Carol Vessey is a managing partner of Dry Air, Inc., a New Orleans-based dehumidifier-systems distribution firm. Vessey has been asked to complete an analysis of profit margins for the firm. Unfortunately, her predecessor on this project was abruptly transferred, leaving little information on the firm's current pricing practices.

A. Use the available data to complete the following table. (COPY AND PASTE THE TABLE TO YOUR WORD DOCUMENT.)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model  | Price  | Marginal Cost  | Markup on Cost  | Markup on Price  |
| 220  | $200  | $ 120  | 66.7%  | 40.0%  |
| 440  | 375  | 200  | --  | --  |
| 660  | 600  | --  | 20.0  | --  |
| 880  | 900  | --  | --  | 33.3  |
| 1,000  | --  | 1,000  | 20.0  | --  |

B. Calculate the optimal markup on cost and optimal markup on price for each model, based on the following estimates of the point price elasticity of demand. (COPY AND PASTE THE TABLE TO YOUR WORD DOCUMENT.)

|  |  |  |  |
| --- | --- | --- | --- |
| Model  | Price Elasticity of Demand, e P  | Optimal Markup on Cost, MOC\*  | Optimal Markup on Price, MOP\*  |
| 200  | - 2  |  |  |
| 440  | - 3  |  |  |
| 660  | - 4  |  |  |
| 880  | - 5  |  |  |
| 1,000  | - 10  |  |  |