Agree not to cheat on the assignment. So, don't look at the graph on the backside of this page until you have finished question 1.

In Panamint Valley, California there is only one gas station for fifty miles. Your group owns the station.

1. What price would you charge? (It cost you $2.00 per gallon to get the gas, which is trucked in a long distance.)

   a. lowest price you would suggest: _____

   b. highest price you would suggest: _____

   c. a middle price: _____

2. Now look at the graph on the reverse side. What was the quantity demanded at each of your suggested prices?

Price	Qd
$____	____
$____	____
$____	____

3. Compete the following table for your suggested price:

Price	Qd	Total Revenue	Total Cost	Total Profit
$____	____	_____	_____	_____
$____	____	_____	_____	_____
$____	____	_____	_____	_____

4. Given the graph on the next page, can you do better? Pick a price that will maximize profits.

5. Explain why the Panamint Valley gas station will not gain more profit by charging a higher price.

6. Label the profit-maximizing Q. Graph ATC. (Hint: It will be a straight line.) Shade in TC, TR and profits.