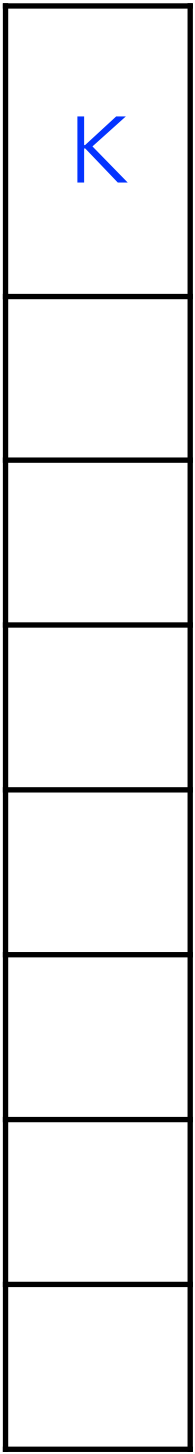
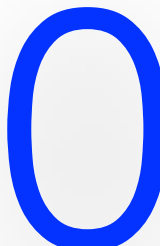
Buy all machines for which the MRP_K > price of capital (P_K)


K

2

3


4

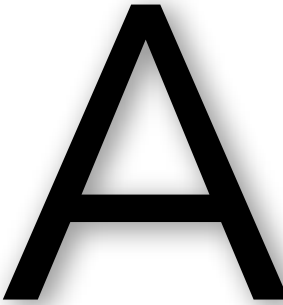


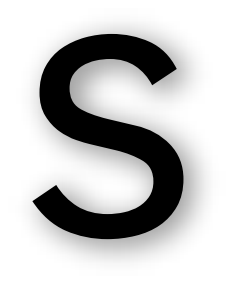
MP_K
632
264
200
168
146
140

How many machines should be purchased?

632 x 5
264 x 5
200 x 5
168 x 5
146 x 5
140 x 5


MRPK

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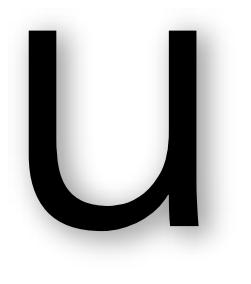

