**CHAPTER 7: THE COST OF PRODUCTION**

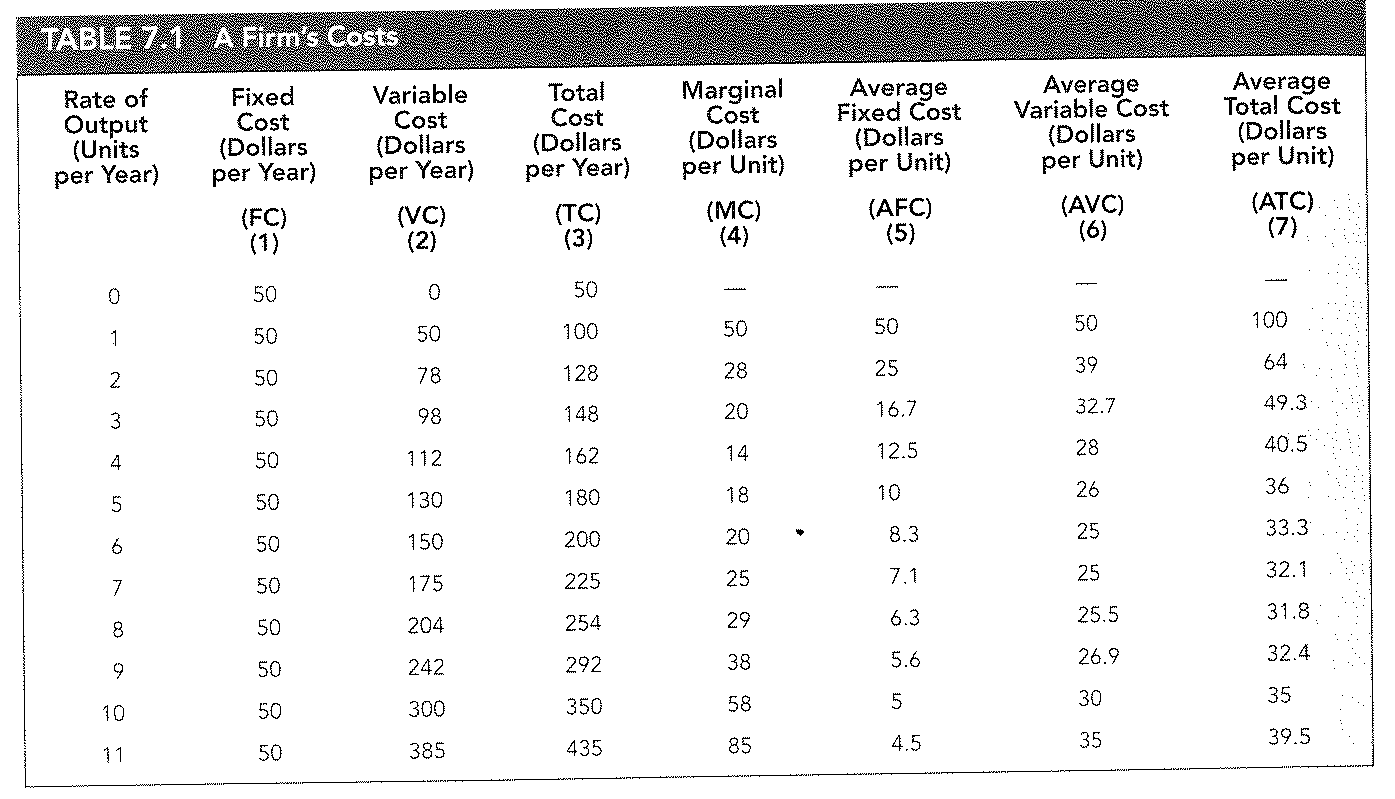
**Checklist**

Can you do the following regarding **cost of production**?

* Compare accounting cost to economic cost
* Compare opportunity cost to sunk cost
* Compare fixed cost to variable cost
* What is Total cost?
* Compare marginal cost to average cost
* Define average fixed cost
* Define average variable cost
* Define isoquant
* Define isocost
* What is the price of capital?
* What is the rental rate of capital?
* Define expansion path
* Explain inflexibility of SR production
* Define Economies of scale and diseconomies of scale
* Define Economies of scope and diseconomies of scope
* Define the product transformation curve

