Answer key
Economics assignment
Class- X1 commerce

1. Average fixed cost is the fixed cost per unit of output. As the total number of units of the good produced increases, the average fixed cost decreases because the same amount of fixed costs is being spread over a larger number of units of output.

2. Fixed cost is parallel to X-axis because it remains constant at all levels of output.

3. Variable costs change based on the amount of output produced. Variable costs may include labor, commissions, and raw materials. Fixed costs remain the same regardless of production output. Fixed costs may include lease and rental payments, insurance, and interest payments.

4.Increasing return to a factor is the first phase of the Law of return to a factor. When more and more units of a variable factor is combined with fixed factor up to a certain level total physical product increases with increasing rate.

Machine	Unit of Labour	Total Physical Product
1	1	10
1	2	24
1	3	42

A-5 The relationship between average variable cost (AVC) and marginal cost (MC) is as follows:

(i) When MC is less than AVC, AVC falls with increase in the output.

(ii) When MC is equal to AVC i.e. when MC and AVC curves intersect each other at point A, AVC is constant and at its maximum point.

(iii) When MC is more than AVC, AVC rises with increase in output.

(iv) Thereafter, AVC and MC rise but MC increases at a faster rate as compared to AVC. As a result, MC curve is steeper as compared to AVC curve.

A-6 Assertion (A) is false, but Reason (R) is true.

A-7 A. Implicit cost

B. Explicit cost