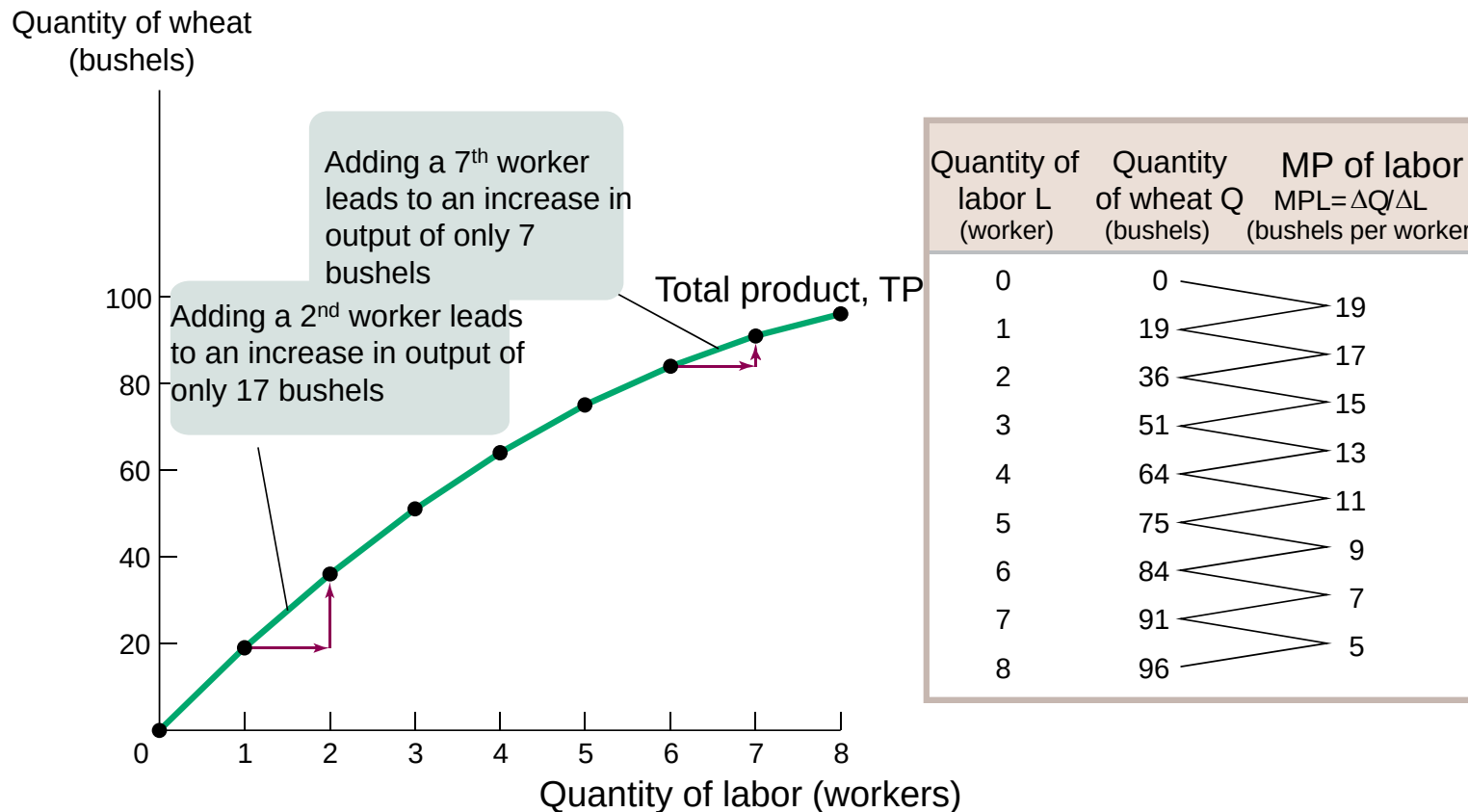


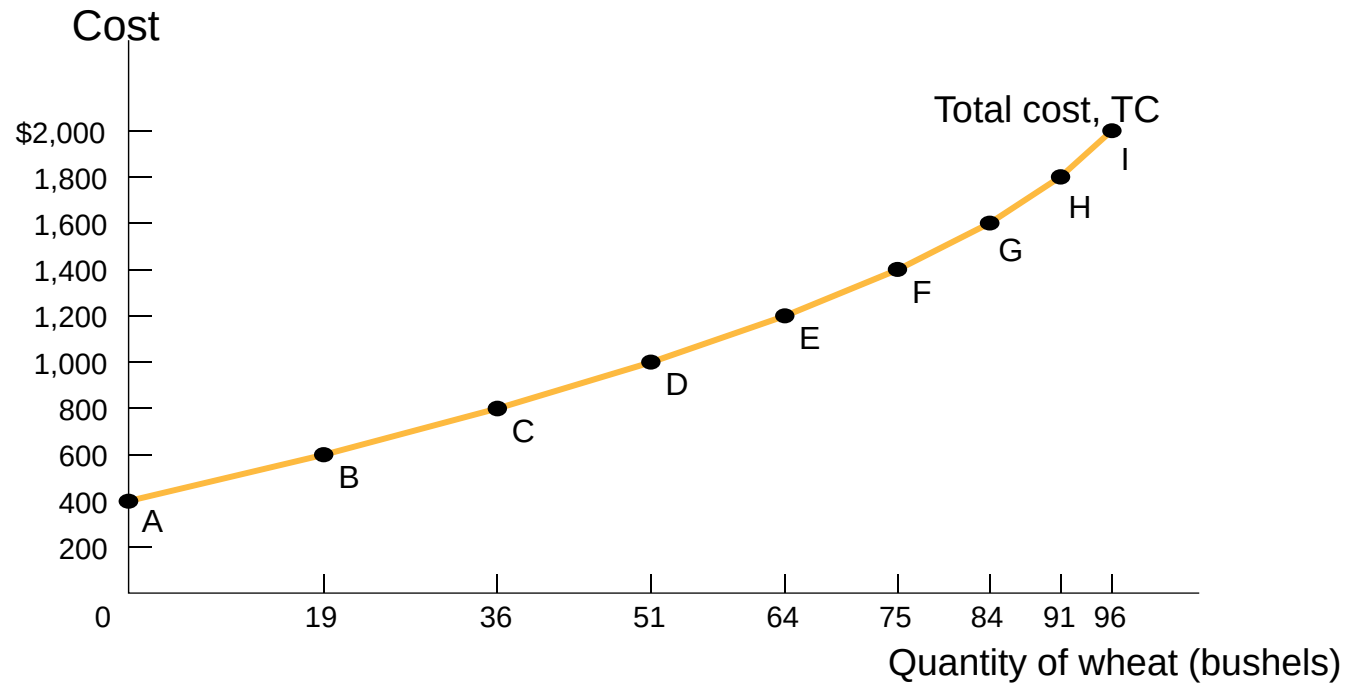
Example I

Production Function and TP Curve



Although the total product curve in the figure slopes upward along its entire length, the slope isn't constant: as you move up the curve to the right, it flattens out due to changing marginal product of labor.

Total Cost Curve



Point on graph	Quantity of labor L (worker)	Quantity of wheat Q (bushels)	Variable cost (VC)	Fixed Cost (FC)	Total cost (TC = FC + VC)
A	0	0	\$0	\$400	\$400
B	1	19	200	400	600
C	2	36	400	400	800
D	3	51	600	400	1,000
E	4	64	800	400	1,200
F	5	75	1,000	400	1,400
G	6	84	1,200	400	1,600
H	7	91	1,400	400	1,800
I	8	96	1,600	400	2,000