**CHAPTER 7: COST OF PRODUCTION**

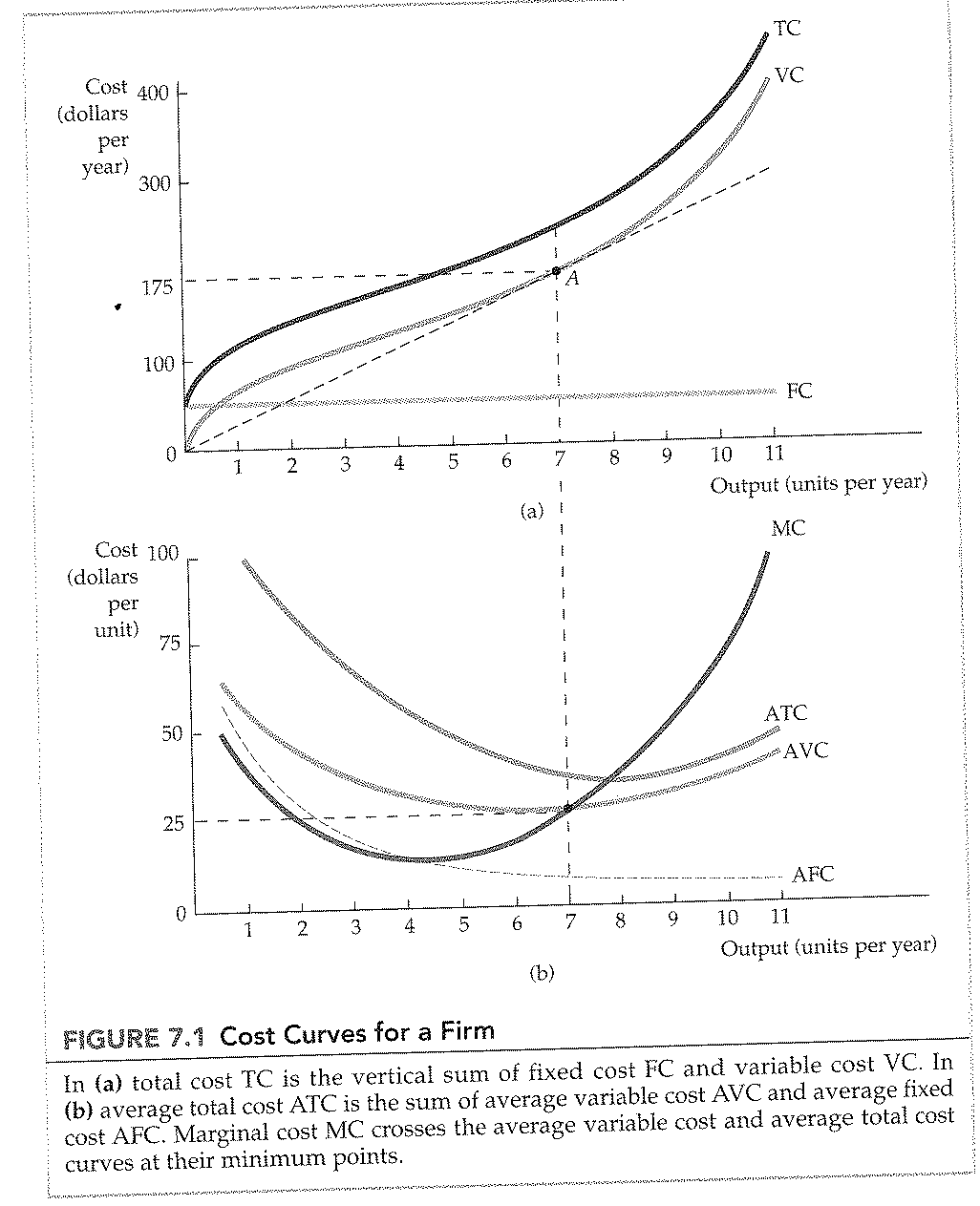
**A firm’s cost**



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**CHAPTER 7: COST OF PRODUCTION**

**Relationship between production and cost**



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**CHAPTER 7: COST OF PRODUCTION**

