

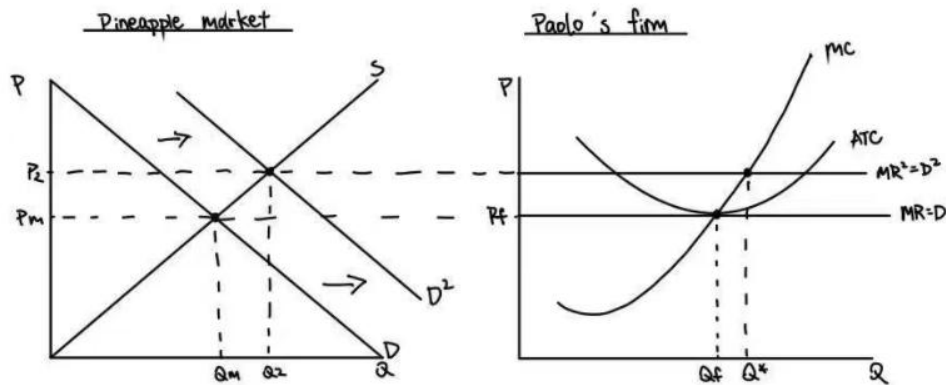
C	B	D	B	D
6	7	8	9	10
C	A	E	C	B
11	12	13	14	15
E	D	D	A	E
16	17	18	19	20
C	D	A	C	E
21	22	23	24	25
D	B	B	A	B
26	27	28	29	30
E	A	E	B	A
31	32	33	34	35
A	C	B	A	D
36	37	38	39	40
C	A	C	C	A
41	42	43	44	45
B	A	B	C	E
46	47	48	49	50
E	C	C	D	E
51	52	53	54	55
C	B	A	C	E
56	57	58	59	60
A	C	A	C	B

FRQ

#1

d. The accounting profit is zero.

b & c.



d. The number of firms in Pineapple market will increase, because in the short-run Paolo's firm is earning a profit, thus more firms will be attracted and enter the market to earn money.

e. Paolo's pineapple farm's price will greater than the marginal revenue, because when it's differentiated it's no longer a perfectly competitive firm then it'll have the ability to raise the price and earn more profit.

f. Income elasticity = $\frac{\Delta \% Q_d}{\Delta \% \text{Income}}$

↓

$0.3 = \frac{\Delta \% Q_d}{10\%}$

$\Delta \% Q_d = 0.3 \times 10\%$

$\Delta \% Q_d = 3\%$

The percentage change in quantity demanded of pineapple would be a 3%.

FRQ

#2

- a. The Grand Power Company's profit-maximizing price is \$0.8 per hour, and quantity is 40 kilowatt-hours.
- b. At profit-maximizing point, Grand power Company's demand is elastic, because regarding on the profit-maximizing point, MR is still positive, thus it's elastic
- c. (i) If the government chooses proposal 1, The Grand Power Company will charge at \$0.40 and will produce at 120 kilowatt-hours.
- (ii) Proposal 1's dead weight loss is the triangular area from \$0.2-\$0.4 and 120-160 kilowatt-hours.

$$\frac{(0.4-0.2) \times (160-120)}{2} = \$4$$

If government chooses proposal 1, there will be a \$4 dead weight loss.

- (iii) Proposal 1 has a consumer surplus of $(0.8-0.4) \times 120 / 2 = \$24$, whereas proposal 2 has a consumer surplus of $(0.8-0.2) \times 160 / 2 = \$48$. Thus proposal 2 has a greater consumer surplus

FRQ

#3

- a. The total revenue is $\$2 \times 80 = \$160$
- b. Marginal revenue = $\frac{\text{Change in total revenue}}{\text{Change in Q of workers}}$
- $$MR = \frac{(\$70 - \$40) \times 2}{2 - 1}$$
- $$= 60$$

The marginal revenue of the second worker is \$60.

- c. Profit maximizing is $MR=MC$, and the MC is constant at \$35, so Industry Z should hire 3 workers with the closest $MR=40$.
- d. Industry Y and Z experience diminishing marginal return.
- e. If Penelope decides to hire a tenth worker, he should hire the tenth worker from Industry X to maximize the total profit, since industry X's 10th worker has the highest MR.