Issued On:		Past Paper Questions [PPQs]	**11** [69 - 79]
Deadline:		Model Questions [MQs]	
Marks : Time	**1 mark = 1 ½ Mnt**	Units - Essentials Covered	**Unit 4**

Production, Cost and Profit Analysis [Unit 4.1]

[01] 2011 A/Ls (ECON – II): Q3 (I - III)

(I) Distinguish between the short run and the long run in production
(II) Explain the 'Law of Diminishing Returns'

(02 marks each)

(III) Explain the difference between explicit and implicit costs giving examples

(04 marks)

[02] 2005 A/Ls (ECON – II - II): Q2

Distinguish between the following pairs of concepts:

(a) Money cost and opportunity cost
(b) Normal profits and supernormal profits
(c) Fixed costs and variable costs

(03 marks each)

[03] 2012 A/Ls (ECON – II): Q3

(I) What is meant by short run production function **(02 marks)**
(III) How do the concepts of accounting profit and economic profit differ?

(04 marks each)

[04] 2010 A/Ls (ECON – II - II): Q4 (II)

Explain the difference between 'diminishing returns' and 'decreasing returns to scale'

(02 marks)

[05] 2017 A/Ls (ECON – II): Q3 (II)

What happens to the difference between average total cost (ATC) and average variable cost (AVC) as a firm's output expands in the short run? Explain

(04 marks)

[06] 2013 A/Ls (ECON – II): Q3 (I)

(I) Explain how the law of diminishing returns and the law of returns to scale affect a firm's cost of production

(04 marks)

2006 A/Ls (ECON – I - II): Q4 (a)

Explain how the law of diminishing returns and the law of returns to scale affect a firm's cost of production

2012 A/Ls (ECON – II): Q3 (II)

What is the law of diminishing returns, and what does it imply about the likely shape of short run cost curves

(04 marks each)

[07] 2009 A/Ls (ECON – I - II): Q4 (I - II)

(I) Define the term **'economies of scale'** **(02 marks)**

(II) How do the economies of scale arise? **(04 marks)**

Part [B]: Market Structures & Factor Market Analysis (Unit 4.2)

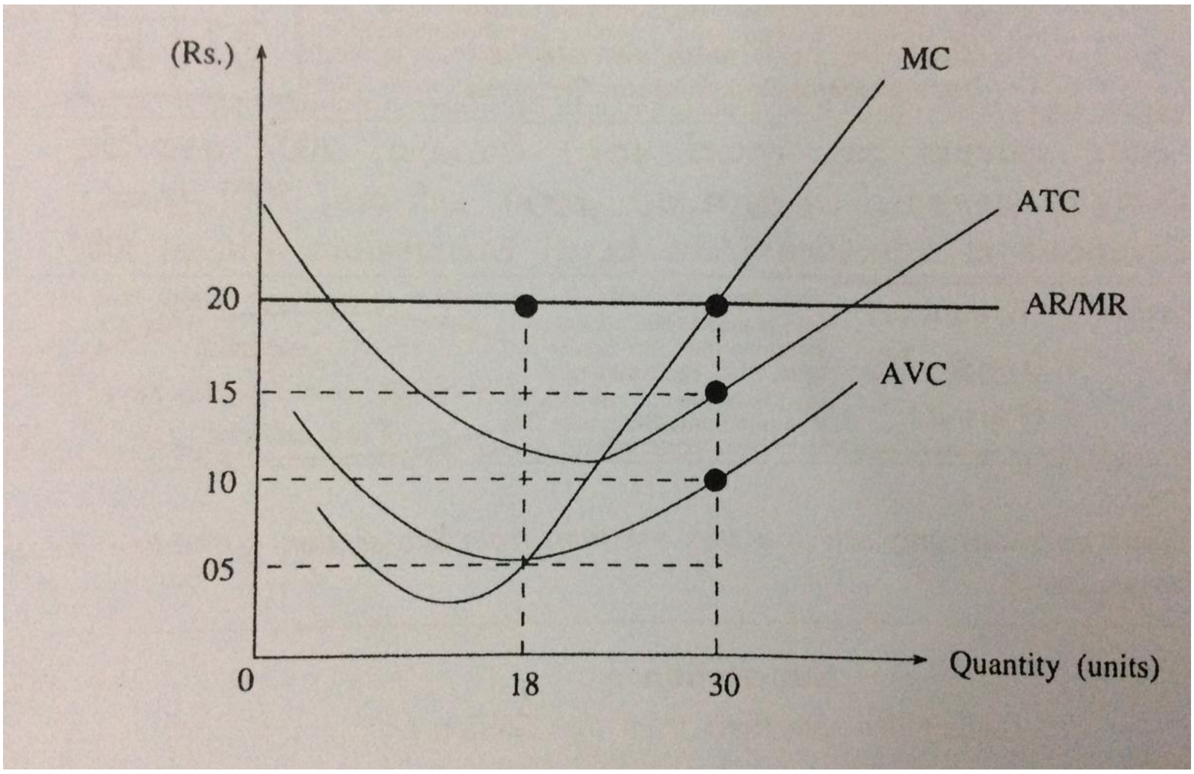
[08] 2007 A/Ls (ECON – I - II): Q3

(I) What are the characteristic of a perfectly competitive market **(03 marks)**

(II) Categorise the following industries in Sri Lanka according to the main types of market structure:

a) Soft drinks
b) Railways
c) TV Broadcasting
d) Grocery Stores
e) Paddy Cultivation
f) Barber Shops **(03 marks)**

(III) The graph below illustrates the cost and revenue structure facing a perfectly competitive firm in the short run



(a) If the market price is Rs. 20 per unit, calculate the total economic profit of the firm

(05 marks)

(b) What is the lowest price at which a firm produces an output in the short-run? Explain why.

(04 marks)

2009 A/Ls (ECON – I - II): Q4 (V)

What is the lowest price at which a firm produces an output in the short-run? Explain why.

(04 marks)

[09] 2009 A/Ls (ECON – I - II): Q4 (III) and (V)

(III) State **three** characteristics of an oligopoly market **(03marks)**

(IV) Explain what is meant by the term **'barriers to entry'** **(02 marks)**

[10] 2010 A/Ls (ECON – I - II): Q4

(I) What is the difference between '**producer surplus'** and **'economic profits'**

(III) Define the term **'natural monopoly'**

(IV) Why is a firm in a perfectly competitive industry a price taker?

(02 marks)

[11] 2013 A/Ls (ECON – II): Q3

(II) Discuss whether there is a relationship between the marginal cost curve of the firm and the supply curve of the industry to which it belongs.

(III) Explain why a firm under perfect competition faces horizontal demand curve while the industry faces a downward sloping demand curve.

(V) Why is the equality of marginal revenue (MR) and marginal cost (MC) essential for profit maximization in all market structures? Explain why price (P) can be substituted for marginal revenue (MR) in the (MR = MC) rule when the firm is operating in a perfectly competitive industry

(04 marks each)

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