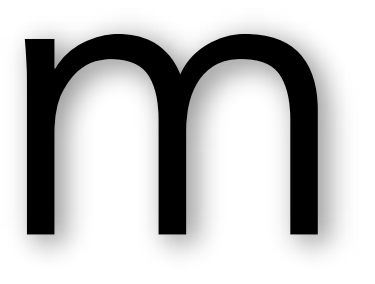

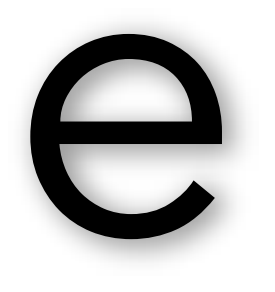

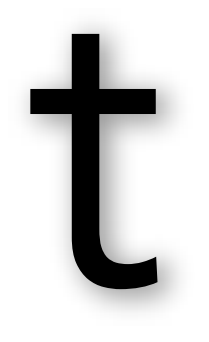

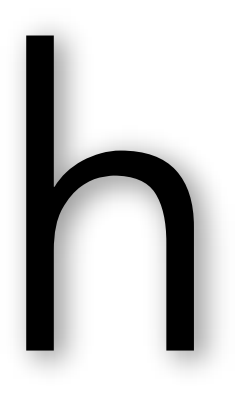

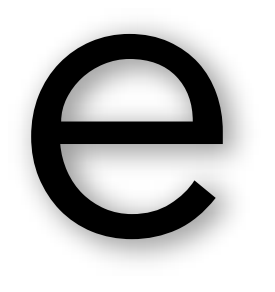

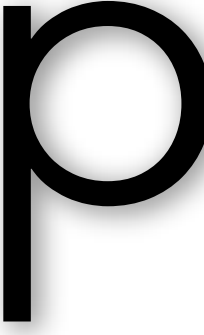

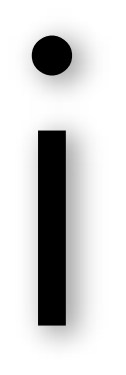

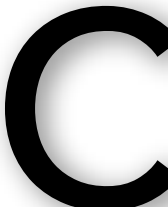

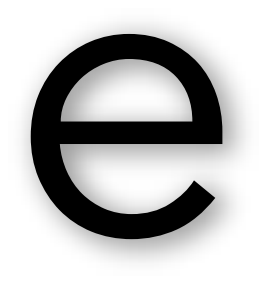

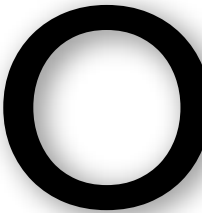

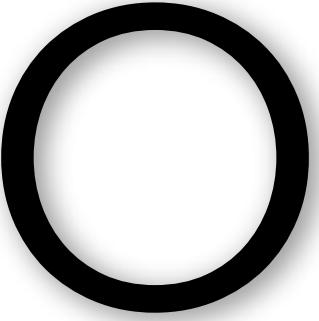

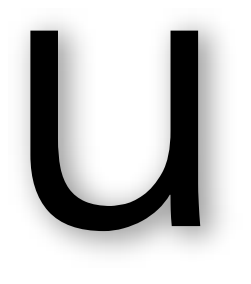

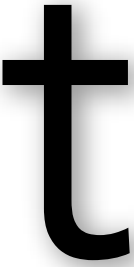

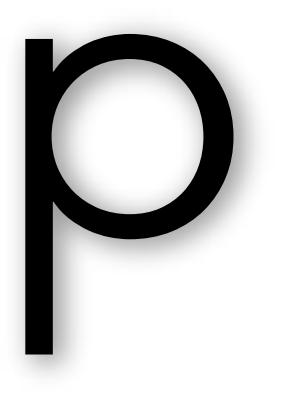

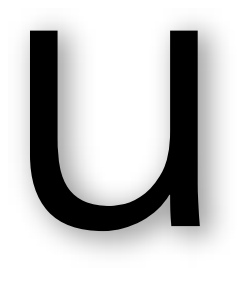

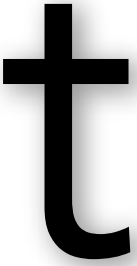

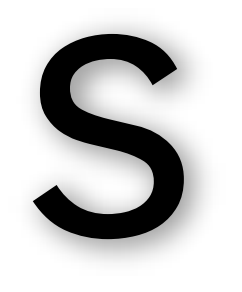
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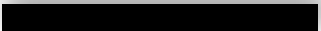


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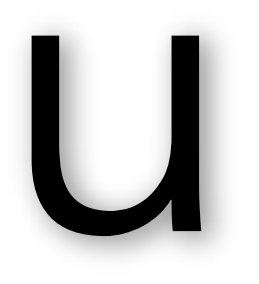

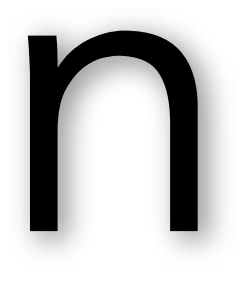

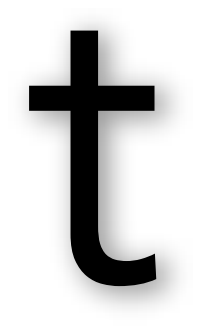

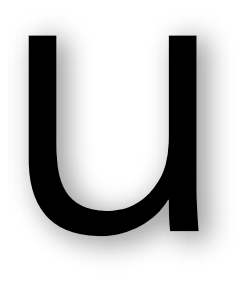

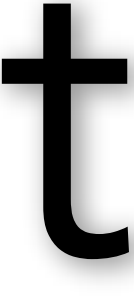

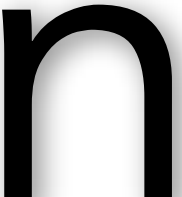

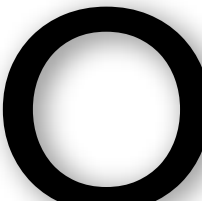


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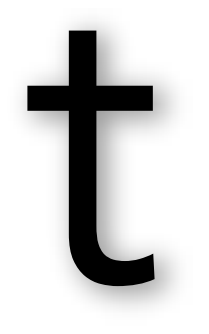

