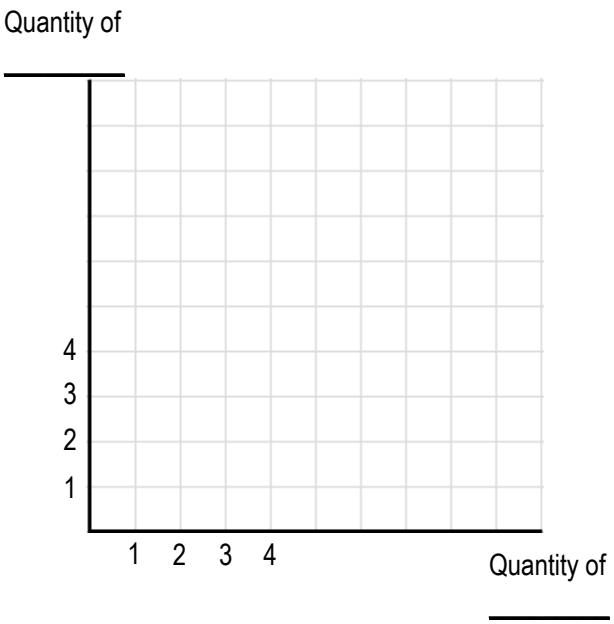
**CONCEPT:** ISOCOST LINES

- A firm will want to produce a given quantity at the lowest possible _____
  - □ ***Isocost Curve*** – shows all combinations of two _____ that result in the same _____

**EXAMPLE:** Spooky Cookies bakes cookies with a budget of $24,000 that it can spend on its inputs: Ovens and Bakers. Ovens cost $6,000 per month and Bakers cost $3,000 per month. Show Spooky's isocost line on the graph.




| Formula for Maximum Quantity: |
| --- |
| Max Quantity of Ovens: |
| Max Quantity of Bakers: |

**PRACTICE:** An increase in a company's budget will:

a) Increase the slope of the isocost line
b) Decrease the slope of the isocost line
c) Shift the isocost line inward
d) Shift the isocost line outward

**PRACTICE:** A change in the price of one input will:

a) Affect the slope of the isocost line
b) Not affect the slope of the isocost line
c) Shift the isocost line inward
d) Shift the isocost line outward