

week 6:

$$4. (A) q = 10 L^{0.5} K^{0.5} \rightarrow L^* = \frac{q^2}{100K}$$

$$STC = 10L^* + 10K = \frac{q^2}{10K} + 10K$$

$$AC = \frac{q}{10K} + \frac{10K}{q} \Rightarrow MC = \frac{8}{5K}$$

$$(B) \frac{\partial STC}{\partial K} = \frac{-q^2}{10K^2} + 10 = 0 \Rightarrow \tilde{K} \text{ s.t. } \lambda STC$$

$$TC = STC(K = \tilde{K}) = \frac{q^2}{10 \cdot \frac{q}{10}} + 10 \cdot \frac{10}{q} = 2q$$

$$7. (A) AFC = \frac{FC}{q} = \frac{50}{10} = 5$$

$$(B) AVC = q^2 - 12q + 1 \Rightarrow \frac{dAVC}{dq} = 2q - 12 = 0 \Rightarrow q = 6$$

$$(C) AVC \neq 0 \Rightarrow AP_L \neq 0 \Rightarrow q \geq 6$$

$$(D) MC = 3q^2 - 24q + 1 \Rightarrow \frac{dMC}{dq} = 6q - 24 = 0 \Rightarrow q = 4$$

$$MC \neq 0 \Rightarrow MP_L \neq 0 \Rightarrow q \geq 4$$