

dir = diamond Trust  
qqqq = powertrucks

## Chapter 1: Managers, Profits, and Markets Quiz

When answering the questions below, please show all details of your calculations.

1. When Burton Cummings graduated with honors from the Canadian Trucking Academy, his father gave him a \$350,000 tractor-trailer rig. Recently, Burton was boasting to some fellow truckers that his revenues were typically \$25,000 per month, while his operating costs (fuel, maintenance, and depreciation) amounted to only \$18,000 per month. Tractor-trailer rigs identical to Burton's rig rent for \$15,000 per month. If Burton was driving trucks for one of the competing trucking firms, he would earn \$5,000 per month.

- a. How much are Burton's explicit costs per month? How much are his implicit costs per month?

$$\text{explicit} = \$18,000 \quad \text{implicit} = 15,000 + 5,000 = \$20,000$$

1.0

- b. What is the dollar amount of the opportunity costs of the resources used by Burton each month?

$$18,000 + 20,000 = \$38,000$$

1.0

- c. Burton is proud of the fact that he is generating a net cash flow of \$7,000 ( $=\$25,000 - \$18,000$ ) per month, since he would be earning only \$5,000 per month if he were working for a trucking firm. What advice would you give Burton? Why?

1.0

He is actually making an economic profit of

$(38,000 - 25,000) = 13,000$ . He should rent his truck for \$13,000

$38,000 - 25,000 = 13,000$  and work for the other firm for \$5,000  
costs - revenue

So he would have \$20,000.

good

3.0

~~$$(9)^2 (x \cdot 10^{1/2} L^{1/2})^2$$~~

get to L

then put a cost expression