IGCSE CIE

Economics MCQ

Firms, costs, revenue and objectives (QP)

1.May 2024-11/13

A firm has fixed costs of $20 and the following total variable costs.

output	10	20	30	40
total variable costs ($)	40	60	80	100

What happens to average total cost over this output range?

A It falls continuously.

B It falls then rises.

C It rises continuously.

D It rises then falls.

2.May 2024-11/14

The table shows the costs and output of a firm.

total cost	$10 000
total variable cost	$8000
quantity	10

What is the average fixed cost of the firm?

A $200 **B** $800 **C** $1000 **D** $2000

3.May 2024-12/13

What is a variable cost for a firm?

A the cost of raw materials

B the interest payment on existing loans

C the rent on the factory

D the insurance on the factory buildings

4.May 2024-12/14

The table shows the daily average revenue and units of output sold for a firm producing bicycles over a five day period.

day	average revenue ($)	units of output sold
1	200	2
2	160	4
3	120	8
4	80	14
5	40	16

What can be concluded from the table?

A The firm's highest total revenue occurs at 2 units of output sold.

B The firm's highest total revenue occurs at 14 units of output sold.

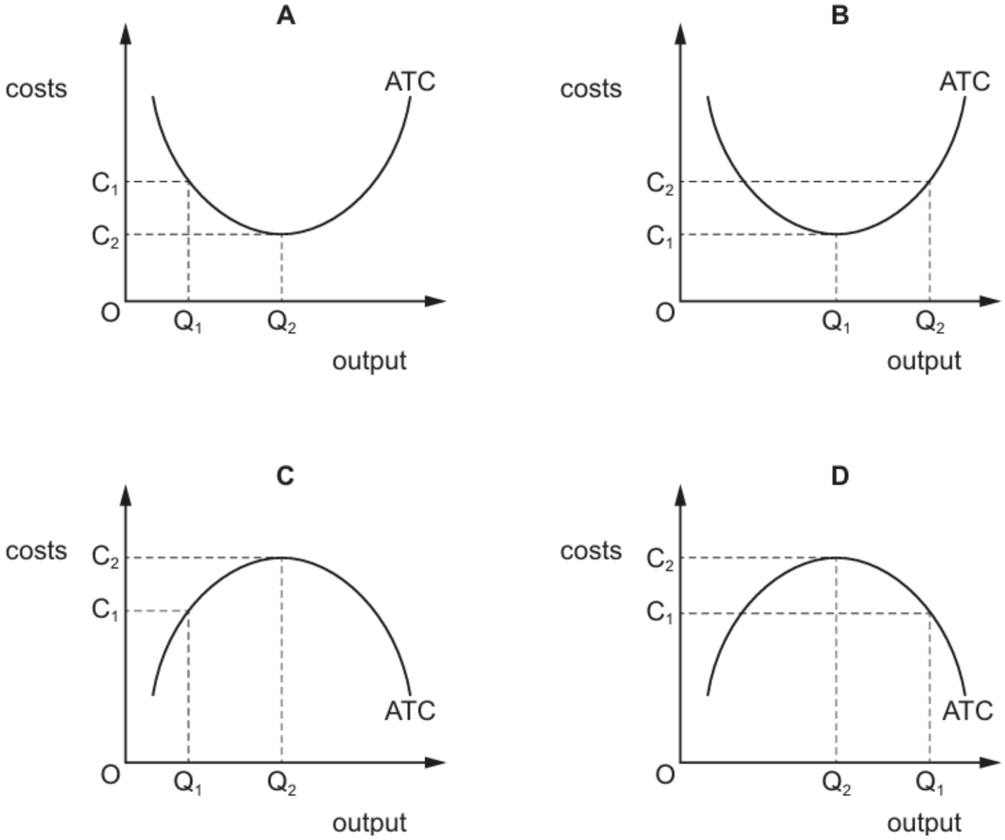
C The firm's prices are always greater than total revenue.

D The firm's total revenue always increases as output rises.

5.May 2024-13/14

A firm increased output from Q_1 to Q_2 and achieved economies of scale.

How is this shown on the firm's average total cost curve (ATC)?



6.May 2024-13/16

How is the average cost of a product calculated?

A by adding total variable and total fixed costs

B by dividing total cost by output

C by multiplying total variable cost by output

D by subtracting fixed cost from total cost

7.March 2024-12/14

When a firm produces 100 units, its total variable cost is $1000 and its total fixed cost is $4000.

What is the firm's average total cost?

A $10 **B** $30 **C** $40 **D** $50

8.March 2024-12/15

At a price of $5, the demand for a firm's product is 1000 units per week. When its price rises to $10, the demand for its product falls to 600 units per week.