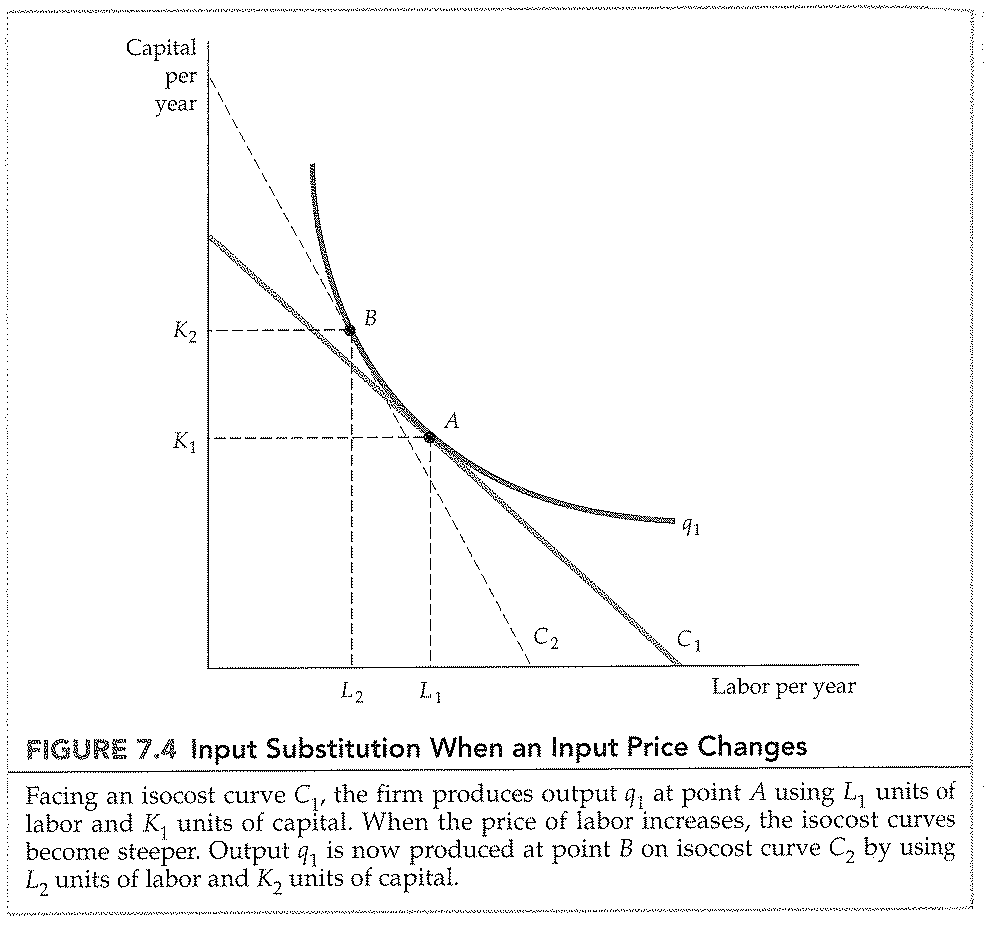
**Isoquant and Isocost lines**



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**CHAPTER 7: COST OF PRODUCTION**

