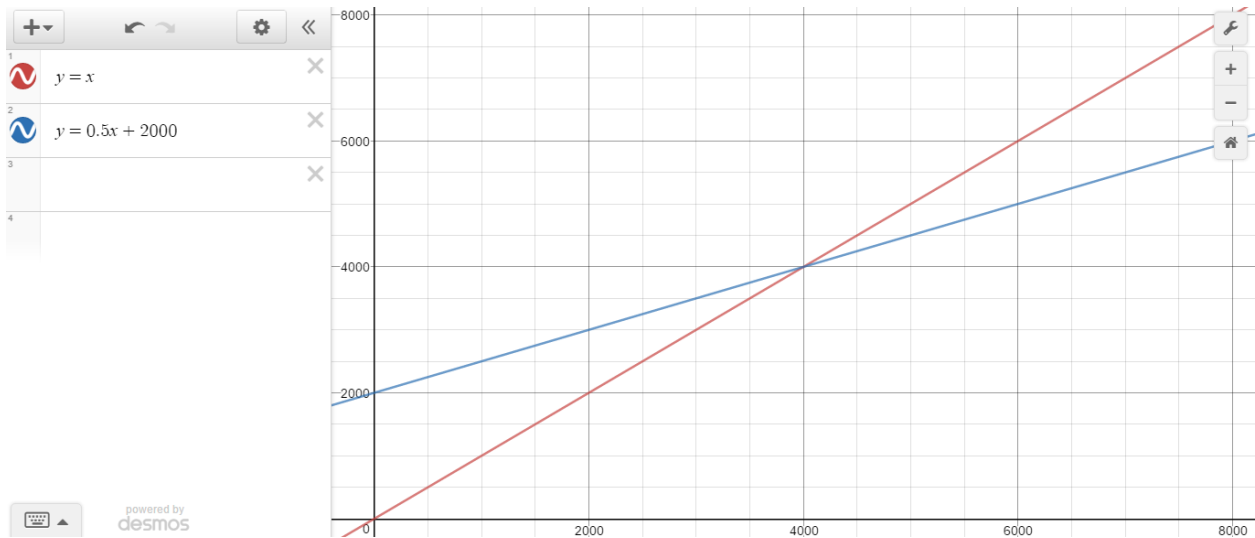


Answer to pg. 350 #11

- a) X-axis should be labelled with # of CDs sold.
y-axis should be labelled with total income, in dollars.



- b) The POI is the solution to the linear system. This POI is (4000, 4000). This means that after she sells 4000 CDs, she will make \$4000 with either pay structure.
- c) If her last CD sold 6000 copies, she can probably anticipate selling more than 6000 copies of this fourth CD. This is well beyond the POI of the two pay structures. Since after 4000 copies are sold, the Royalty only option is best (\$1 per CD), she should choose the Royalty only option.