. Constant returns to a factor
5. MP and MC are ________ to each other.
   a. Equal
   b. Unequal
   c. Directly related
   d. Opposite
6. If a firm produces zero output in the short period, then:
   a. MC will be zero
   b. FC will be positive
   c. VC will be positive
   d. TC will be zero
7. AVC and AFC always lie below AC because
   a. Their sum is equal to AC
   b. They are convex

Copyright © myCBSEguide.com. Mass distribution in any mode is strictly prohibited.

c. They are concave
d. They are always downward sloping

8. With the increase in production the difference between total cost and total fixed cost:
   a. Decreases
   b. Both Increases or Decreases
   c. Increases
   d. Remains Constant
9. TFC is not zero at zero level of output as
   a. There is an employment of fixed factors at zero level of output
   b. There cannot be any employment of fixed factors at zero level of output
   c. It can never be negative
   d. There are no fixed factors at zero level of output
10. Which statement of the following is true?
    a. AC = TFC – TVC
    b. AC = AFC + AVC
    c. AC = AFC + TVC
    d. AC = TFC + AVC
11. **Assertion (A):** Average Cost will rise only when Marginal Cost rises.
    Reason (R): Rise in AC takes place when MC is greater than AC and not necessarily when MC rises.
    a. Both A and R are true and R is the correct explanation of A.
    b. Both A and R are true but R is not the correct explanation of A.
    c. A is true but R is false.
    d. A is false but R is true.
12. State True or False:
    i. AC is greater than MC, so long as AC is falling.
    ii. Even when marginal cost is rising, the average variable cost may fall.
13. Fill in the blanks:
    i. Cost = Explicit cost + ________
    ii. Expenditure incurred by the producer on the purchase of inputs from the market leads to ________. (Explicit cost, Implicit cost)
14. Marginal cost is always variable cost. Why?
15. Give two example of implicit cost.
16. From the following cost schedule of a firm, calculate Marginal Cost and Average Variable Cost at each level of output.

Output (units)	1	2	3
Total Cost (TC) (Rs)	80	96	120
Average Fixed Cost (AFC) (Rs)	60	30	20

To practice more questions & prepare well for exams, download **myCBSEguide App**. It provides complete study material for CBSE, NCERT, JEE (main), NEET-UG and NDA exams. Teachers can use **Examin8 App** to create similar papers with their own name and logo.

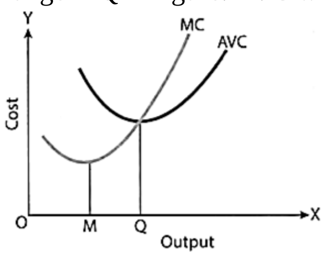
17. An individual is both the owner and the manager of a shop taken on rent. Identity implicit cost and explicit cost from this information. Explain.
18. What is meant by variable (prime) cost of a firm? Give examples.
19. Defined fixed cost.
20. What are the total fixed cost, total variable cost and total cost of a firm? How are they related?

Copyright © myCBSEguide.com. Mass distribution in any mode is strictly prohibited.

Class 11 - Economics

Concepts of Cost Test 01

Solution

1. (c) Law of variable proportion
   Explanation: Law of variable proportion
2. (c) Variable cost only
   Explanation: Variable cost only
3. (d) Increasing returns to a factor
   Explanation: Increasing returns to a factor
4. (a) Decreasing returns to a factor
   Explanation: Decreasing returns to a factor
   To practice more questions & prepare well for exams, download **myCBSEguide App**. It provides complete study material for CBSE, NCERT, JEE (main), NEET-UG and NDA exams. Teachers can use **Examin8 App** to create similar papers with their own name and logo.
5. (d) Opposite
   Explanation: Opposite
6. (b) FC will be positive
   Explanation: At zero level of output, TVC is zero and TC is just the fixed cost (FC) because in the short run, fixed cost cannot be changed. Therefore, FC will be positive
7. (a) Their sum is equal to AC
   Explanation: AC curve will always lie above the AVC and AFC curve because AC , at all levels of output includes both AVC and AFC.
8. (c) Increases
   Explanation: With the increase in production, the difference between total cost and total fixed cost will increases.
9. (a) There is an employment of fixed factors at zero level of output
   Explanation: TFC is fixed for all levels of output. It does not vary with the level of output. For eg: rent of premises, payment of salary, interst on loan etc.
10. (b) AC = AFC + AVC
    Explanation: AC = AFC + AVC is true.
11. (d) A is false but R is true.
    Explanation: A is false but R is true.
12. State True or False:
    i. True
       Explanation: True. AC is greater than MC or MC is less than AC when AC falls.
    ii. True
       Explanation: True. Even when marginal cost is rising, average variable cost may fall, as corresponding to output range MQ in figure. AVC will fall even when MC is rising, so long as MC < AVC.
       

