

Complete the Production Costs chart Below:

OIL Changes PER Hour	Fixed Cost	VARIABLE COST	TOTAL COST	MARGINAL COST	MARGINAL REVENUE	TOTAL REVENUE	PROFIT TR - TC	
0	\$35	\$0		\$0		\$0	\$-35	
1		\$11	\$46	\$11	\$20	\$20	\$-26	
			\$55					
3	\$35	\$24						
4			\$66					
	\$35	\$40			\$20			
6			\$86	\$11				
	\$35	\$64						
8	\$35		\$117					
9			\$142					
	\$35	\$137			\$20			

Questions to Think About

- First, complete the chart by filling in the missing information in the marginal cost, total revenue, and profit columns.
- (a) How many oil changes must Pete supply each hour to make a profit? (b) Why does he not make a profit with fewer oil changes?
- (a) How many oil changes should Pete aim to supply each hour? (b) Why should he set that number as his goal? (c) What factors might cause the lower performance after that point?
- Suppose a national oil-change chain opened a shop in Pete's neighborhood and began competing with him. (a) If the national chain sold oil changes for \$18, what would happen to Pete's business? Why? (b) If Pete cut his price to \$18, how many oil changes would he have to perform to be profitable? (c) What would his goal for oil changes an hour be at this price?