Warm-up Problems - January 26, 2006

1. The demand function for a certain brand product is $x$ units and the corresponding price of the product is

$$p = \sqrt{225 - 5x}$$

Determine the consumers’ surplus if the wholesale market price is set at $10 per unit.

Lecture Problems

2. Income stream: Money is worth 8% per year, income stream lasts for 20 years.

   (a) If you deposit $100 each month, what is $K$? What is the future value of this stream in 20 years?

   (b) If the $FV$ of the income stream needs to be $100,000, what does $K$ need to be?