What are the changes in the firm's average revenue (AR) and total revenue (TR) per week when the price of its product rises?

	change in AR $	change in TR per week $
A	+5	+1000
B	+5	+6000
C	+10	+1000
D	+10	+6000

9.Oct 2023-11/16

When a firm produces 200 units, its total variable cost is $600 and its total fixed cost is $2000.

What is the average cost at this output?

A $3 **B** $10 **C** $13 **D** $2600

10.Oct 2023-12/16

A firm produces five units of output at an average cost of $20 per unit. The cost of the sixth unit is $26.

What is the average cost of six units?

A $4.33 **B** $6 **C** $8.33 **D** $21

11.Oct 2023-13/13

Many small energy providers have closed down due to rising costs.

What is the likely effect of this on the price of energy and choice of energy providers for consumers, assuming there is no government intervention?

	price of energy	choice of energy providers
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

12.Oct 2023-13/16

The table shows the costs incurred by a firm producing computers.

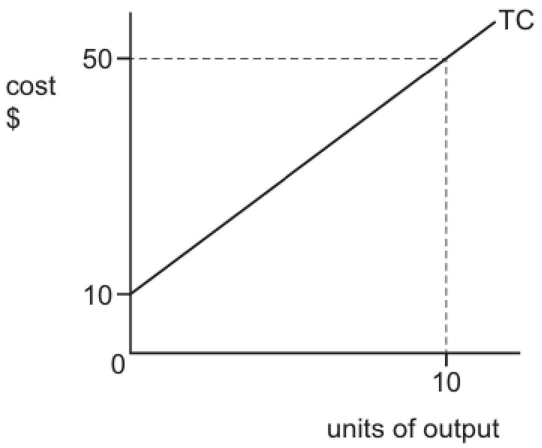
output (thousands)	total costs ($ thousands)
0	20
1	1200
2	1350
3	1450

What are the fixed costs if 3000 computers are produced?

A $20 000 **B** $1 430 000 **C** $1 450 000 **D** $4 020 000

13.May 2023-11/15

The diagram shows a firm's total cost (TC) curve.



What is the average variable cost if the firm produces 10 units of output?

A $4 **B** $5 **C** $40 **D** $50

14.May 2023-12/14

What is **not** a variable cost of production?

A cost of fuel

B cost of raw materials

C extra pay for working additional hours

D rent of offices

15.May 2023-12/15

What is a definition of a firm's revenue?

A money received from sales

B sales volume

C surplus over costs

D tax payments

16.May 2023-12/16

What could cause internal diseconomies of scale for a firm?

A a fall in demand for the products produced by the firm

B a merger with another firm that results in slower decision-making

C spending more on research and development to create new products

D the lack of skilled labour in the geographical area where the firm is based

17.March 2023-12/15

What will happen to a firm that expands to take advantage of economies of scale?

A Average costs of production will decrease.

B Average costs of production will increase.

C Profits will decrease.

D The price of the firm's products will increase.

18.March 2023-12/16

The table shows total fixed and total variable costs at different levels of output for a firm.

output	total fixed cost $	total variable cost $
100	1000	1000
200	1000	1500
300	1000	2000
400	1000	2500

What happens as output rises?

A Average fixed cost falls.

B Average fixed cost rises.

C Average variable cost remains constant.

D Average variable cost rises.

19.Oct 2022-11/13

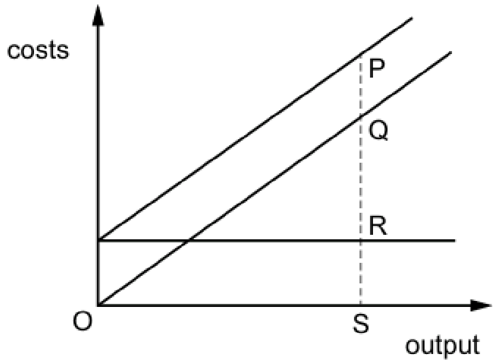
A firm sells 50 units at a price of $3 per product.

What is the firm's total revenue and average revenue?

	total revenue $	average revenue $
A	50	3
B	50	50
C	150	3
D	150	50

20.May 2022-11/7

The diagram shows the fixed costs, variable costs and total costs of a firm at output S.



Which distance represents the firm's variable costs?

A PQ **B** PS **C** QR **D** QS

21.May 2022-11/8

The table shows the world output of iron ore and the average yearly price for four years.

