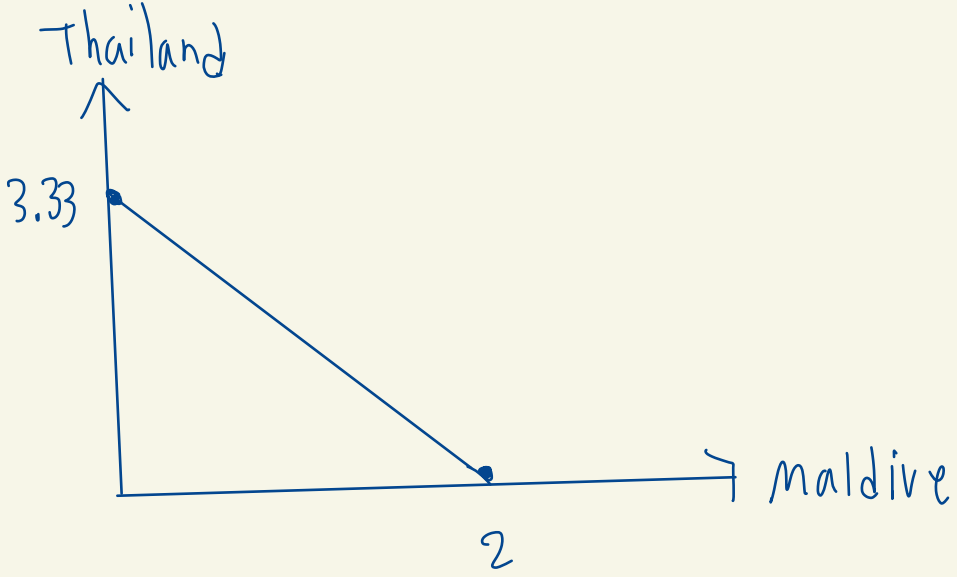
Q1 Thailand costs = 3000, Maldives cost = 5000, $U_m = 2U_t$

a) Budget = 10,000



(2) a) $P_L = 6$, $MP_K = 8$

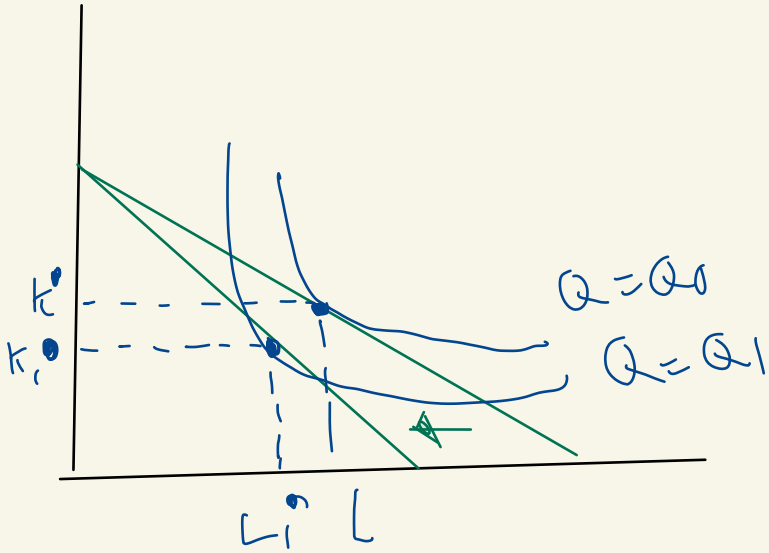
- $MRTS_{KL} = \frac{dK}{dL} = \frac{MP_L}{MP_K} = \frac{6}{8} = \frac{3}{4} = 0.75$

- $MRTS = \frac{w}{r}$

$\frac{3}{4} = \frac{3}{r}$

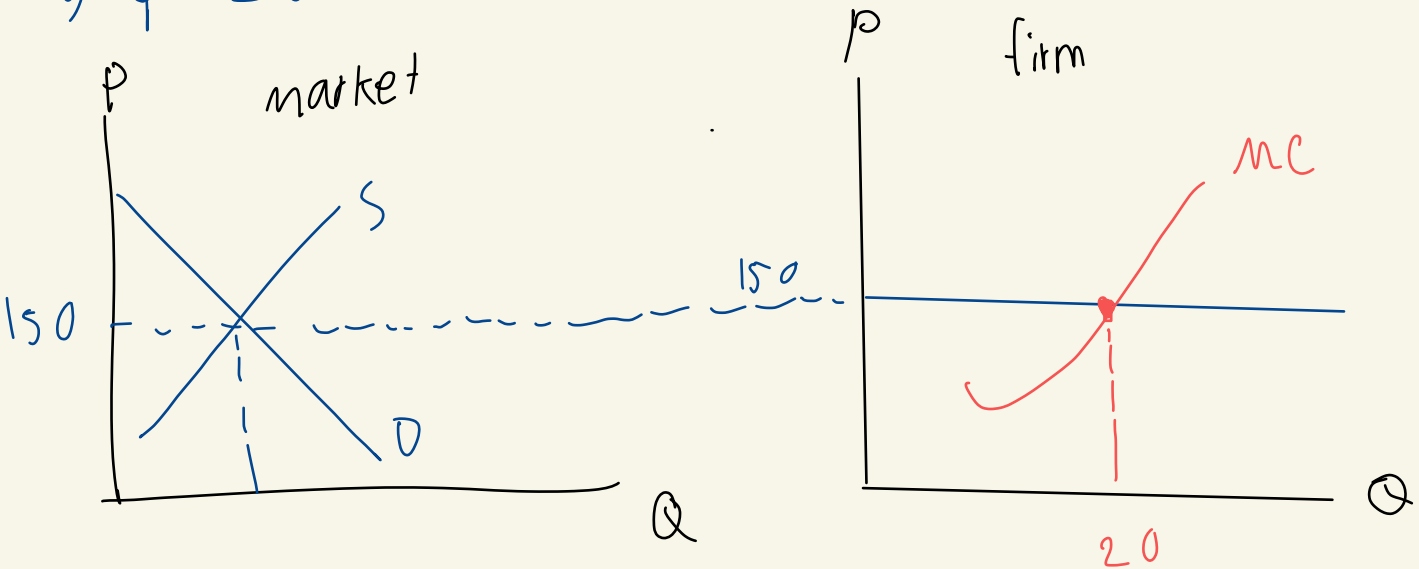
$r = 4$

2b $w = 4$



(3) Price = 150

a) q = 20



The firm determine quantity to produce at output where marginal cost is equal to marginal revenue. This occurs at q = 20

3 b) ATC = 180, AFC = 60

- ATC = AFC + AVC

  180 = 60 + AVC

  AVC = 120

- TR = pQ

  = 150 · 20

  TR = 3000

- TC = ATC · Q

  = (180)(20)

  = 3600

- profit = TR − TC

  = 3000 − 3600 = −600

  loss 600

3 C) yes, the firm should stay in the market in the short run because in short-run, the firm can't change its fixed cost if they stay out of the market in short run, the firm will loss equal to Fixed cost.

If the firm stay out of the market in short run, the firm will loss equal to the fixed cost. But in this case its better to stay in the market because the fir, will loss less than the fixed cost.