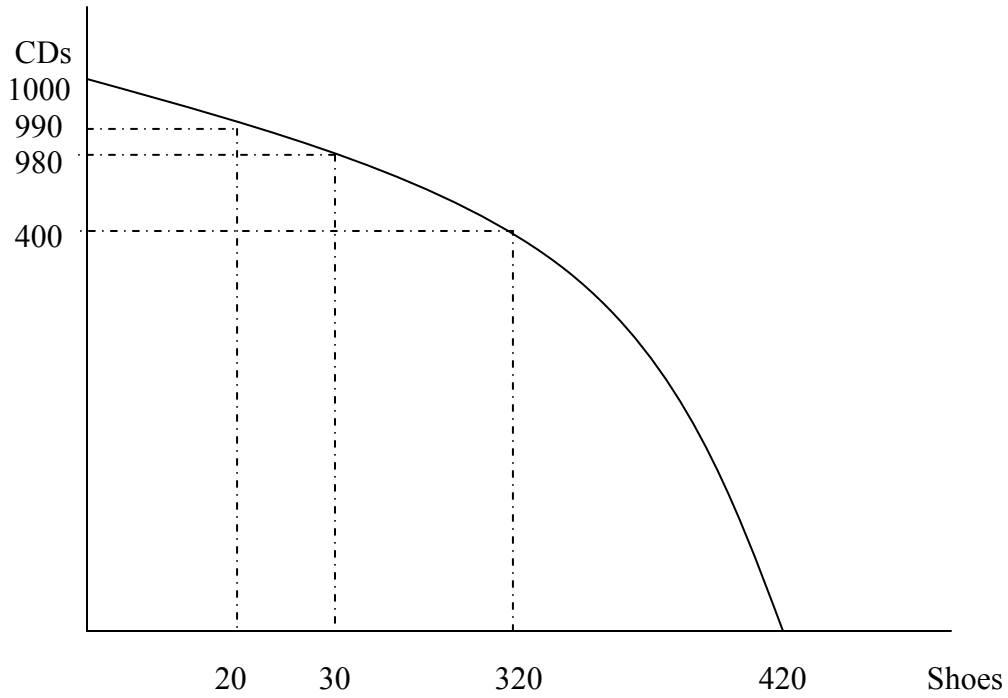


Solution Key: Homework for Chapter 2

1)

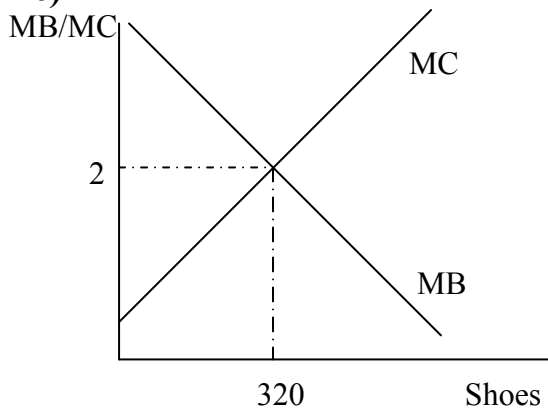
a)



b)

CD's	Shoes	MB	MC
1000	0	5	~
990	20	4	0.5 [(1000-990) / (20-0)]
980	30	3	1 [(990-980) / (30-20)]
400	320	2	2 [(980-400) / (320-30)]
0	420	1	4 [(400-0) / (420-320)]