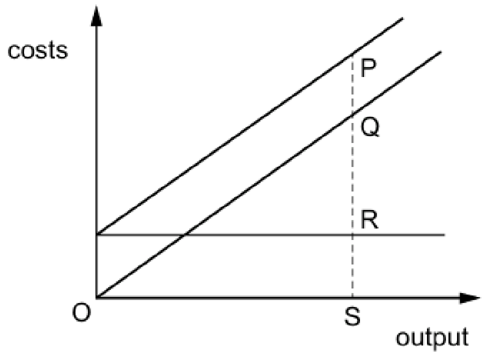
year	world output of iron ore (billion tonnes)	average yearly price ($ per tonne)
year 1	2.86	128
year 2	2.98	135
year 3	2.22	97
year 4	2.28	95

What can be concluded about the relationship between world output of iron ore and the average yearly price over the four years?

	world output	average yearly price
A	highest	highest
B	highest	lowest
C	lowest	highest
D	lowest	lowest

22.May 2022-12/9

The diagram shows the fixed costs, variable costs and total costs of a firm at output S.



Which distance represents the firm's variable costs?

A PQ **B** PS **C** QR **D** QS

23.March 2022-12/15

The table shows a firm's costs for producing bicycles.

number of bicycles	0	1	2	3	4	5
total cost ($)	20	30	40	50	60	70

Which statement is correct?

A The average cost of producing 4 bicycles is $15.

B The average fixed cost of producing 2 bicycles is $20.

C The total fixed cost is $10.

D The total variable cost of producing 3 bicycles is $50.

24.Oct 2021-11/12

The table shows the average revenue of a firm at various levels of output.

output	average revenue ($)
1	10
2	8
3	6
4	4

What happens to total revenue as output rises?

A It falls and then rises.

B It falls continuously.

C It rises and then falls.

D It rises continuously.

25.Oct 2021-11/13

For some months the price of petrol (gas) decreased significantly.

How would this affect a delivery firm that delivers goods for other firms using petrol (gas) powered vehicles?

A Average fixed costs would decrease.

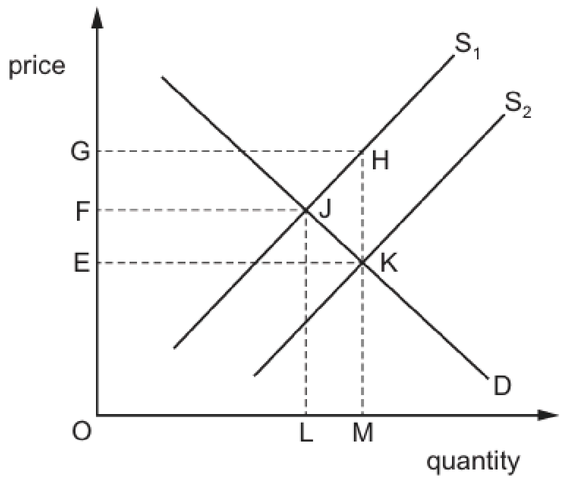
B Profits would decrease.

C Total fixed costs would decrease.

D Variable costs would decrease.

26.Oct 2021-12/12

The diagram shows the imposition of a subsidy on a product supplied by a firm.

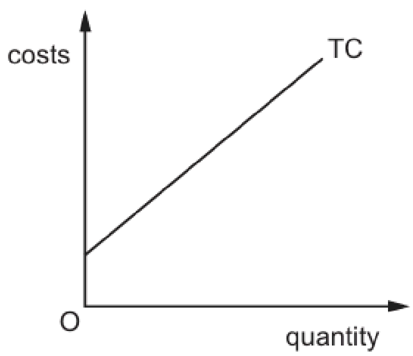


Which area represents the total revenue of the firm including the subsidy?

A EGHK **B** OEKM **C** OFJL **D** OGHM

27.Oct 2021-12/13

The diagram shows the total cost curve for a firm.



What can be concluded about the firm?

A It has no fixed costs.

B It has no variable costs.

C Its average fixed cost increases.

D Its average variable cost is constant.

28.Oct 2021-12/14

The table shows the average total cost of a firm over a range of output.

output (units)	average total cost ($)
1	10
2	8
3	6
4	5
5	7
6	9

What happens after 4 units are produced?

A The firm experiences management problems.

B The firm gains the benefits of merging with another firm.

C The firm pays lower interest rates to banks.

D The firm receives significant discounts from bulk buying.

29.Oct 2021-13/12

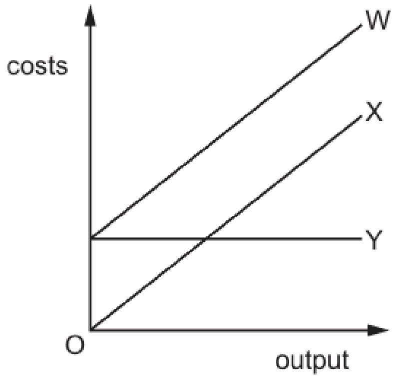
A firm imports 20 high quality bicycles into the US at a cost of $3000 each. It sells them all, making a profit of $1000 per bicycle.

