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Papawee

EE320 Placement test

1. Attempt all.
2. Submit your work (in .pdf) on the Moodle. The required format of your filename is studentID_PT
3. You will get **TWO** bonus points if you submit this placement test by the deadline.
4. **This placement test is due on Friday 14th, at 11 AM. Late submission will not be accepted.**

1. Suppose that market demand is given by $P = 10 - Q^2$ and the market supply is given by $Q = a + P$, where P is the unit price, Q is the quantity of output, and a is the coefficient in the supply equation.
   1.1) Graph the market demand and market supply curve in a P-Q diagram. Set the value of a equal to – 14.
   1.2) Solve for the market equilibrium quantity (Q*) and price (P*) when a = -14. Show your work.
   1.3) If "a" increases to -12, what would happen to the market equilibrium quantity and price? State the qualitative predictions without redoing the algebra.

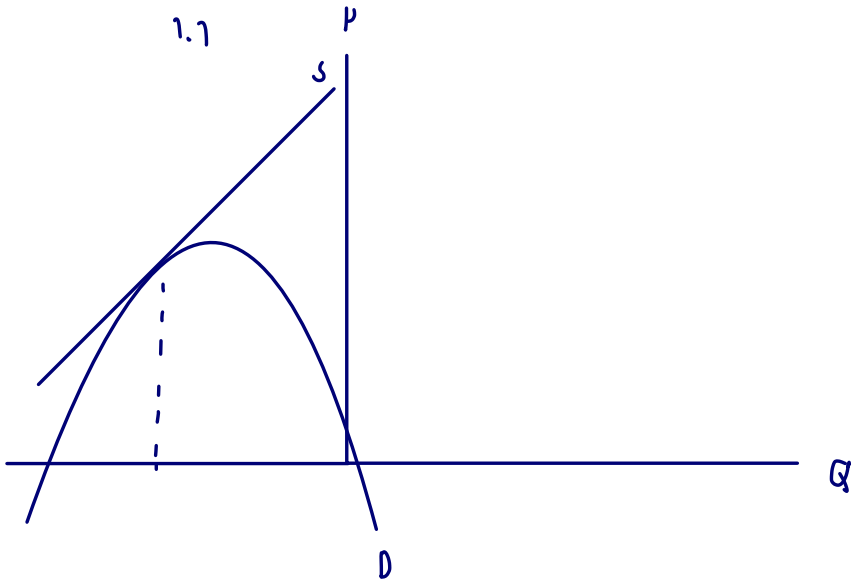
$P = 10 - Q^2$, $Q = -14 + P$ $P = Q + 14$

$Q + 14 = 10 - Q^2$

1.2 $Q^2 + Q + 4 = 0$

$Q = -\frac{1}{2} + \frac{\sqrt{15}}{2}i$, $-\frac{1}{2} - \frac{\sqrt{15}}{2}i$

1.1



1.3 $P = 10 - Q^2$

$Q = -12 + P$

$P = Q + 12$

$Q + 12 = 10 - Q^2$

$Q^2 + Q + 2 = 0$

$(Q + 2)(Q - 1) = 0$

$Q = -2, 1$

if $Q = -2$; $P = 10$

if $Q = 1$; $P = 13$

2. Suppose that the revenue function is given by $R(Q) = \ln(Q^2 + 1) + 3\left(\frac{Q}{Q+1}\right), Q \geq 0$. Use the derivative technique and calculate the marginal revenue function. Is the revenue function an increasing or decreasing function?

$$R(Q)' = \left(\ln(Q^2+1) + \frac{3Q}{Q+1}\right)$$

$$= \frac{d}{dQ}\left(\ln(Q^2+1)\right) + \frac{d}{dQ}\left(\frac{3Q}{Q+1}\right)$$

$$= \frac{1}{Q^2+1} \times 2Q + \frac{3(Q+1) - 3Q}{(Q+1)^2}$$

$$= \frac{2Q}{Q^2+1} + \frac{3}{(Q+1)^2}$$

3. Suppose that the profit function is given by $\pi(Q) = -\frac{1}{3}Q^3 - Q^2 + 8Q - 1$ where Q is the level of output. Use the calculus and solve for the level of profit-maximizing output. Confirm your answer with the second derivative.

$\pi(Q)' = -1Q^2 - 2Q + 8$

$\pi(Q)'' = -2Q - 2$

4. Suppose that $A = \begin{bmatrix} 8 & 9 \\ 10 & 11 \end{bmatrix}$, $B = \begin{bmatrix} 1 & 2 & 3 \\ 4 & 5 & 6 \end{bmatrix}$ and $C = \begin{bmatrix} 1 & 2 & 3 \\ 4 & 5 & 6 \\ 7 & 8 & 9 \end{bmatrix}$, calculate the following object. Show your work.

4.1 A + B no ans

4.2 A*B $= \begin{bmatrix} 42 & 61 & 78 \\ 54 & 75 & 96 \end{bmatrix}$

4.3 det(A) $= 88 - 90$

$= -2$

4.4 det(B) no ans

4.5 det(C)

$\begin{vmatrix} 1 & 2 & 3 \\ 4 & 5 & 6 \\ 7 & 8 & 9 \end{vmatrix} \begin{matrix} 1 & 2 \\ 4 & 5 \\ 7 & 8 \end{matrix}$ $= (45 + 84 + 96) - (105 + 48 + 72)$

$= 225 - 225$

$= 0$

5. Suppose that $U(x,y) = x^a y^b + \ln\left(\frac{x}{x+y}\right)$. Use the partial derivative technique, calculate $\frac{\partial U}{\partial x}$ and $\frac{\partial U}{\partial y}$.

$$\frac{d\pi(R)}{dQ} = -Q^2 - 2Q + 8 = 0$$

$$= -(Q^2 + 2Q - 8) = 0$$

$$(Q+4)(Q-2) = 0$$

$$Q = 2, -4 \times$$

$$Q = 2, \quad \pi = 25/3$$

$$\frac{d\pi'(Q)}{dQ} = 2Q + 2 = 0$$

$$Q = -1 < 0$$