

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

1) (5 points) Which part of my web page, <http://www.bethanywv.edu/wcsaplar/> do you think will be most helpful? Why? Is anything missing that you would like to see?

2) (5 points) Which part of the department's web page, <http://www.bethanywv.edu/economics/> do you think will be most helpful? Why? Is anything missing that you would like to see?

3) (15 points) Suppose that you are about to graduate from Bethany College and you are trying to decide whether or not to go to graduate school. If you worked after graduation, you would earn \$30,000 per year. If you went to graduate school for an MBA, then it would cost you \$33,000 for those two years and then you would earn \$45,000 per year after you graduate. Set up the formulas for calculating the present value of each of the options. Assume the interest rate is 5% and that you will work until 2046. Briefly explain how you got each formula and how you would use them to determine which is the better option.

4) (15 points) The book has five theories as to how a firm can make positive economic profits. Normally, in the long run, firms cannot make positive economic profits except for these five exceptions. Why can't most firms make positive economic profits?

5) (20 points each) Illustrate each of these events on the supply and demand for toilet paper. Explain why the curve(s) moved as drawn. State what happens to the price and the quantity sold. Use separate graphs for each part.

A) Johnny Carson announces there is a shortage of toilet paper. (He did this in the 1970s as a joke, but people believed him.) Assume people believe him.

B) The federal government reduces the number of trees that can be harvested. (I doubt this would happen under this administration, but assume it does happen.)

C) People anticipate that the price of toilet paper will be higher in the future.