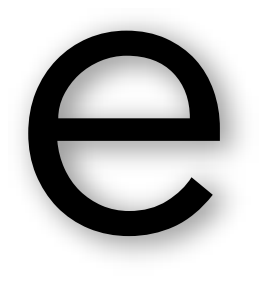

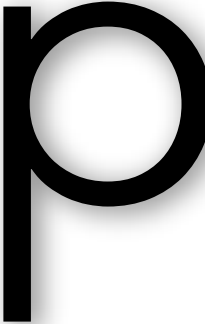

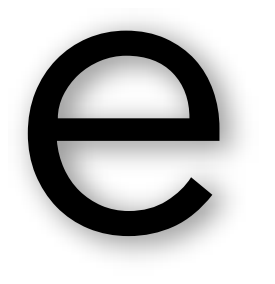

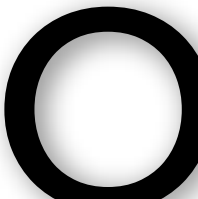

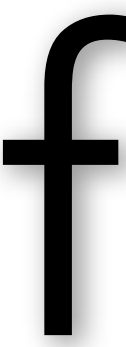

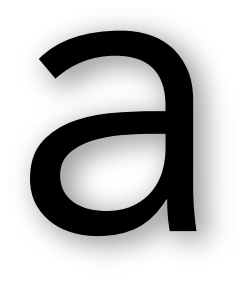
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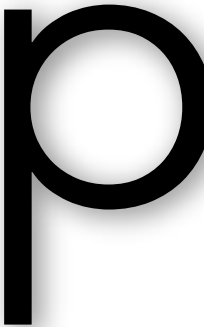

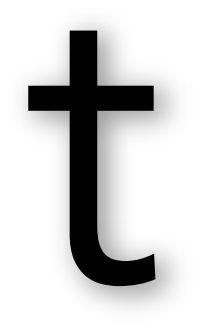

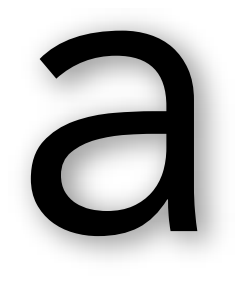
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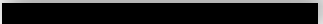
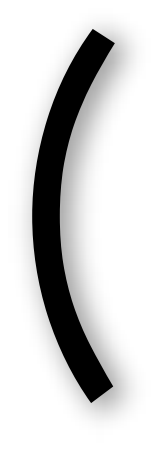
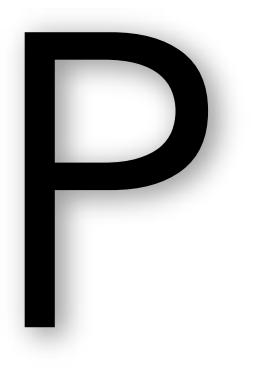
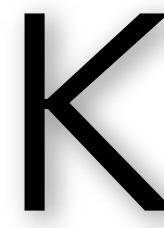
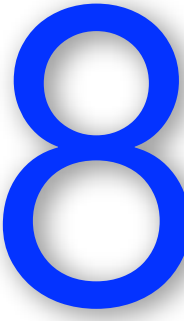
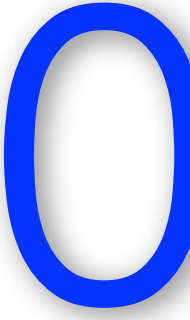


