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Grade-12	Prepared by - Zonal Education Office,Rathnapura.	igamuwa y School tment of

- 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.