



[Glossary]

Cost: Short run & Long run

Subject:	Business Economics
Course:	B.A., 1st Semester, Undergraduate
Paper No. & Title:	Paper – 101 Microeconomics - I
Unit No. & Title:	Unit – 4 Cost
Lecture No. & Title:	Lecture – 1 Cost: Short run & Long run

Glossary

Accounting Cost

Cost, which includes all the payments and charges made by entrepreneur to the suppliers of various productive factors.

Average Fixed Cost

The fixed cost per unit of output.

Average Variable Cost

The variable cost per unit of output

Economic Cost

Sum of accounting cost and opportunity cost.

Explicit Cost

Cost which can be measured in monetary terms.

Diseconomies of scale: The increase in unit cost of production as the firm increases its capacity.

Economies of scale: The reduction in the unit cost of production as the firm increases its capacity.

Fixed Cost:

Those costs, which are independent of output, i.e, they do not change with change in output.

Implicit Cost

The opportunity cost of an action that does not directly involve monetary payment.

Long Run Supply Function

A firm's long-run supply function is the increasing part of its long run marginal cost curve above the minimum of its long run average cost.

Marginal Cost

Those costs, which are addition, made to the total cost by production of an additional unit of output.

Marginal revenue

It means the addition made to the total revenue by producing and selling an additional unit of output.

Opportunity Cost

The cost of an alternative that must be forgone in order to pursue certain action.

Short Run Supply Function

A firm's short-run supply function is the increasing part of its short run marginal cost curve above the minimum of its average variable cost.

Subsidies

It is a kind of financial aid extended to an economic sector with the aim of promoting economic and social policies.

Taxes

It is a financial charge or a levy imposed on a taxpayer by an administrative authority for funding various public expenditures.

Total Cost

Sum of total fixed cost and total variable cost is called total cost.

Variable Cost

Those costs which are dependent on level of output.