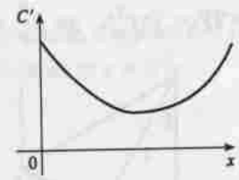
4.7

1. (a) $C(0)$ represents the fixed costs of production, such as rent, utilities, machinery etc., which are incurred even when nothing is produced.

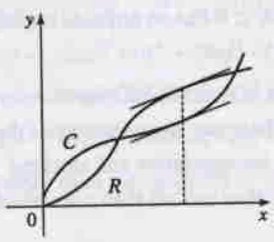
(b) The inflection point is the point at which $C''(x)$ changes from negative to positive; that is, the marginal cost $C'(x)$ changes from decreasing to increasing. Thus, the marginal cost is minimized at the inflection point.

(c) The marginal cost function is $C'(x)$. We graph it as in Example 1 in Section 2.8.

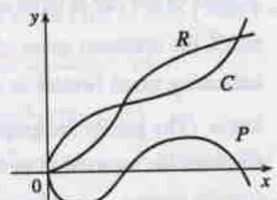


3. $c(x) = 21.4 - 0.002x$ and $c(x) = C(x)/x \;\Rightarrow\; C(x) = 21.4x - 0.002x^2$. $C'(x) = 21.4 - 0.004x$ and $C'(1000) = 17.4$. This means that the cost of producing the 1001st unit is about \$17.40.

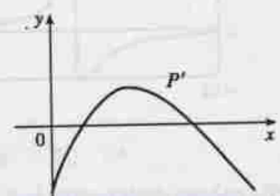
4. (a) Profit is maximized when the marginal revenue is equal to the marginal cost; that is, when R and C have equal slopes. See the box preceding Example 2.



(b) $P(x) = R(x) - C(x)$ is sketched.



(c) The marginal profit function is defined as $P'(x)$.



5. (a) The cost function is $C(x) = 40{,}000 + 300x + x^2$, so the cost at a production level of 1000 is $C(1000) = \$1{,}340{,}000$. The average cost function is $c(x) = \dfrac{C(x)}{x} = \dfrac{40{,}000}{x} + 300 + x$ and $c(1000) = \$1340/\text{unit}$. The marginal cost function is $C'(x) = 300 + 2x$ and $C'(1000) = \$2300/\text{unit}$.

(b) See the box preceding Example 1. We must have $C'(x) = c(x) \;\Leftrightarrow\; 300 + 2x = \dfrac{40{,}000}{x} + 300 + x \;\Leftrightarrow\; x = \dfrac{40{,}000}{x} \;\Rightarrow\; x^2 = 40{,}000 \;\Rightarrow\; x = \sqrt{40{,}000} = 200$. This gives a minimum value of the average cost function $c(x)$ since $c''(x) = \dfrac{80{,}000}{x^3} > 0$.

(c) The minimum average cost is $c(200) = \$700/\text{unit}$.

10. $C(x) = 16{,}000 + 500x - 1.6x^2 + 0.004x^3$, $p(x) = 1700 - 7x$. Then $R(x) = xp(x) = 1700x - 7x^2$. If the profit is maximum, then $R'(x) = C'(x) \;\Leftrightarrow\; 1700 - 14x = 500 - 3.2x + 0.012x^2 \;\Leftrightarrow\; 0.012x^2 + 10.8x - 1200 = 0 \;\Leftrightarrow\; x^2 + 900x - 100{,}000 = 0 \;\Leftrightarrow\; (x + 1000)(x - 100) = 0 \;\Leftrightarrow\; x = 100$ (since $x > 0$). The profit is maximized if $P''(x) < 0$, but since $P''(x) = R''(x) - C''(x)$, we can just check the condition $R''(x) < C''(x)$. Now $R''(x) = -14 < -3.2 + 0.024x = C''(x)$ for $x > 0$, so there is a maximum at $x = 100$.

15. (a) We are given that the demand function p is linear and $p(27{,}000) = 10$, $p(33{,}000) = 8$, so the slope is $\frac{10-8}{27{,}000-33{,}000} = -\frac{1}{3000}$ and an equation of the line is $y - 10 = \left(-\frac{1}{3000}\right)(x - 27{,}000) \;\Rightarrow$ $y = p(x) = -\frac{1}{3000}x + 19 = 19 - (x/3000)$.

(b) The revenue is $R(x) = xp(x) = 19x - (x^2/3000) \;\Rightarrow\; R'(x) = 19 - (x/1500) = 0$ when $x = 28{,}500$. Since $R''(x) = -1/1500 < 0$, the maximum revenue occurs when $x = 28{,}500 \;\Rightarrow$ the price is $p(28{,}500) = \$9.50$.

16. (a) Let $p(x)$ be the demand function. Then $p(x)$ is linear and $y = p(x)$ passes through $(20, 10)$ and $(18, 11)$, so the slope is $-\frac{1}{2}$ and an equation of the line is $y - 10 = -\frac{1}{2}(x - 20) \;\Leftrightarrow\; y = -\frac{1}{2}x + 20$. Thus, the demand is $p(x) = -\frac{1}{2}x + 20$ and the revenue is $R(x) = xp(x) = -\frac{1}{2}x^2 + 20x$.

(b) The cost is $C(x) = 6x$, so the profit is $P(x) = R(x) - C(x) = -\frac{1}{2}x^2 + 14x$. Then $0 = P'(x) = -x + 14$ $\Rightarrow\; x = 14$. Since $P''(x) = -1 < 0$, the selling price for maximum profit is $p(14) = -\frac{1}{2}(14) + 20 = \$13$.

18. Let x denote the number of \$10 increases in rent. Then the price is $p(x) = 800 + 10x$, and the number of units occupied is $100 - x$. Now the revenue is

$$R(x) = (\text{rental price per unit}) \times (\text{number of units rented})$$

$$= (800 + 10x)(100 - x) = -10x^2 + 200x + 80{,}000 \text{ for } 0 \le x \le 100 \quad \Rightarrow$$

$R'(x) = -20x + 200 = 0 \;\Leftrightarrow\; x = 10$. This is a maximum since $R''(x) = -20 < 0$ for all x. Now we must check the value of $R(x) = (800 + 10x)(100 - x)$ at $x = 10$ and at the endpoints of the domain to see which value of x gives the maximum value of R. $R(0) = 80{,}000$, $R(10) = (900)(90) = 81{,}000$, and $R(100) = (1800)(0) = 0$. Thus, the maximum revenue of \$81,000/week occurs when 90 units are occupied at a rent of \$900/week.