Problem Set #7
Firm Costs

Tutorial Problems

1. On January 1, a jeweler rented a chain-making machine for $5,000 for the year and purchased 10,000 grams of gold at $50 per gram. Today, it has 2,000 grams remaining and the market price is $75 per gram. Each gold chain requires one hour of labour purchased at $40 per hour and 10 grams of gold. What is the current marginal cost of producing a gold chain?

   A. $40
   B. $540
   C. $790
   D. $1,040
   E. $1,540

2. Suppose Air Canada had $200 million. On January 1, it purchased a Boeing 737 for $100 million. On December 31, it could have sold this 737 for $80 million. Based on the information in this question, what are Air Canada's economic fixed costs for this 737 for the year?

   A. $20 million
   B. $25 million
   C. $80 million
   D. $100 million
   E. $105 million