

M104, Practice Quiz 1

This practice quiz does not count for points, but it is the model I'll follow for the real Quiz 1 on Wednesday, January 16, 2013. Please work out the problems in preparation for the class discussion on Monday, January 14.

- (1) (15 points) Suppose demand for a certain item equals supply at a unit price of \$50. If the item were to be priced at \$60 per item, do we expect that a shortage or a surplus will develop? Explain your answer (5 points for your answer and 10 points for an understandable explanation.)

- (2) (15 points) If the marginal cost of producing an item is \$50 per item, and if the total cost of producing 10 items is \$700, what is the total cost of producing 100 items? Show how you obtain your answer (5 points for your answer and 10 points for showing your steps in an understandable way). Assume the cost function is of the form $C(x) = mx + b$.