

$MP_K = 30 \text{ units}$

Price of output = \$10

$$MRP_K = MP_K \times \text{Price of output}$$

$$\text{MRP}_K = 30 \text{ units} \times \$10$$

Revenue generated by that machine: $MRP_K = \$300$

Buy this machine if the **revenue** it generates
exceeds the **Price of Capital** (P_K)

Should this machine be purchased?

Buy this machine if its $MRP_K > \text{Price of Capital } (P_K)$

If Price of Capital (P_K) $<$ \$300 \longrightarrow Buy the machine

If Price of Capital (P_K) $>$ \$300 \longrightarrow Do not buy the machine

Should this machine be purchased?

$$MP_K = 30 \text{ units}$$

Price of output = \$10

$$MRP_K = MP_K \times \text{Price of output}$$

$$MRP_K = 30 \text{ units} \times \$10$$

Revenue generated by that machine: $MRP_K = \$300$

Buy this machine if the revenue it generates exceeds the Price of Capital (P_K)

Buy this machine if its $MRP_K > \text{Price of Capital } (P_K)$

If Price of Capital (P_K) < \$300



Buy the machine

If Price of Capital (P_K) > \$300



Do not buy the machine

Possible **Input** Combinations