

## Part 2: Application

Based on the materials presented in chapters 5 and 6 of the recommended textbook, develop a product idea.

- A. Describe the product in detail.
- B. Assume you have sufficient production capacity to manufacture the product. What are the costs associated with the manufacturing of this product?
- C. Provide detailed cost data. Your cost data should be segmented into fixed and variable costs.
- D. Assume that the market demand for this product is 500 units and your company's market share is 5 percent. Based on your cost data, calculate:
  - A. Total cost
  - B. Fixed cost per unit (average fixed cost)
  - C. Variable cost per unit (average variable cost)
  - D. Total cost per unit (average total cost)
  - E. Marginal cost
- E. Based on your calculations from #3 and #4, above, produce
  - A. Graph that shows fixed cost, variable cost and total cost
  - B. Graph that shows average fixed cost, average variable cost, and average fixed cost.
  - C. Based on the two graphs, discuss your observations on the behavior of the costs.

## Submission Instructions

1. Only group members who participated in the completion of this assignment should be on your document.
2. Submit only one copy of your completed Group Assignment-1. All your work should be in one document. Do not submit multiple documents. Use Microsoft Word only. Assignment submitted using any other form, will not be graded. Use APA format throughout.
3. Due: Combine Parts 1 and 2 in one document.
4. Submit Day 3 (7/14) of residency at 2:00 PM EST. Late submission will not be graded. Submit your work via Moodle. Please do not send it by email.