

Closing Tue: Sup 5

Closing Thu: Sup 6-7

See online postings including:

- End of Week 2 Newsletter
- Read Supplement 6, 7, 8 and 9.

Today: TR, TC, VC, FC, P summary

Intro to MR and MC

*Entry Task:*

Use the info from the cupcake scenario. Here is that info again:

Selling price = \$1.50 / cupcake

Production cost = \$0.50 / cupcake

Daily salaries/rent = \$300

Assume you produce and sell exactly 400 cupcakes today:

- (a) What is the **total revenue**?
- (b) What is the **variable cost**?
- (c) What is the **total cost**?
- (d) What is the **profit**?

## **Supp. 7: Marginal Revenue, Marginal Cost, and Marginal Profit**

Q: In the cupcake scenario, what is the MR, MC, and MP at  $q = 400$  items?

$MR(q)$  = additional revenue from selling the next item

$MC(q)$  = additional cost in producing the next item

$MP(q)$  = additional profit in prod/selling next item

*Note:*  $MP(q) = MR(q) - MC(q)$

## Graphs and Notation:

# Example: Blinkos (lecture pack)