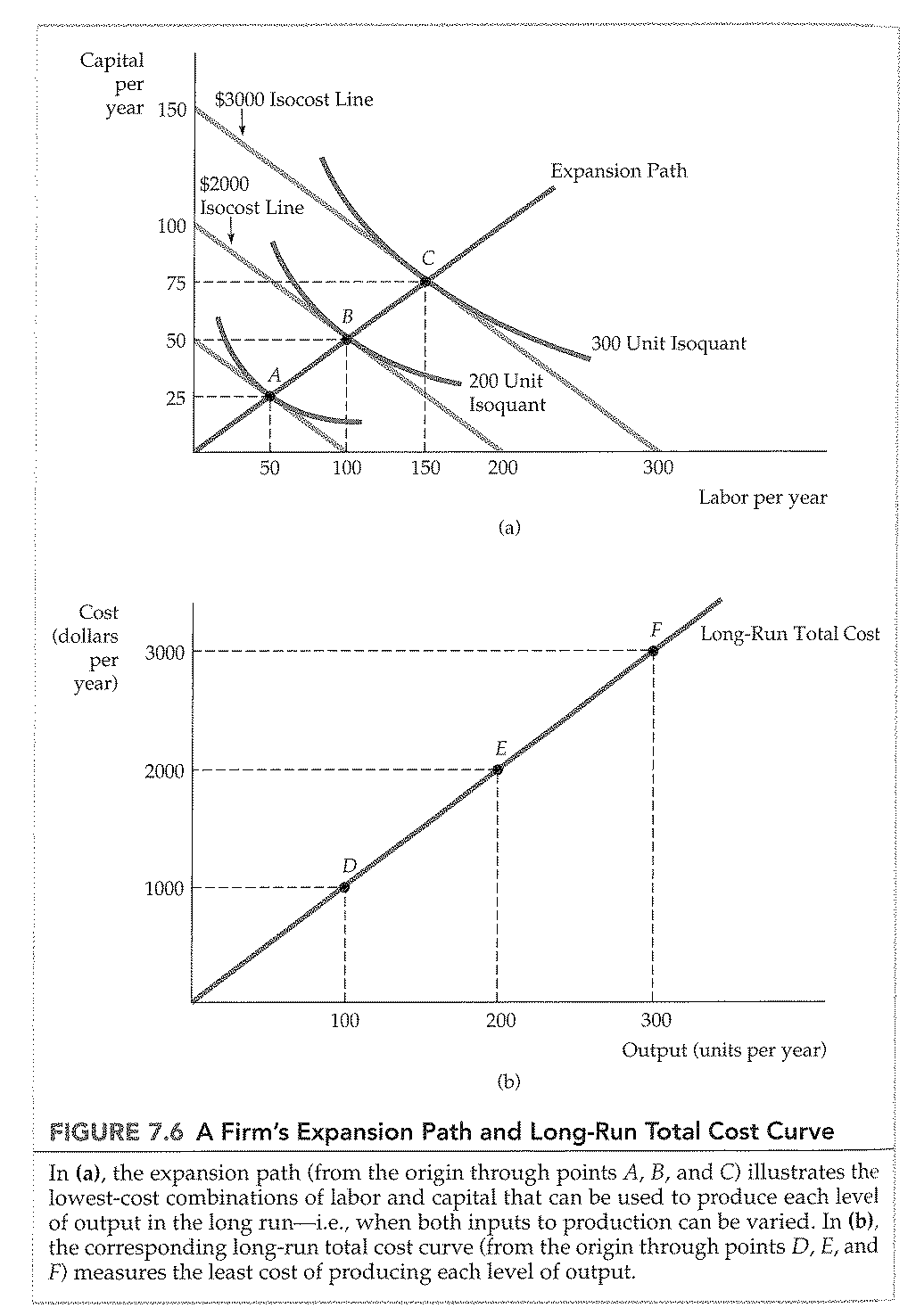
**Choosing inputs**



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**CHAPTER 7: COST OF PRODUCTION**

