

Assignment 1

Name: _____ ID: _____

Utility Maximization

1. Consider Consumer A who only consumes two goods – Chocolate and Carrots. The price of one bar of chocolate is \$2 and the price of one carrot is \$1. Currently she buys 8 chocolates and 15 carrots. Her marginal utility from the 8th chocolate is 50 utils and her marginal utility from the 15th carrot is 30. What should she do to maximize her utility?

Production and Costs

2. Firm A produces tables. They have rented 1 factory, and they pay a rent of \$50 per month for the factory space, which is fixed. They can hire labor with a wage rate of \$10 per labor. **(SHOW ALL WORKINGS)**

Variable Input (Labor)	Fixed Input (Factory)	Output (TPP)	MPP	FC	VC	TC	MC
0	1	0					
1	1	20					
2	1	42					
3	1	66					
4	1	88					
5	1	108					