

AQA Economics AS-level

Microeconomics

Topic 3 - Production Costs and Revenues

Flashcards

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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



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

