Practicing section vii from Chapter 5.a

Use the table below for questions 1-3

|  |  |  |  |
| --- | --- | --- | --- |
| Age od Stand in Years | Tons per acre harvested from stand | Accounting Profits if harvested in that year (profits = $0.20 per ton) | Accounting profits if harvested last year and profits invested at a real, risk-free rate of return 4% |
| 30 | 16800 |  | -------------------- |
| 31 | 18000 |  |  |
| 32 | 18800 |  |  |
| 33 | 19000 |  |  |
| 34 | 19100 |  |  |

1. An optimal age to harvest the tree stand is
	1. 30
	2. 31
	3. 32
	4. 33
2. What were the accounting profits in year 31?
	1. 3,600
	2. 3,360
	3. 2,800
	4. 2,884
3. As the real, risk-free interest rate rises, a stand of trees will be harvested at
	1. A younger age
	2. An older age
	3. The same age
	4. Impossible to tell