

Average Cost Curves Game

Introduction

This activity is a fun activity that is designed to show how the short-run average cost curve is produced.

Basically, the activity gets student/s to write the word “MARkETInG” on the board in this precise mix of upper and lower case letters (or any other suitable combination will do).

The word “MARkETInG” is the pretend product that is being produced and sold. However, the goal of the activity is to calculate an average cost curve using various levels of input.

Information on Production Costs

Allocated fixed costs	<i>\$100 per period</i>
Semi-variable costs = student labor	<i>\$10 per student per 30 seconds</i>
Semi-variable costs = pen/marker	<i>\$10 per period</i>
Variable costs = the word “MARkETInG”	<i>\$10 per word</i>

Then simply follow the boxes below and then plot the average cost curve using the above cost data.

Activity/Task

How to Play

(Can play with either with individual students or in groups/teams)

Round One

- The student is given one pen/marker only
- One student writes **MARkETInG** (reasonably neatly) as many times as possible in 30 seconds
- Then the average cost is calculated (see example on the next page)

Round Two

- The **same** student again writes **MARkETInG** as many times as possible in 30 seconds
- This shows any benefits from experience in reducing average costs
- Then the average cost is calculated again

Round Three

- A **second** student is asked to join the first student
- The students have two pens/markers between them
- Together they write **MArKETInG** as many times as possible in 30 seconds
- This shows any benefits from short-term production increases
- Then the average cost is calculated again

Round Four

- A third student is asked to join the first two students
- The students have three pens/markers between them
- Together they write **MArKETInG** as many times as possible in 30 seconds
- Then the average cost is calculated again

Some Scoring Examples

	Round One	Round Three
Fixed costs	\$100	\$100
Labor	\$10 (one student)	\$20 (two students)
Pen/marker	\$10 (one pen/marker)	\$20 (two pen/marker)
Word cost	\$80 (8 written)	\$200 (20 written)
TOTAL COSTS	\$200	\$340
Words produced	8	20
Average cost	\$25 ($\$200/8$)	\$17 ($\$340/20$)

Note: The instructor (or a nominated student) can record the average costs for each round, and then these costs can be plotted onto a cost curve on the board (or a spreadsheet) at the end of the rounds.