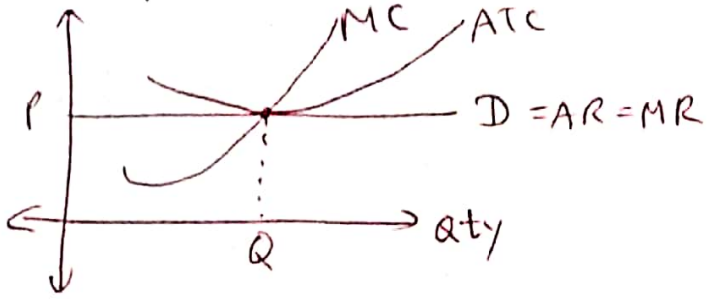
↳ Perfectly Competitive markets:



→ price = marginal revenue ONLY (P = MR)

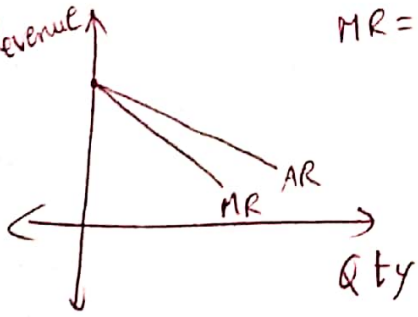
→ Demand (D) is horizontal ⇒ irrespective of how much is produced, goods sell @ the same price P.

→ AR (Average revenue) → Revenue generated for unit of o/p sold. #

Profit = TR − TC (Total cost) → difference = max. ⇒ that o/p qty is the profit-maximising.

firms aim to max.

→



MR = P. ⟶ $MR = \frac{\Delta \text{ Total revenue (TR)}}{\Delta Q \quad (Qty)}$.

$MR = \underbrace{TR_n - TR_{n-1}}_{1 \text{ extra unit}}$.

→ To maximise profits, firms can be producing ↑ qty of goods until MR adds more to TR than what it adds to TC.

↳ Sunk costs: → costs that have already been incurred & can't be recovered by any means.

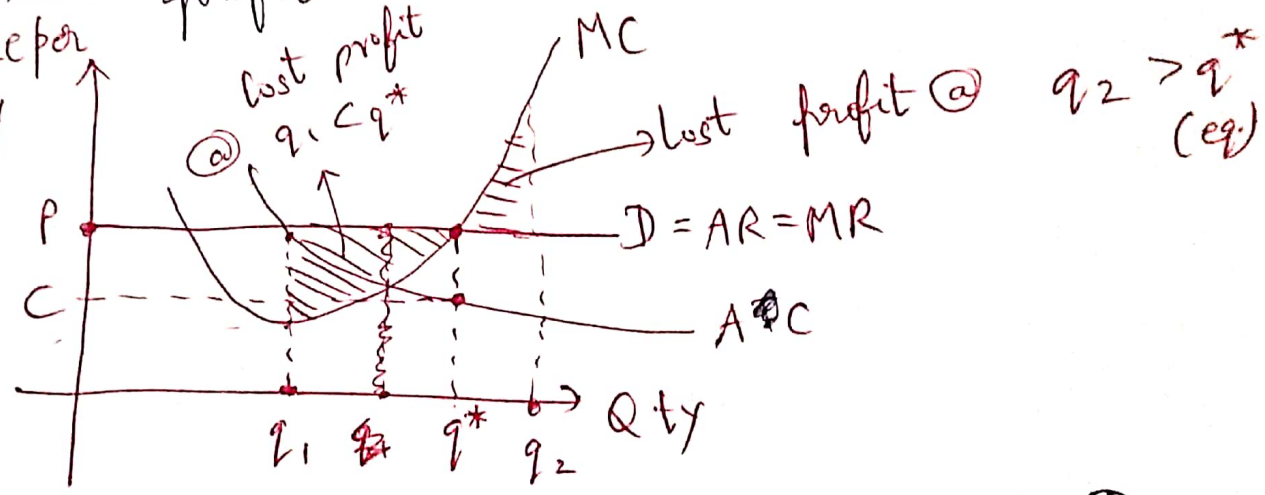
→ independent of any event & should not be considered.

→

TR	TC	Profit
.		[TR-TC]
⋮		

→ max. → profit-maximising o/p
↳ To get max. profit this corr. qty of goods → supplied.

→ Short-run profit maximisation :



Lost profit = area b/w MC curve and D curve.
C → where eq. qty q^* & AC meet.