



Department of Education, Sabaragamuwa/weekly school

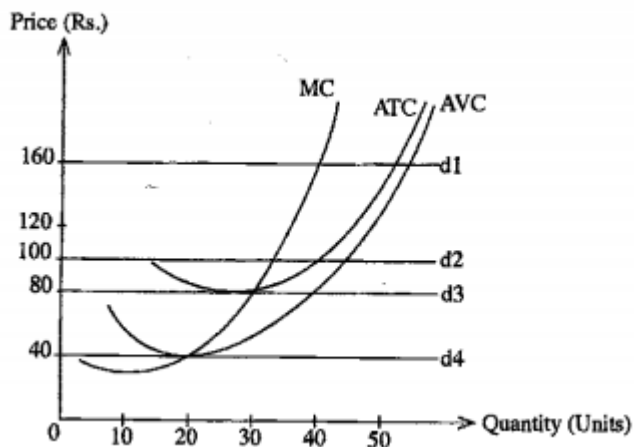
week- February 1

Subject-Economics

Grade-12

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1. What is the difference between diminishing returns and decreasing returns to scale?
2. Explain the relationship between marginal cost and average total cost.
3. Explain the concepts, producer surplus, economic profit and economic rent.
4. Why will a firm in a perfectly competitive industry choose not to charge a price either above or below the market price?
5. The following diagram shows demand and cost curves of a firm operating in a perfectly competitive market in the short run.



- (a) Calculate the profit earned by the firm at the market price of Rs.160.
- (b) What is the shut down price of the firm?