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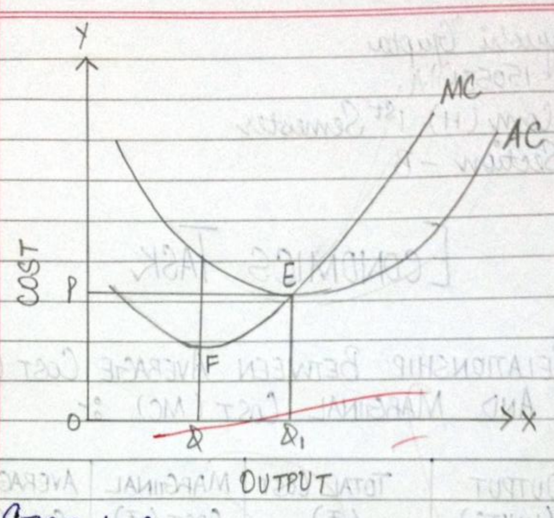
150531
B.Com (H) 1st Semester
Section - B

ECONOMICS TASK

⇒ RELATIONSHIP BETWEEN AVERAGE COST (AC) AND MARGINAL COST (MC) :-

OUTPUT (UNITS)	TOTAL COST (₹)	MARGINAL COST (₹)	AVERAGE COST (₹)
0	10	∞	–
1	20	20	10
2	28	14	8
3	34	11.3	6
4	38	9.5	4
5	42	8.4	4
6	48	8	6
7	56	8	8
8	72	9	16

Average cost is the ratio between total cost and total output. Marginal cost is additional cost when one more unit of output is produced.



(i) STAGE 1 :
When AC falls, MC is lower than AC - It means that marginal cost falls more rapidly than average cost.

(ii) STAGE 2 :
When AC rises, MC is greater than AC - It means that marginal cost rises more rapidly than average ~~a~~ cost.

(iii) STAGE 3 :
MC cuts AC at its lowest point - It means that when average cost is minimum then marginal cost will be equal to it.