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HW#1 Due January 18, 2022

HW: From the table given in the previous example,

Choice	Value	Opportunity Cost
A	100	B : 70
B	70	A = 100
C	50	A = 100

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

Choice	Value	Opportunity Cost
A + B	170	A + C : 150
A + C	150	A + B = 170
B + C	120	A + B = 170

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

Choice
Maximum value
A + B → Value 170 , Opportunity cost is A + C = 150 → Minimum opportunity cost
A + C → Value 150 , Opportunity cost is A + B = 170
B + C → Value 120 , Opportunity cost is A + B = 170

∴ The decision will be A + B because it has maximum value and minimum opportunity cost.