

Task 1: Diminishing marginal returns- Total, Average and Marginal Product

- 1) What is formula for calculating marginal product/output
- 2) Calculate Marginal product from the data in table 1
- 3) Does MP continue to rise as more labour is added
- 4) Using table 1 calculate the Marginal product (output)
- 5) Examine the MP results and find quantity where DMR sets in
- 6) Draw a graph of total product
- 7) What number of workers does the TP suggest?
- 8) How many workers does AP suggest?
- 9) Why is marginal more useful to the firm than total and average
- 10) Why is long run cost used in the theory of the firm?

Box 1

Reduce to see answers

Table 1: Product schedule for good X

Figure 1

Qty Labour	TP	AP	MP
1	4		
2	14		
3	25.5		
4	40		
5	60		
6	72		
7	77		
8	80		
9	81		
10	75		

TP = Total product or output
 AP= Average product
 MP = Marginal product

source: hardwick p 36, see blink also page 75

Task 2

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1(a) In the theory of the firm, a distinction is made between short run cost curves and long run cost curves. Using appropriate cost curve diagrams, explain this distinction. 10/25 marks

Answers Task 2

Task 3

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3. Explain the law of diminishing returns using the average and marginal product curves. 10/30 marks

Answers to Task 3