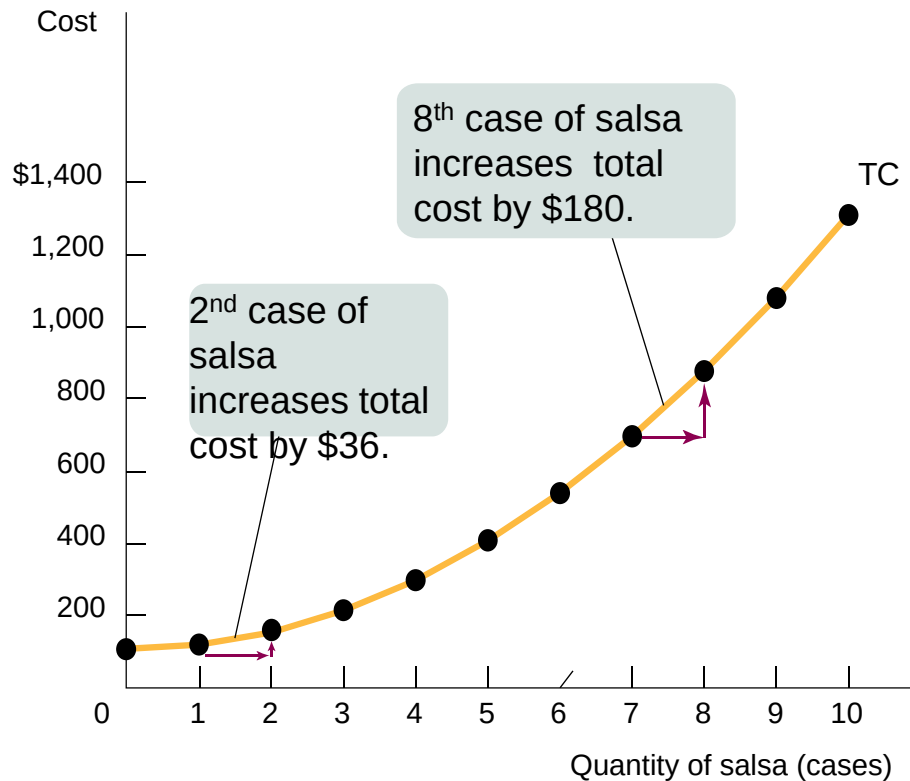
Example II

Costs at Selena's Gourmet Salsas

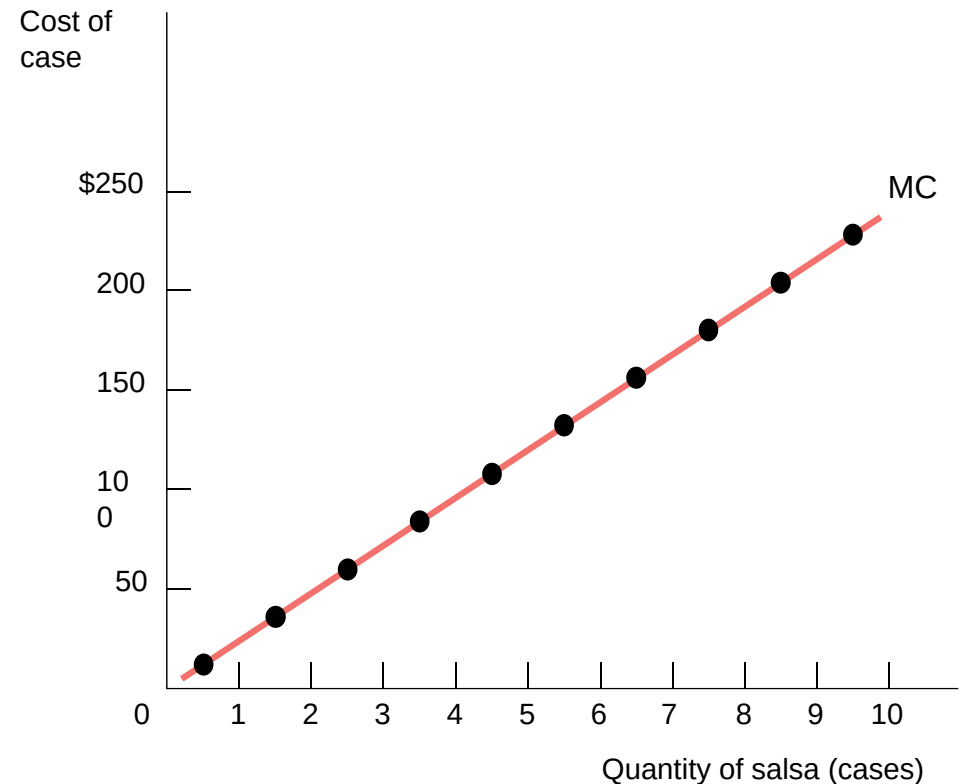
Quantity of salsa Q (cases)	Fixed cost FC	Variable cost VC	Total cost $TC = FC + VC$	Marginal cost of case $MC = \Delta TC / \Delta Q$
0	\$108	\$0	\$108	
1	108	12	120	\$12
2	108	48	156	36
3	108	108	216	60
4	108	192	300	84
5	108	300	408	108
6	108	432	540	132
7	108	588	696	156
8	108	768	876	180
9	108	972	1,080	204
10	108	1,200	1,308	228

