Assignment 4 | MAREB | Productive Efficiency and Innovation | Instructor: Diego Prior

Shayan Abbasi NIU: 1596105

Dalia Argudo Barrera NIU: 1627065

Sitti Alisya Masrura NIU: 1615417

Q: Being m(0) = 30% and PRO =1.2. Is it possible to reduce output price by 10% and to increase salaries by 15%?

Since
$$PRO.\frac{1-c}{1+w} = 1.2 \left(\frac{0.9}{1.15}\right) = 0.9391 < 1$$

It is not feasible to decrease price by 10% and increase salaries by 15%. If the PRO was 1.28, we could have maintained the profitability doing so.