

Market structures and pricing decisions essay sample

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Market Structures and Pricing Decisions Applied Problems. Please, complete the following 2 applied problems in a Word or Excel document. Show all your calculations and explain your results. Submit your assignment in the drop box by using the Assignment Submission button.

1. What is the profit-maximizing price and output level? Solve this algebraically for equilibrium P and Q and also plot the MC, D and MR curves and illustrate the equilibrium point.

Since the business has a patent over the item, it can act as a monopolist while determining its profit maximizing level of output and price.

Business - General Business

Market Structures and Pricing Decisions Applied Problems . Please, complete the following 2 applied problems in a Word or Excel document. Show all your calculations and explain your results. Submit your assignment in the drop box by using the Assignment Submission button.

A small business which produces plastic vacuum-suction covers for round household dishes has a monopoly that is protected by a utility patent. The market demand curve for this product is estimated to be: $Q = 25P$ where Q is the number of plate covers per year and P is in dollars. Cost estimation processes have determined that the firm's cost function is represented by $2500Q - 0.25Q^2$.

(i) What is the profit-maximizing price and output level? Solve this algebraically for equilibrium P and Q and also plot the MC, D and MR curves and illustrate the equilibrium point.

(ii) What profit do you expect that the firm will make in the first year?

(iii) Do you expect this profit level to continue in subsequent years? Why or why not?

2. Greener Grass Company (GGC) competes with its main rival, Better Lawns and Gardens (BLG), in the supply and installation...

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A small business which produces plastic vacuum-suction covers for round household dishes has a monopoly that is protected by a utility patent. The market demand curve for this product is estimated to be: $-25P$ where Q is the number of plate covers per year and P is in dollars. Cost estimation processes have determined that the firm's cost function is represented by $+2500Q - 0.25*Q^2$.

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(i) What is the profit-maximizing price and output level? Solve this algebraically for equilibrium P and Q and also plot the MC, D and MR curves and illustrate the equilibrium point.

(ii) What profit do you expect that the firm will make in the first year?

(iii) Do you expect this profit level to continue in subsequent years? Why or why not?

2. Greener Grass Company (GGC) competes with its main rival, Better Lawns and Gardens (BLG), in the supply and installation of in-ground lawn watering systems in the wealthy western suburbs of a major east-coast city. Last year, GGC's price for the typical lawn system was \$1,995 compared with BLG's price of \$2,100. GGC installed 9,130 systems, or about 55% of total sales and BLG installed the rest. (No doubt many additional systems were installed by do-it-yourself homeowners since the parts are readily available at hardware stores.)

GGC has substantial excess capacity—it could easily install 25,000 systems annually, as it has all the necessary equipment and can easily hire and train installers. Accordingly, GGC is considering expansion into the eastern suburbs, where the homeowners are less wealthy.