

Assignment 01
Eco404
Marks: 15

This assignment covers video lecture # 01-12

Instructions

- Make sure that you upload the solution file before due date. No assignment will be accepted through e-mail after the due date.
- File once uploaded will not be replaced under any condition so you should upload the correct file in first go.

Formatting guidelines

- Use the font style “Times New Roman / Arial” and font size “12”.
- Compose your document in MS-Word.
- Use black and blue font colors only.

Solution guidelines

- The students will work individually.
- Give the answer according to question, avoid irrelevant material.

Please note that your assignment will not be graded if:

- It is submitted after due date.
- The file you uploaded does not open.
- It is not in the required format.
- Cheating or copying of assignment is strictly prohibited. The cheated or copied assignment will be marked as **ZERO**.

Question: 01

A firm pays Rs. 450,000 in wages, Rs. 66,430 in interest on borrowed money capital and Rs. 89,320 for the yearly rental of its factory building. If the entrepreneur worked for somebody else as a manager, he would earn at most Rs. 58,400 per year and if he lent out his money capital to somebody else in a similarly risky business, he would at most receive Rs. 28,500 per year. He owns no land or building. Keeping in view the above information, calculate the:

- a) Explicit cost of the entrepreneur
- b) Implicit cost of the entrepreneur

(Marks: 5)

Question: 02

Given the following equations of total revenue and total cost:

$$TR = 250Q - 5Q^2$$

$$TC = 100 + 50Q$$

Find out the level of output at which profit is maximized (by using marginal revenue and marginal cost approach).

(Marks: 5)

Question: 03

You have given the following information:

Estimated regression line: $Y = 0.55 + 9.25X$

Standard error = 0.75

Degree of freedom = 8

Level of significance = 5%

Tabulated value of $t = 2.306$

Calculate the confidence interval from this information.

(Marks: 5)

Important Note:

*Calculate each question to the point. **NO** need to write irrelevant material or extra interpretation.*

(Best of Luck)