

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (10 points) Why do you think that most new companies are LLCs rather than partnerships? Explain your logic.

2) (5 points) Soon after the exam, we will be concluding that perfectly competitive firms make no economic profits in the long-run. What does that mean about accounting profits? Explain your logic.

3) (15 points) I am having solar panels installed at my house. After tax credits, the cost is approximately \$20,000. The estimated savings is \$1500 per year on my electricity bill. The panels are guaranteed for 25 years. Set up the calculation which will determine the rate of return I expect to get. Do NOT solve it. Explain how you got the numbers. Assume the panels die after the guarantee runs out.

4) (20 points) Suppose a bond has a face value of \$1000. It has a maturity date of 2026/10/20. The coupon rate is 5% with interest paid annually. Set up the calculation which will give you the current selling price if the going rate of interest is 4%. Without doing the calculation, is that number greater than \$1000, equal \$1000, or less than \$1000. Explain your logic.

5) (10 points each) For each of the following, determine if it is a fixed cost, variable cost, or a mixed cost (both). Explain your logic.

- A) raw materials
- B) CEO's salary
- C) electricity.

6) (10 points) Copy the following table onto your answer sheet. Fill in the missing numbers. Show all work. If there is no work, explain how you got the numbers.

L	TPL	MPL
0		
1	30	
2		40
	100	30
	140	20

7) (10 points) Draw the MPL diagram and briefly explain why it takes that form.