13. Fill in the blanks:

i. Implicit cost
ii. Explicit cost

14. Marginal cost is an additional cost and additional cost cannot be fixed cost, it can be a variable cost. Accordingly, the sum total of marginal costs corresponding to different units of output becomes TVC.
$\Sigma MC = TVC$
15. i. Imputed rent of self owned building.
ii. Use of family labour
16.

Output (units)	(TC)(Rs)	(AFC) (Rs)	(TVC)(Rs)	(TVC) (Rs)	(AVC)(Rs)	(MC)(Rs)
1	80	60	60	20	20	20
2	96	30	60	36	18	16
3	120	20	60	60	20	24

Formulae used:

AVC=TVC / Q
TC = ATC× Q
TVC =TC - TFC
Marginal Cost = $TVC_n - TVC_{n-1}$

To practice more questions & prepare well for exams, download **myCBSEguide App**. It provides complete study material for CBSE, NCERT, JEE (main), NEET-UG and NDA exams. Teachers can use **Examin8 App** to create similar papers with their own name and logo.

17. (i) For producing a commodity, a firm requires factor inputs (like services of land, labour, capital etc.) and non-factor inputs (like raw material, electricity, fuel etc.).
(ii) Actual money spent by a fim on buying and hiring of factor and non-factor inputs is called explicit cost. As per question, rent paid for the shop is an explicit cost as the shop is being taken on rent from a third party.
(iii) Implicit cost is the imputed or estimated value of inputs supplied by the owner of the firm himself. As, per question, imputed salary of the owner working as manager, imputed interest on self-supplied capital, etc. are implicit costs as he is providing these services himself.
18. (i) The cost incurred on variable factors of production is known as TVC. Variable cost is also known as prime cost, direct cost or avoidable cost.
(ii) TVC is very much related with the production and fluctuates with the fluctuation in production. If the production increases then TVC Will increases and when the production decreases TVC will decrease.
(iii) In case of zero level of production, TVC would also be zero.
(iv) For example, Wages of casual labour, payment for raw material, power,fuel etc.
19. (i) Fixed costs are those costs of production which do not change with a change in output.
(ii) These are the costs incurred on fixed factors, like rent of land and building, interest on loan,salary of permanent staff , insurance premium etc. These are unavoidable contractual costs. They cannot be changed in the short run. The payment to these factors remains fixed irrespective of the level of output.
(iii) Fixed costs are also called overhead costs or general costs because these are common for all the units produced. These costs are also called supplementary costs or indirect costs.
(iv) The shape of Total Fixed Cost is horizontal (Parallel to X-Axis). They have to be incurred when the output is large or small or even zero.
20. Total Fixed Cost: The cost which does not change with the change In output in the short run. Even when output is zero. In other words, fixed costs are the sum total of expenditures on the purchase or hiring of fixed factors of production.

Copyright © myCBSEguide.com. Mass distribution in any mode is strictly prohibited.

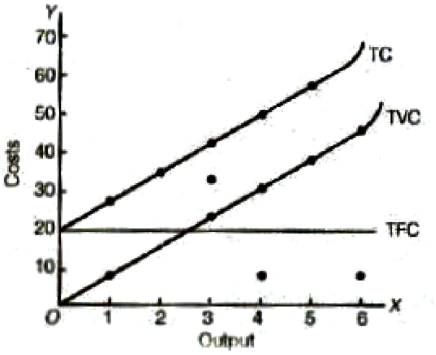
Total Variable Cost: The cost which changes with the change in output.

In other words. variable costs are the expenditure incurred on the use of variable factors of production.

Total cost: Total cost is the sum total of total fixed cost and total variable cost at various level of output.

Relation among TFC, TVC and TC.

Output	**TFC**	**TVC**	**TC= TFC+ TVC**
0	15	0	15
1	15	5	20
2	15	12	27
3	15	20	35
4	15	28	43
5	15	35	50
5	15	42	57



- TC = TFC + TVC
- TFC is constant at all levels of output.
- TVC increases as output increases.
- TC is parallel to TVC. Because TC- TVC is TFC which remains constant.

Copyright © myCBSEguide.com. Mass distribution in any mode is strictly prohibited.

Winter Break Home work.

Class: 11 th. (English)

Session year - 2025-2026

Q1. Two unseen passages. (only answer)

Q2. Two case-based passages. (only answer)

Q3. Nate-making passages. (two)(answer)

Q4. Advertisement. (10 answers)

Q5. Two posters. (only answers)

Q6. One Speech writing. (only answer)

Q7. Debate Writing (Far and Against-Both)

Q8. Reading rules of Tenses and Clauses.

Q9. Gist writing in 80 words for Syllabus (each chapter)

Q10. Resolutions (any 10) of the year 2026.

Q11. One book review. (150 to 200 wards)

WINTER BREAK HOMEWORK

CLASS XI B (2025-26)

ACCOUNTANCY

Prepare project in accountancy that involves preparation of journal, cash book, purchases book, sales book, purchases return book, sales return book, ledger accounts and trial balance of at least 30 different transactions of a sole proprietorship business.

BUSINESS STUDIES

Prepare project work as per CBSE guidelines.