

PART III Short Answer Problems (4 questions, 40 marks, 40 minutes)

Answer **only** in the spaces provided, which are **big enough for a full-credit answer**.

Where required, you must show your work to receive credit.

Numbers in parentheses in the left margin indicate the marks for each question.

51. The questions below are about supply

(1) A) State the Law of Supply.

(3) B) Describe two ways to read a market supply curve.

[order does not matter] **(FILL IN THE BLANKS)**

i) Reading the supply curve as a _____ ,
for any given _____ , this reading tells you what is the
_____.

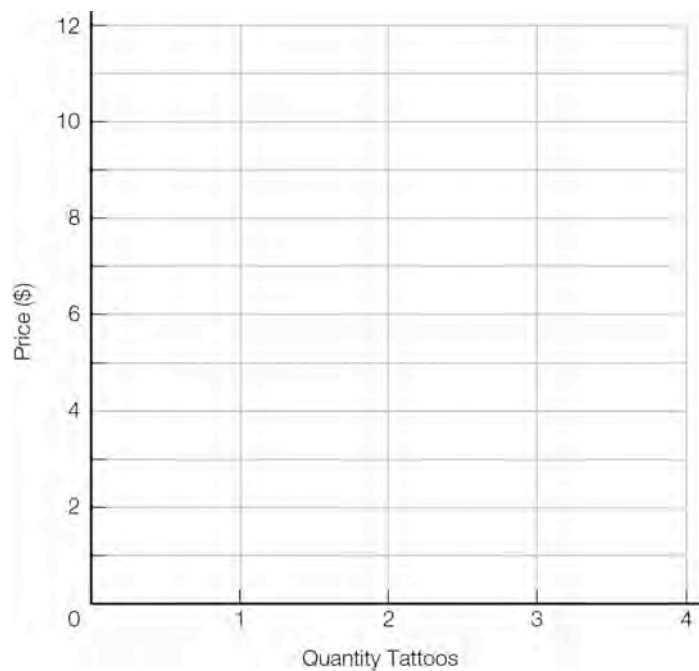
ii) Reading the supply curve as a _____ ,
for any given _____ , this reading tells you what is the
_____.

- (3) C) Tony's Tattoo Centre (TTC) provides tattoo and piercing services. With his existing inputs (labour and equipment), TTC can produce daily the maximum combinations of tattoos and piercings in columns 1 and 2 of the table below.

MAXIMUM COMBINATIONS TATTOOS AND PIERCINGS PRODUCED		
COLUMN		
1	2	3
Tattoos	Piercings	Marginal Opportunity Cost additional Tattoos (\$) (Price Piercing = \$1)
0	24	
		\$
1	18	
		\$
2	12	
		\$
3	6	
		\$
4	0	

- i) If piercings sell for \$1 each, fill in the four grey boxes in **column 3** for the marginal opportunity cost of additional tattoos.
- ii) What do the numbers in column 3 tell us about TTC's inputs? Explain

- (2) D) On the graph below, use the numbers in **part C)** to plot the points on TTC's marginal cost curve of tatoos and connect them. Each point should clearly show the quantity and price coordinates (Q , P).



- (2) E) For businesses generally, as output increases there are two main patterns of marginal cost.
- i) What is the other pattern (different from part D)) of marginal cost as output increases?
 - ii) List at least two reasons that explain the other pattern of marginal cost as output increases.