



Department of Education, Sabaragamuwa/weekly school

week- March 1

Subject-Economics

Grade-12

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1. How does the Law of Diminishing Returns relate to the shape of the firm's short run cost curves?
2. What happens to the difference between average total cost and average variable cost as a firm's output expands in the short run? Explain.
3. How would each of the following affect average total cost and average variable cost?
 - (a) A reduction in the price of elasticity
 - (b) A reduction in the wage rate
 - (c) An increase in the salary of the Chief Executive Officer (CEO)
 - (d) An increase in the cost of the rent of the firm's buildings.
4. State two differences between a perfectly competitive market structure and an oligopolistic market structure.
5. Distinguish between normal profit and abnormal profit.