What is the firm's average revenue?

A $1000 **B** $2000 **C** $3000 **D** $4000

30.Oct 2021-13/13

The diagram shows total cost (TC), total fixed cost (TFC) and total variable cost (TVC).



Which costs are shown by W, X and Y?

	W	X	Y
A	TC	TFC	TVC
B	TC	TVC	TFC
C	TFC	TC	TVC
D	TVC	TC	TFC

31.Oct 2021-13/14

The table shows output and total cost of a firm with four production methods, **A**–**D**.

Which method causes diseconomies of scale as the firm expands production from 1000 to 3000 units?

	output (units)		
	1000	2000	3000
	total cost ($)		
A	8000	10000	12000
B	8000	14000	27000
C	10000	16000	21000
D	10000	20000	30000

32.May 2021-11/12

A company mining cobalt, invests in machinery to replace some workers. Eventually diseconomies of scale occur.

What could cause this situation?

A As more cobalt is mined average costs increase.

B Fewer workers are needed to produce the required output.

C Output per hour increases as more machinery is used.

D Overhead costs are spread as output increases.

33.May 2021-11/14

Dimitry owns a firm that produces and sells bottles of lemonade. He only sells one size of bottle.

How would Dimitry calculate the total revenue of the firm?

A multiply the quantity sold by the cost per bottle

B multiply the quantity sold by the price per bottle

C multiply the quantity sold by the profit per bottle

D multiply the quantity sold by the tax per bottle

34.May 2021-12/12

Which cost of production falls continuously as output increases?

A average fixed cost

B average total cost

C average variable cost

D total variable cost

35.May 2021-12/14

What is calculated when price is multiplied by the quantity demanded of a product?

A average revenue

B profit

C total cost

D total revenue

36.May 2021-13/12

A firm employs 10 workers. Each worker is paid a weekly wage of $200 and produces 50 goods per week.

What is the average cost of labour per good produced?

A $0.4 **B** $4 **C** $20 **D** $200

37.May 2021-13/14

What describes the total revenue of a firm?

A fixed costs plus variable costs

B income from sales minus total costs

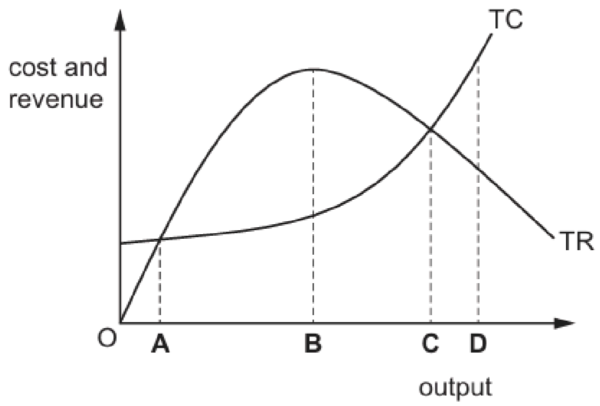
C quantity of goods sold multiplied by unit price

D variable costs divided by output

38.May 2021-13/15

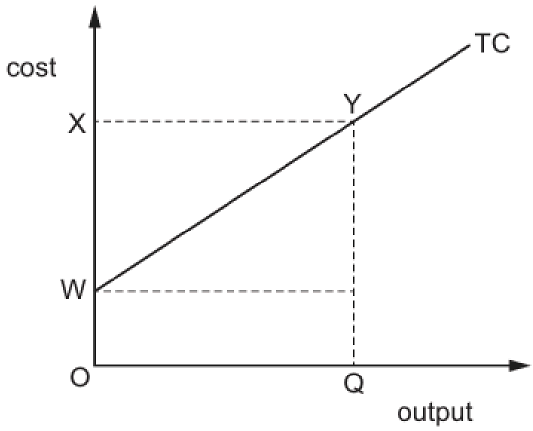
The diagram shows the total revenue (TR) and total cost (TC) of a firm in a market.

At which level of output will the firm maximise profits?



39.March 2021-12/12

The diagram shows a firm's total cost (TC) curve.



What is the average variable cost if the firm produces an output of OQ?

A $\frac{OX}{OQ}$ **B** $\frac{OW}{OQ}$ **C** $\frac{WX}{OQ}$ **D** $\frac{WY}{OQ}$

40.March 2021-12/14

What is total revenue?

A the money received by the firm for each additional unit of output sold

B the price of the good multiplied by the total quantity sold

C the revenue per unit sold divided by the quantity sold

D the revenue per unit sold minus the cost per unit sold