

benefits \hat{G} Total Cost \hat{C} Step 2 \hat{G} Calculate the Benefits from adding another unit \hat{C} Marginal benefit = Change in total benefits (due to adding another unit) \hat{C} Step 3 \hat{G} Calculate the Cost of adding another unit \hat{C} Marginal Cost = Change in total cost (due to adding another unit) \hat{C} Step 4 \hat{G} Take step if Marginal Benefits exceed or equal Marginal Costs \hat{C} Marginal benefit \hat{A} \hat{Y} Marginal Cost \hat{C} If this is the case, you are adding more to total benefits than total cost, so the net benefits are going up by: \hat{C} Change in net benefit = Marginal Benefit \hat{G} Marginal Cost \hat{C} Pete has hired you to calculate the costs and revenues for his lawn care company. \hat{C} Pete has provided you with the data below and should be used for questions 1-4. \hat{C} What is the total revenue (TR) of mowing the 4th lawn? \hat{C} Answer: $D = Q * P = 4 * 10$ \hat{C} What is the marginal revenue (MR) of mowing the 5th lawn? \hat{C} Answer: $D = TR\ 5 - TR\ 4 = \$50 - \40 \hat{C} What is the marginal cost (MC) of mowing the 6th lawn? \hat{C} Answer: $C = TC\ 6 - TC\ 5 =$