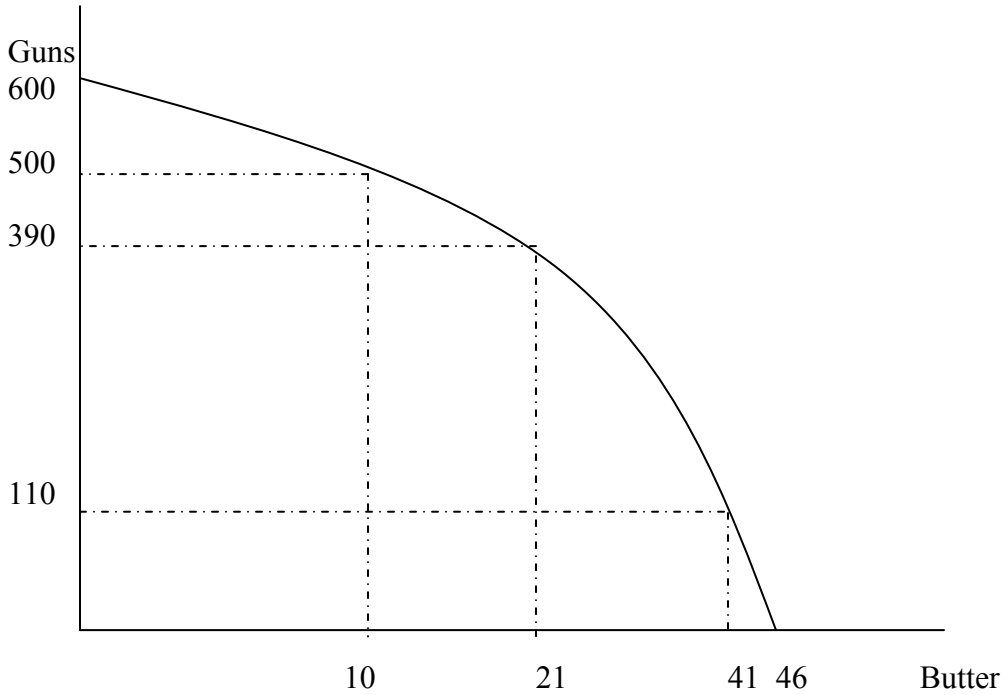
c)



320 units of Shoes and 400 units of CD's will be produced because at that point $MC=MB$

2)

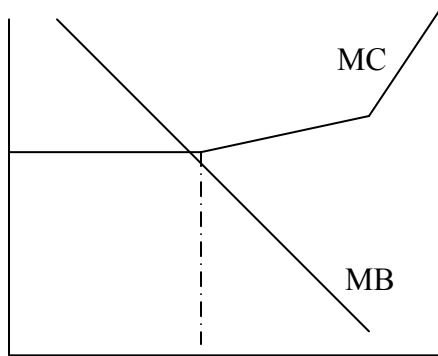
a)



b)

Guns	Butter	MB	MC
600	0	17	~
500	10	15	$\frac{10}{[(600-500) / (10-0)]}$
390	21	10	$\frac{10}{[(500-390) / (21-10)]}$
110	41	6	$\frac{14}{[(390-110) / (41-21)]}$
0	46	4	$\frac{22}{[(110-0) / (46-41)]}$

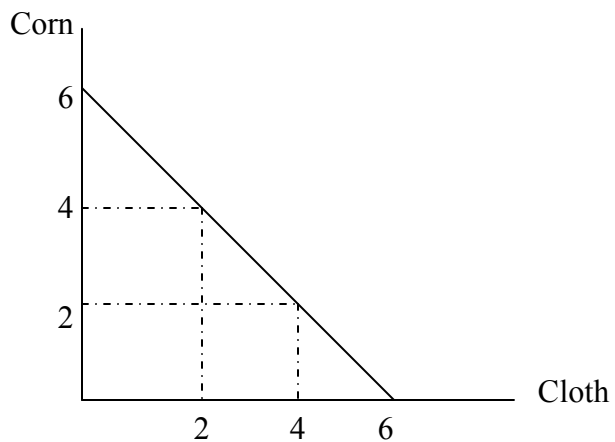
c)



*21 units of butter and 390 units of guns will be produced because at that point MC=MB

3)

a)



b) The opportunity cost of 1 pound of corn is 1 yard of cloth.

The opportunity cost of the first pound of corn is 1 yard of cloth. To find the opportunity cost of the first pound of corn, increase the quantity of corn from 0 pounds to 2 pound. In doing so, Jane's Island's production of cloth decreases from 6 yards to 4 yards. The opportunity cost of the first two pounds of corn is 2 yards of cloth. So the opportunity cost of the second pound of corn is 1 yard of cloth. Similarly, the opportunity costs of producing the fourth pound and the sixth pound of corn are 1 yard of cloth.