

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you one point. 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 ten points. If you do double-sided printing or print on the back of scrap paper, I will give you one additional point.

This assignment is due on Wednesday because I will be out of town on Friday.

1) (35 points) Copy this table onto your answer sheet. Fill it in showing all calculations. If there is no calculation to show, explain how you determined the value.

Q	TC	ATC	TVC	AVC	AFC	MC
0	240					
2	280					
4			60			
6		55				
					24	55

2) (25 points) Illustrate an increase in the wage rate on the ATC/AVC/AFC/MC diagram. Explain why the curve(s) moved as drawn.

3) (25 points) Illustrate an increase in the rental rate of capital on the ATC/AVC/AFC/MC diagram. Explain why the curve(s) moved as drawn.

4) (15 points) Without drawing the isoquant/isocost diagram, explain how we can use the expansion path to determine the short-run total cost function for the product. (If you want to draw the diagram, I will not take off for it unless you draw it wrong.)