Solutions

2.1

- $0.50 \times 8{,}000 + 3{,}600 + 2{,}200 = £9{,}800$.
- $0.50 \times 12{,}000 + 3{,}600 + 2{,}200 + 2{,}000 = £13{,}800$.

2.2

- At 8,000: $9{,}800/8{,}000 = £1.225$.
- At 12,000: $13{,}800/12{,}000 = £1.15$.
- Marginal: £0.50 – the variable rate, never the unit cost.

2.3

- $v = (9{,}300 - 6{,}800)/(9{,}000 - 4{,}000) = £0.50$.
- $F = 6{,}800 - 0.50 \times 4{,}000 = £4{,}800$.
- Assumption: both points in ONE relevant range (no step between 4,000 and 9,000 ✓) and roughly linear between.

2.4

- Slope $= (13{,}800 - 6{,}800)/(12{,}000 - 4{,}000) = £0.875$/loaf.
- It launders the £2,000 step into £0.375 of "variable cost" per loaf.
- Overstates marginal cost by £0.375 and misprices every decision that uses v.

2.5

- Rent: fixed (in range).
- Flour: variable.
- Second baker: step at 10,000.
- Electricity: mixed (standing = fixed, per-use = variable).

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