Solutions

Each answer shows the steps, then the **result**.

2.1

- produce the quantity where marginal revenue equals marginal cost

2.2

- profit $= (P - ATC)Q = (12 - 9)(100) = \$300$

2.3

- below $MR = MC$ each extra unit adds more revenue than cost; above it the reverse, so profit peaks exactly where they are equal

3.1 B

3.2 B

3.3

(a)

- $20 - 14 = \$6$

(b)

- $6 \times 50 = \$300$