Total Cost and Marginal Cost Curves for Selena's Gourmet Salsas

(a) Total Cost



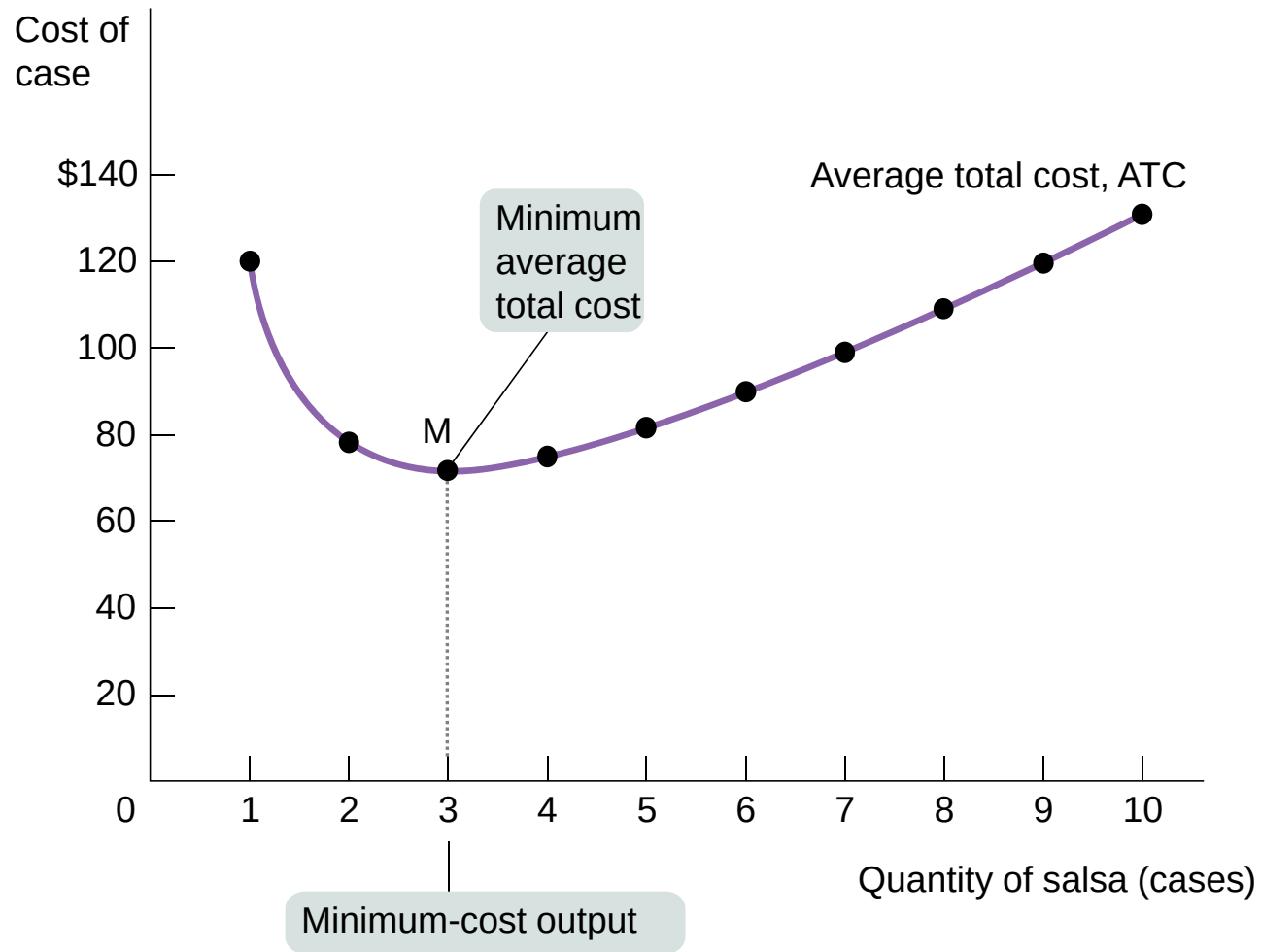
(b) Marginal Cost



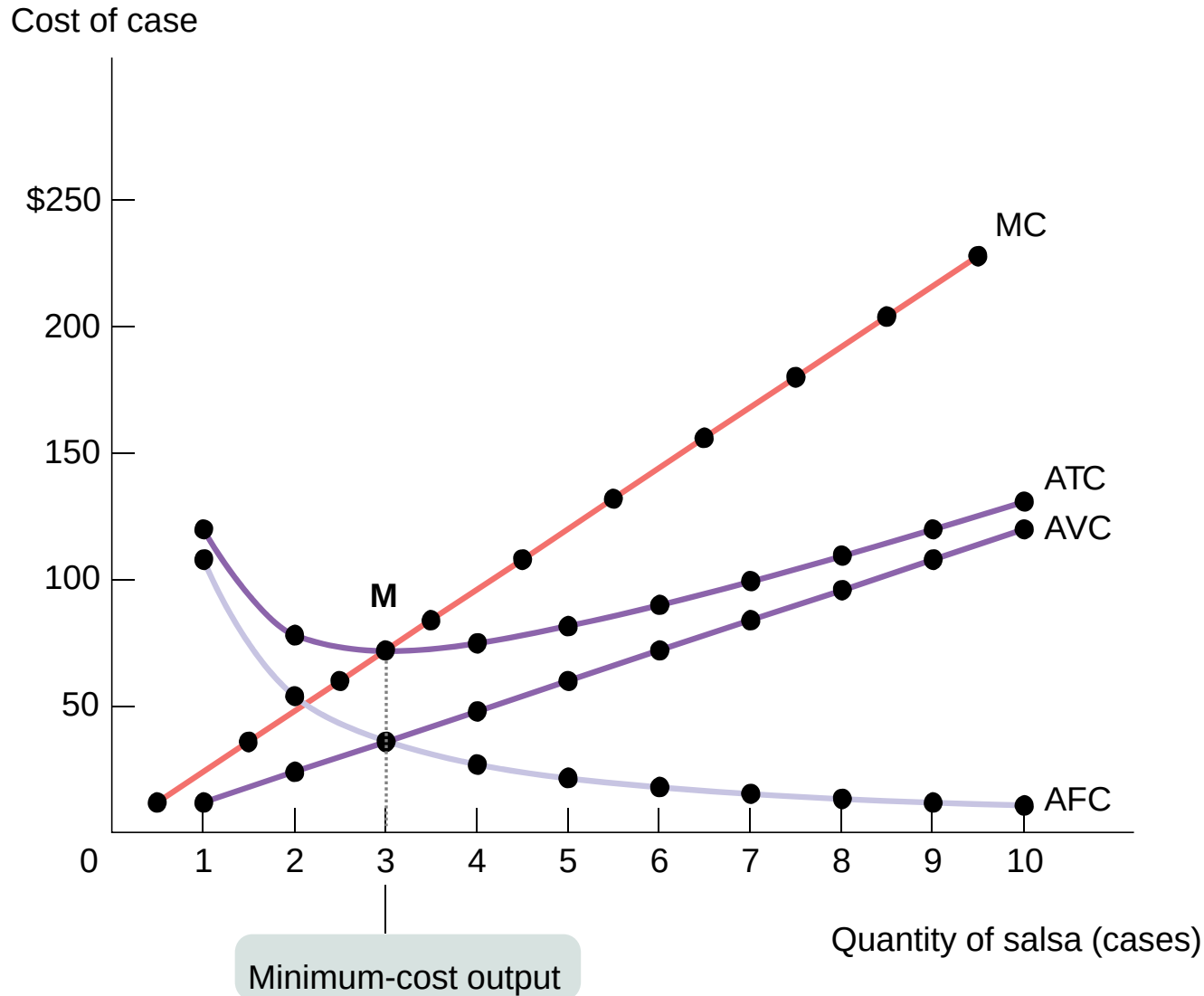
Average Costs for Selena's Gourmet Salsas

Quantity of salsa Q (cases)	Total cost TC	Average total cost of case $ATC = TC/Q$	Average fixed cost of case $AFC = FC/Q$	Average variable cost of case $AVC = VC/Q$
1	\$120	\$120.00	\$108.00	\$12.00
2	156	78.00	54.00	24.00
3	216	72.00	36.00	36.00
4	300	75.00	27.00	48.00
5	408	81.60	21.60	60.00
6	540	90.00	18.00	72.00
7	696	99.43	15.43	84.00
8	876	109.50	13.50	96.00
9	1,080	120.00	12.00	108.00
10	1,308	130.80	10.80	120.00

Average Total Cost Curve for Selena's Gourmet Salsas



Marginal Cost and Average Cost Curves for Selena's Gourmet Salsas



Source:

- Krugman, P. and Robin Wells (2008)