
The Method of Sealed Bids:

Each player bids w/ their honest assessment of the item.

Bidding: independent + secret

Allocation: items go to highest bidders

First Settlement: players either owe or are owed money.

Division of the Surplus: common money that belongs to the estate, and must be divided equally among players.

Final Settlement: adding surplus to first settlement

Andre, Bobby, and Chad are dividing an estate consisting of a house, a small farm, and a painting using the method of sealed bids. Their bids on each of the items are given in the table.

\$	Andre	Bobby	Chad
House	165,000	141,000	180,000
Farm	438,000	420,000	435,000
Painting	51,000	54,000	51,000

Final Sh.: 218,000 205,000 222,000

1. Who gets the house?

Chad.

2. Does the player who gets the house pay money to or get money from the estate? The player who gets the house pays/gets how much to/from the estate?

$222,000 - 180,000 = \$42,000$ (gets paid)

3. Who gets the farm?

Andre

4. Does the player who gets the farm pay money to or get money from the estate? The player who gets the house pays/gets how much to/from the estate?

$$218,000 - 438,000 = -\$220,000 \text{ He pays!}$$

5. Who gets the painting?

$$205,000 - 54,000 = +151,000 \text{ He gets.}$$

6. Does the player who gets the painting pay money to or get money from the estate? The player who gets the house pays/gets how much to/from the estate?

Bobby

7. What is the surplus?

$$+220,000 - 151,000 - 42,000 = \$27,000 \text{ surplus}$$

8. Describe the final settlements.

$$\frac{\$27,000}{3} = \$9,000 \text{ each.}$$

Andre: farm and pays \$211,000

Bobby: painting and gets \$160,000

Chad: house and gets \$57,000