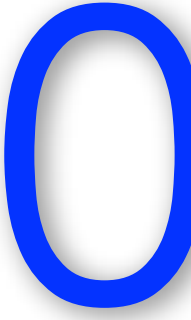








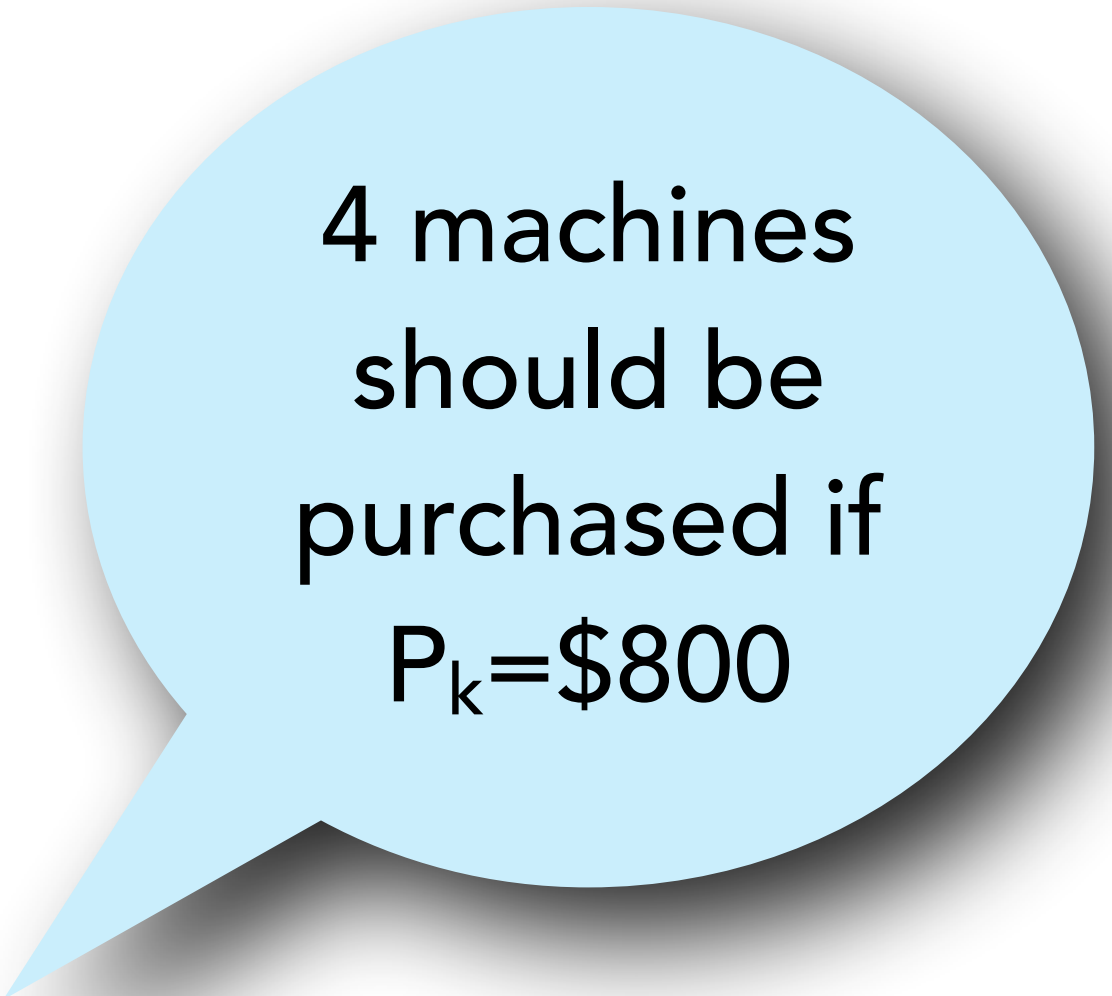




Buy all machines for which the MRP_K > $800

3160
1320
1000
840
730
700


MRPK


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	200	200 x 5	1000	>800	Buy machine 3
4	168	168 x 5	840	>800	Buy machine 4
5	146	146 x 5	730	<800	Do not buy machine 5
6	140	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$_K$ > price of capital (P_K)

Buy all machines for which the MRP$_K$ > $800