

Buy all machines for which the

$MRP_K > \text{price of capital } (P_K)$

K



2

3

4

5

6

0

MP_k

632

264

200

168

146

140

How many machines should be purchased?

$$632 \times 5$$

$$264 \times 5$$

$$200 \times 5$$

$$168 \times 5$$

$$146 \times 5$$

$$140 \times 5$$

MRP_k

A

S



U



























U





U





S









5



U







b

U







W























6







6





P

















Buy all machines for which the

$$\text{MRP}_k > \$800$$

3160

1320

1000

840

730

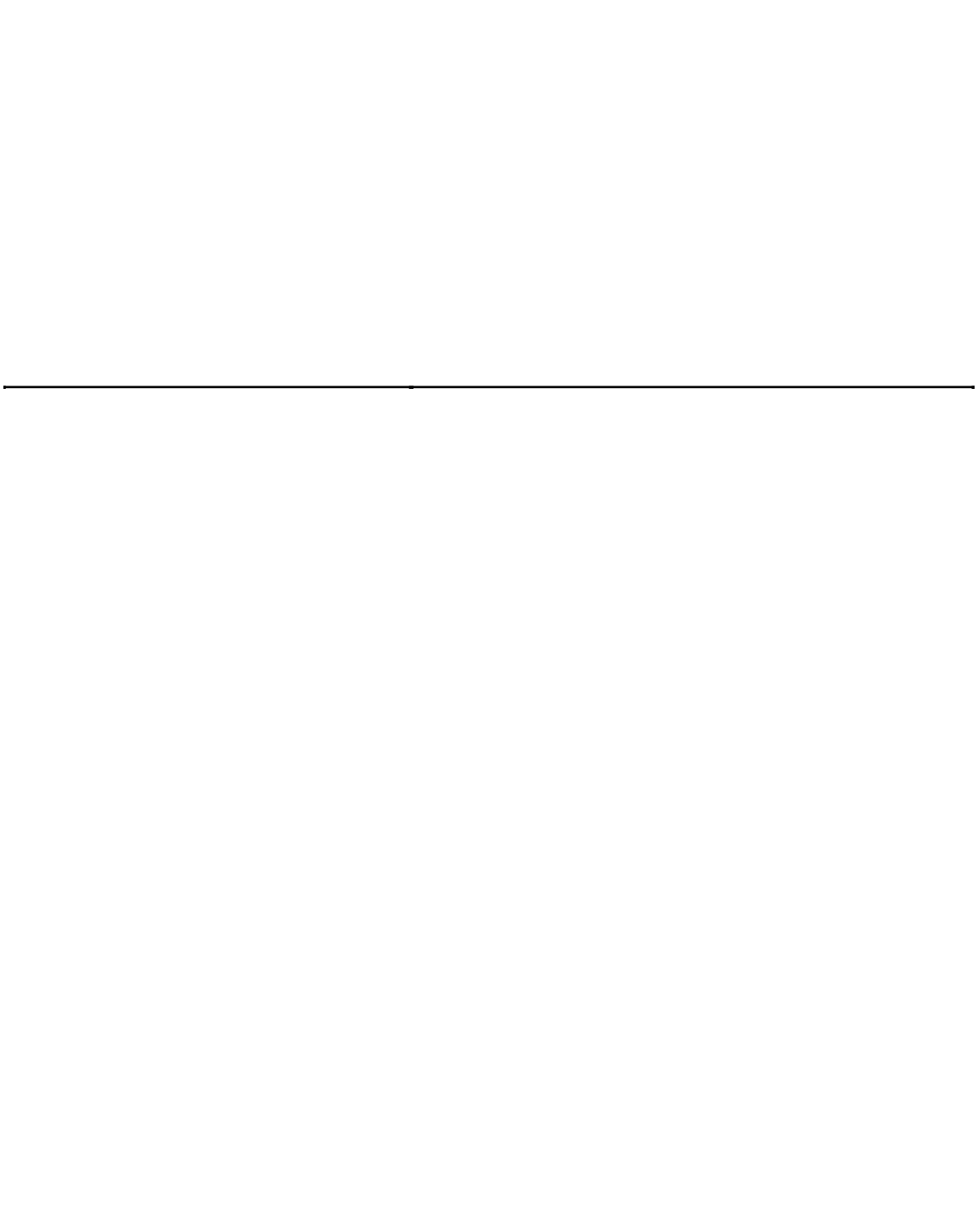
700

MRP_k

4 machines
should be
purchased if
 $P_k = \$800$

Assume the price of Output is still
\$5/unit but now the price of Capital
(P_K) is \$800





> 800

Buy machine 1

>800

Buy machine 1

> 800

Buy machine 2

>800

Buy machine 1

>800

Buy machine 2

> 800

Buy machine 3

>800

Buy machine 1

>800

Buy machine 2

>800

Buy machine 3

> 800

Buy machine 4

>800

Buy machine 1

>800

Buy machine 2

>800

Buy machine 3

>800

Buy machine 4

< 800

Do not buy machine 5

>800

Buy machine 1

>800

Buy machine 2

>800

Buy machine 3

>800

Buy machine 4

<800

Do not buy machine 5

< 800

Do not buy machine 6

>800

Buy machine 1

>800

Buy machine 2

>800

Buy machine 3

>800

Buy machine 4

<800

Do not buy machine 5

<800

Do not buy machine 6

Assume the price of Output is still \$5/unit but now the price of Capital (P_K) is \$800

How many machines should be purchased?

K	MP		MRP _K		
0					
1			60	>800	Buy machine 1
2	2		320	>800	Buy machine 2
3	3	200 x 5	1000	>800	Buy machine 3
4	4	168 x 5	840	>800	Buy machine 4
5	5	146 x 5	730	<800	Do not buy machine 5
6	6	140 x 5	700	<800	Do not buy machine 6

4 machines should be purchased if $P_K = \$800$

Buy all machines for which the $MRP_K > \text{price of capital } (P_K)$

Buy all machines for which the $MRP_K > \$800$