

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) (25 points) Draw a SRMC/SRAVC/SRATC/AFC diagram. Illustrate an increase in the wage rate on the diagram. Explain why the curve(s) moved as drawn.

2) (25 points) Draw a SRMC/SRAVC/SRATC/AFC diagram. Illustrate an increase in the rental rate of capital on the diagram. Explain why the curve(s) moved as drawn.

3) (30 points) Copy the table into your homework and fill it in. Show all work for all calculations. If there is no calculation, briefly explain how you got the answer.

Q	TC	TVC	TFC	ATC	AVC	AFC	MC
0			120				
1	150						
3		60					
		100			20		
						20	44

4) (20 points) Why is the LRAC Curve the lower envelope of the SRAS Curves? Why doesn't that logic hold for the LRMC Curve and the SRMC Curves?