

16 pts.

5) a) If Profit = $-10 + Q - .1Q^2$, find the profit maximizing Q and use the second derivative to confirm that it is a maximum.

b) For a price cut, show in a well-labeled diagram of a demand curve, revenue that is lost and gained and relate these areas to the product rule.

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6) In a two frame diagram,

a) Frame 1: show budget lines and indifference curves for a drop in price for good X, taking care to make the good a Giffen one.

b) Frame 2: show the compensated and uncompensated demand curves that match up with frame 1.

I have neither given nor received unfair aid on this test.
