

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

- 1) (30 points) Draw the MC/ATC/AFC/AVC diagram. Illustrate the effects of an increase in the price of raw materials. Explain why the curves moved as drawn, including why you said it was a fixed or variable cost.
- 2) (30 points) Draw the MC/ATC/AFC/AVC diagram. Illustrate the effects of an increase in the salary of the CEO. Explain why the curves moved as drawn, including why you said it was a fixed or variable cost.
- 3) (20 points) Draw the SRATC/LRATC diagram with four SRATC curves. Explain why the LRATC is the envelope of the SRATC curves.
- 4) (10 points) Draw the TPL curve. Explain why it looks as you drew it.
- 5) (10 points) Why isn't the LRMC the envelope of the SRMC curves?