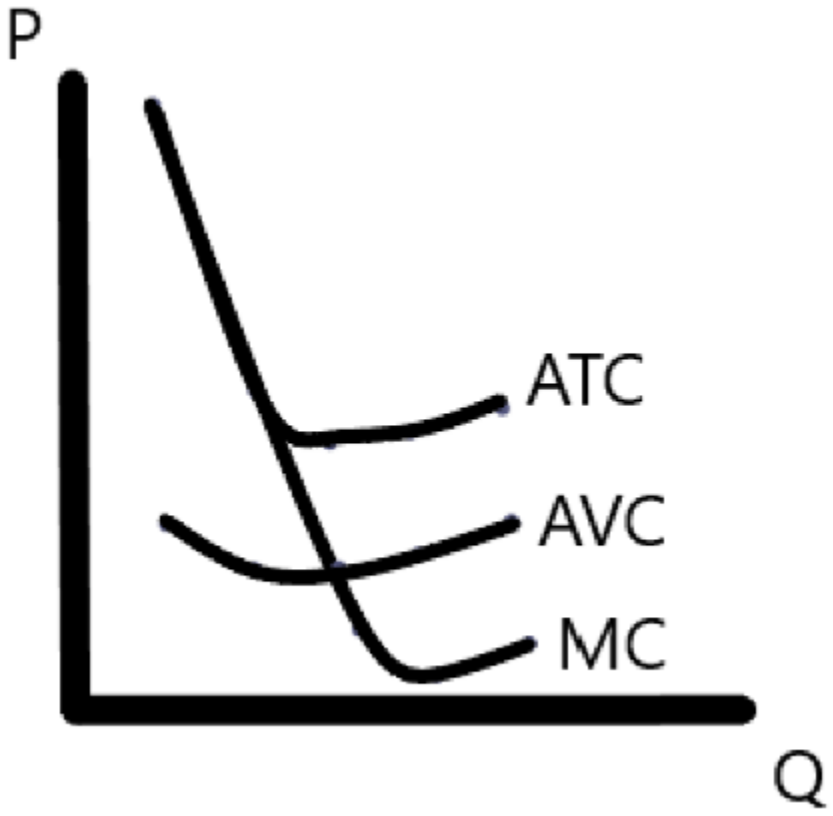
1.

a.

Quantity of Labor	Quantity of Sweatshirts	Fixed Cost	Variable Cost	Total Cost	Average Fixed Cost	Average Variable Cost	Average Total Cost	Marginal Product of Labor	Marginal Cost
0	0	2000	0	2000	-	-	-	-	-
1	300	2000	1000	3000	6.67	3.33	10	300	10
2	800	2000	2000	4000	2.5	2.5	5	500	-5
3	1200	2000	3000	5000	1.67	2.5	4.17	400	-0.83
4	1400	2000	4000	6000	1.43	2.86	4.29	200	0.12
5	1500	2000	5000	7000	1.33	3.33	4.66	100	0.37

b.



c.

The most efficient production level is at an output of 1200 sweatshirts

2.

a.

Accounting profit = $45,600
Economic profit = -$17,400

b.

You should not open the store because the economic profit is negative

3.

a.

Q	FA-TC	FA-ATC	Q	FB-TC	FB-ATC	Q	FC-TC	FC-ATC
1	60	60	**1**	11	11	**1**	21	21
2	70	35	**2**	24	12	**2**	34	17
3	80	26.67	**3**	39	13	**3**	49	16.33
4	90	22.5	**4**	56	14	**4**	66	16.5
5	100	20	**5**	75	15	**5**	85	17
6	110	18.33	**6**	96	16	**6**	106	17.67
7	120	17.14	**7**	119	17	**7**	129	18.43

Firm A experiences Economies of Scale, both Firm B and Firm C experience Diseconomies of Scale.

b. I would choose Firm B if I had to produce 3 units because Firm B has the lowest Average Total Cost

4.

a.

Q	FC	VC	TC	AFC	AVC	ATC	MC	MS
0	5	0	5	-	-	-	-	0
1	5	5	10	5	5	10	5	100
2	5	8	13	2.5	4	6.5	3	200
3	5	13	18	1.67	4.33	6	5	300
4	5	20	25	1.25	5	6.25	7	400
5	5	29	34	1	5.8	6.8	9	500
6	5	40	45	0.83	6.67	7.5	11	600

b.

Price	Quantity Demanded	Market Supply
$12	300	300
10	500	500
8	800	800
6	1200	1200
4	1800	1800

c. Market price = $10, profit = $5000