

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. Failure to follow these directions will cost you 1 point on the assignment.

1) (40 points) Copy the table below onto the answer sheet and fill it in. Show the calculations you used to fill in the table. Hint: it is easier to write each equation as you use it rather than to go back and write the equations later. Using a footnote for each calculation simplifies the answer.

Q	TC	TFC	TVC	ATC	AFC	AVC	MC
0		60					
1	80						
2			30				
3				35			
4						16	
5							31
					$8 \frac{4}{7}$	$24 \frac{3}{7}$	

2) (35 points) Draw a normally shaped ATC/AVC/AFC/MC diagram. Illustrate an increase in the cost of labor. Explain why the curve(s) moved as drawn.

3) (25 points) Draw a normally shaped TR/SRTC diagram for a firm that is making money. Illustrate a decrease in the price to the point that the firm is making no profits. Explain why the curve(s) moved as drawn and how you can tell the profits went from positive to zero.