

**National Institute of Open Schooling**  
**Secondary Course: Economics**  
**Lesson 8: Revenue and Cost**  
**Worksheet-8**

Supriya has recently finished her schooling and is aiming to get admitted to a prestigious management college for further studies. She also helps her father in running and managing his business of manufacturing clothes. His father told her that he is willing to expand the business to double the revenues of business but he is not sure of the cost structure of the business and asks Supriya for help. He told Supriya that he has been incurring various costs on raw material, labour, electricity charges, water charges and has also purchased some machinery to be used in the process of manufacturing. Supriya’s father has been running the business in his own house, thinking that he is saving money by not paying any rent to any external party. But the space is way too big in comparison of the requirement of his business. In fact, this business can be run in less than half of the current space. The property however can fetch a rent of Rs. 1,00,000 PM if given on rent. Supriya readily agrees to help her father in expanding the business. In the light of the given paragraph you have to answer the given questions.

1. Supriya’s father firstly wants to understand what is cost and revenue? Can you explain him the meaning of these two terms?
2. Do you think that Supriya’s father is actually saving on cost by running the business in his own house? If not, why?
3. Can you suggest some better alternative to Supriya’s father regarding usage of his own house or should he continue to use the same premises to save on costs?
4. Can you identify the components of fixed and variable costs in the above paragraph? Name them. In your opinion what other costs does a manufacturer of cloth has to incur?
5. Supriya wants to know from her father the exact cost structure of the existing business. She asks for Total Cost, Total Variable Cost, Average Cost, Average Fixed Cost, Average Variable Cost and Marginal Cost data. But her father could only provide data of Total Cost and Fixed Cost. Study the following table and help Supriya get the desired data.

Production Units	TC (In Rs.)	TFC	TVC	AFC	AVC	AC	MC
0	100						
1	160						
2	180						
3	190						
4	210						
5	250						
6	340						

**National Institute of Open Schooling**  
**Secondary Course: Economics**  
**Lesson 8: Revenue and Cost**  
**Worksheet-8**

6. Supriya has calculated the above items but her father doesn't understand these terms. Can you help Supriya in explaining the meaning of Total Cost, Total Variable Cost, Average Cost, Average Fixed Cost, Average Variable Cost and Marginal Cost to her father.
7. After the cost data she wants to know the selling price from her father to calculate the revenue of the business. Her father told her that selling price for each bale of cloth is Rs. 50 and he sold 4 bales of cloth in the previous year. Do you think her father made any profit in the previous year?
8. What level of output and sale would you suggest to her father to earn profit from the business?
9. Keeping the price per bale in mind, can you calculate the Total Revenue, Average Revenue and Marginal Revenue for units shown in the above table?
10. What level of production and sale would you suggest to Supriya's father to double the existing revenue? Can you make this decision successfully in absence of cost data?