

HW#1 Due January 18, 2022

HW: From the table given in the previous example,

| Choice | Value | Opportunity Cost |
|--------|-------|------------------|
| A | 100 | 70 |
| B | 70 | 100 |
| C | 50 | 100 |

if the decision maker can choose 2 out of 3 choices, fill in the following table

| Choice | Value | Opportunity Cost |
|--------|-------|------------------|
| A+B | 170 | 150 |
| A+C | 150 | 170 |
| B+C | 120 | 170 |

Show that the decision to maximize value will give the same decision as the one to minimize opportunity cost.

1. to maximize value choose A+B because it has a highest value at 170.

2. to minimize the opp also choose choice A+B because it has a lowest opp compared to the others.

Therefore, to maximize value and minimize opp the best 2 options are A & B.