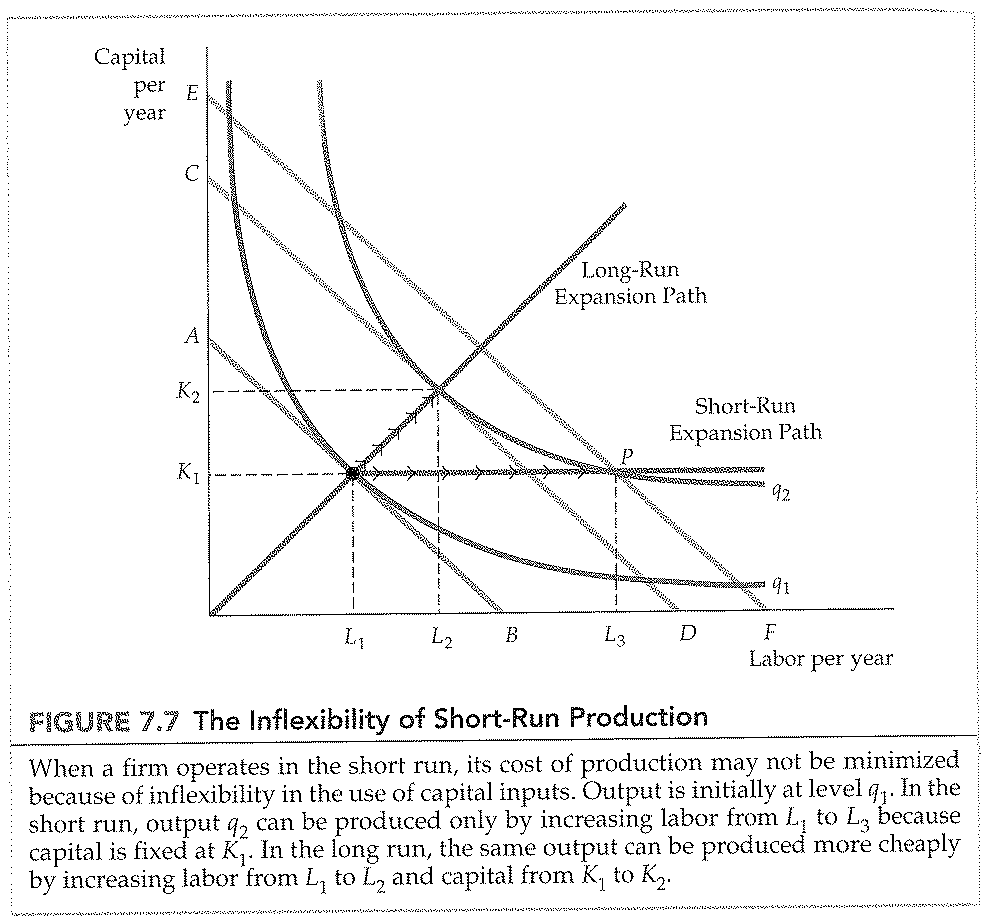
**LR and SR Expansion path**



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**CHAPTER 7: COST OF PRODUCTION**

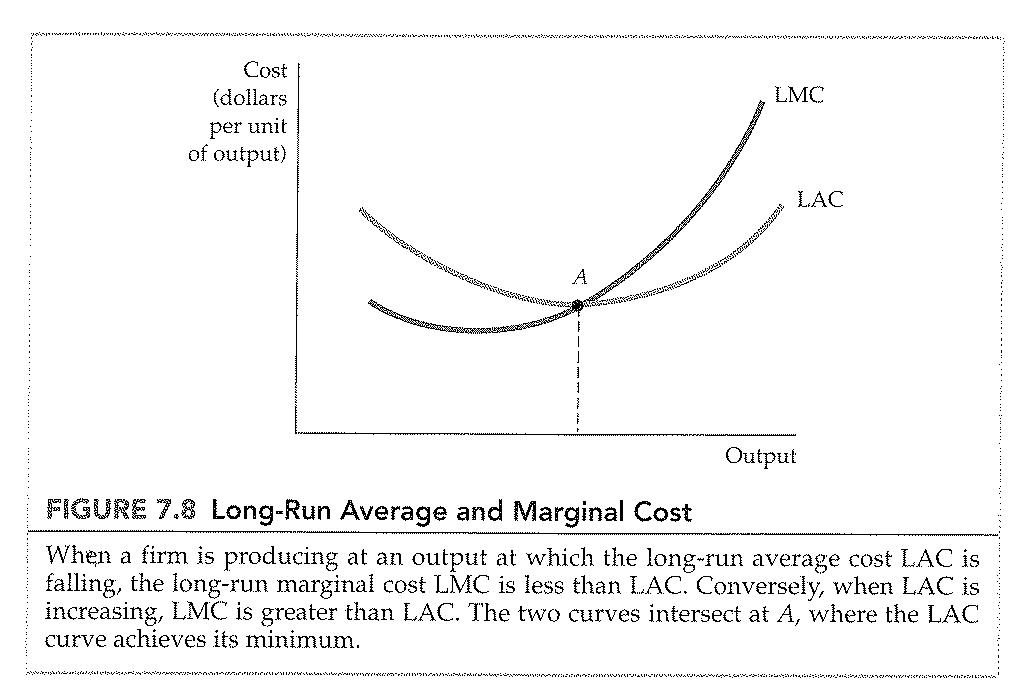
**Inflexibility of SR production**



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**CHAPTER 7: COST OF PRODUCTION**

