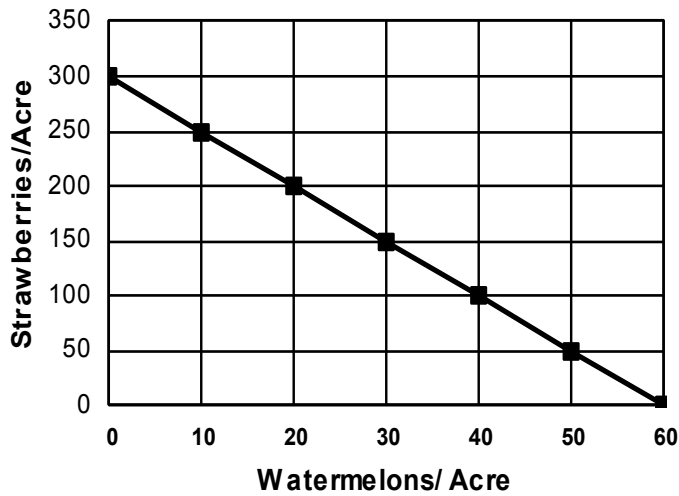


Watermelons v. Strawberries



Farmer Bob owns 1 acre of farmland. He has to decide what he wants to grow on this land: either strawberries or watermelons.

Answer the following questions based on the PPF that Farmer Bob created to help him make his decision.

- 1) At the current level of resources and technology,
 - a) if Farmer Bob wanted to grow only watermelons, how many could he grow?
 - b) if Farmer Bob wanted to grow only strawberries, how many could he grow?

2) Right now, Farmer Bob is growing 100 strawberries. How many watermelons is he also growing?

3) If Farmer Bob wanted to increase his current strawberry production from 100 to 150, how many watermelons would he have to give up?

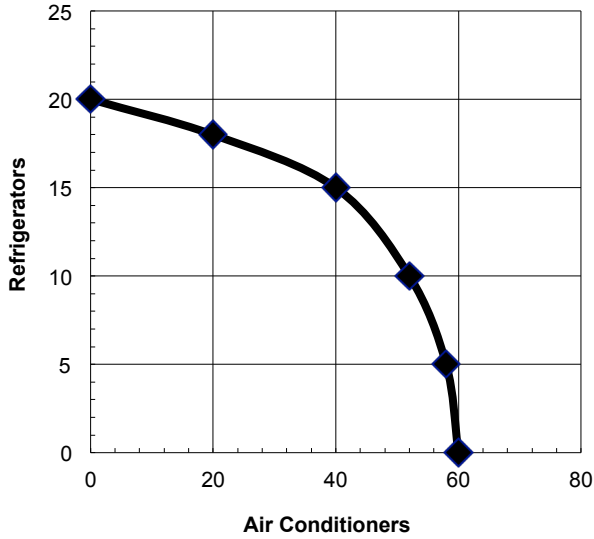
4) In terms of watermelons, what is the opportunity cost to grow 50 more strawberries?

5) Fill in the empty lines on the following PPF schedule based on Farmer Bob's PPF.

Strawberries	Watermelons
0	60
300	0

6) Here is something new, if Farmer Bob can sell his strawberries for 25¢ each and watermelons for \$2.50 each, how much money will he make is he grows 150 strawberries?

Air Conditioners v. Refrigerators



Cool Air Industries produces air conditioners and refrigerators. Based on the resources they have at their disposal the PPF to the left shows the number of air conditioners and refrigerators they can produce.

Answer the following questions based on this PPF and that air conditioners sell for \$350 and refrigerators for \$800.

- 1) At the current level of resources and technology,
 - a) if Cool Air wanted to produce only refrigerators how many could they produce?
 - b) if they wanted to produce only air conditioners how many could they produce?
- 2) Right now Cool Air is producing 52 air conditioners, how many refrigerators are they producing? How much money would they be making if they sold all the items they produced?

3) If Cool Air wanted to increase their production of air conditioners to 56, what would the opportunity cost be in terms of refrigerators? What is the opportunity cost in terms of dollars?

4) Create a PPF schedule based on the PPF for Cool Air Industries.

5) Here is something new. Below is the Marginal Analysis for Refrigerators. Based on the analysis, how many refrigerators and how many Air Conditioners should this company produce? What would Cool Air's revenue be?

Marginal Analysis for Refrigerators

