

## Definitions and Concepts for AQA Economics AS-level

### Paper 1: Microeconomics

### Topic 3 - Production Costs and Revenues

---

**Average cost:** Total production cost divided by total output (cost per unit of output).

**Average revenue:** Total revenue divided by total output (revenue per unit of output).

**Capital productivity:** Output per unit of capital.

**Diseconomies of scale:** When long-run average costs rise as output rises.

**Division of labour:** Different workers performing different tasks in a good's/services' production, specialising to an extent.

**Economy of scale:** When long-run average costs fall as output rises.

**External economy of scale:** Firms saving resulting from growth of the industry a firm is part of.

**Fixed cost:** Costs of production that do not vary with output, only in the short run.

**Internal economy of scale:** Firms saving resulting from growth of the firm itself.

**Labour productivity:** Output per worker.

**Long run:** Time period in which none of the factors of production are fixed, and all can be varied.

**Long-run average cost:** Long-run total cost per unit of output.

**Long-run production:** When a firm changes the scale of all factors of production.

**Production:** A set of processes that converts inputs into outputs.

**Productive efficiency:** Minimised average total cost.

**Productivity:** Output per unit of input.

**Profit:** Total revenue subtract total costs.

This work by [PMT Education](https://www.pmt.education) is licensed under [CC BY-NC-ND 4.0](https://creativecommons.org/licenses/by-nc-nd/4.0/)



**Short run:** Time period in which at least one of the factors of production are fixed and cannot be varied.

**Specialisation:** A worker only performing a specific task or a small range of tasks.

**Technical economy of scale:** Cost saving through changing the production process.

**Total cost:** Total fixed cost added to total variable cost.

**Total revenue:** Price of each good, multiplied by quantity sold.

**Variable cost:** Costs incurred when paying for the variable factors of production.