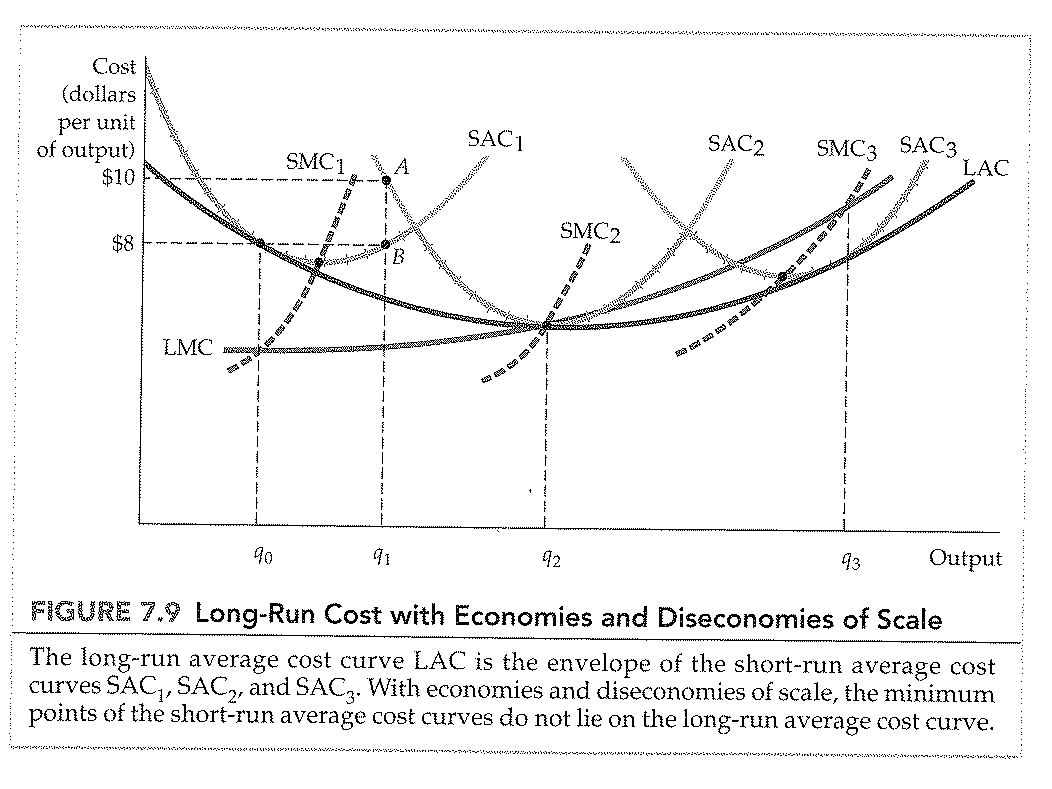
**LR and SR cost curves**



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**CHAPTER 7: COST OF PRODUCTION**

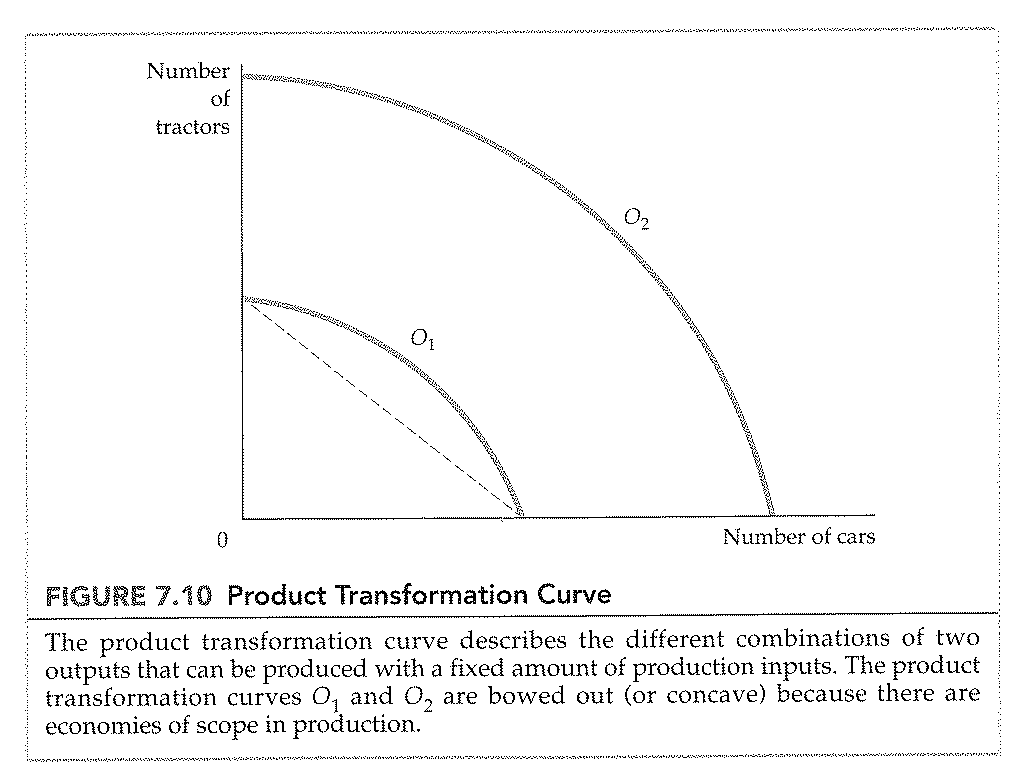
**SR vs. LR costs**



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**CHAPTER 7: COST OF PRODUCTION**

**Product Transformation curve**



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