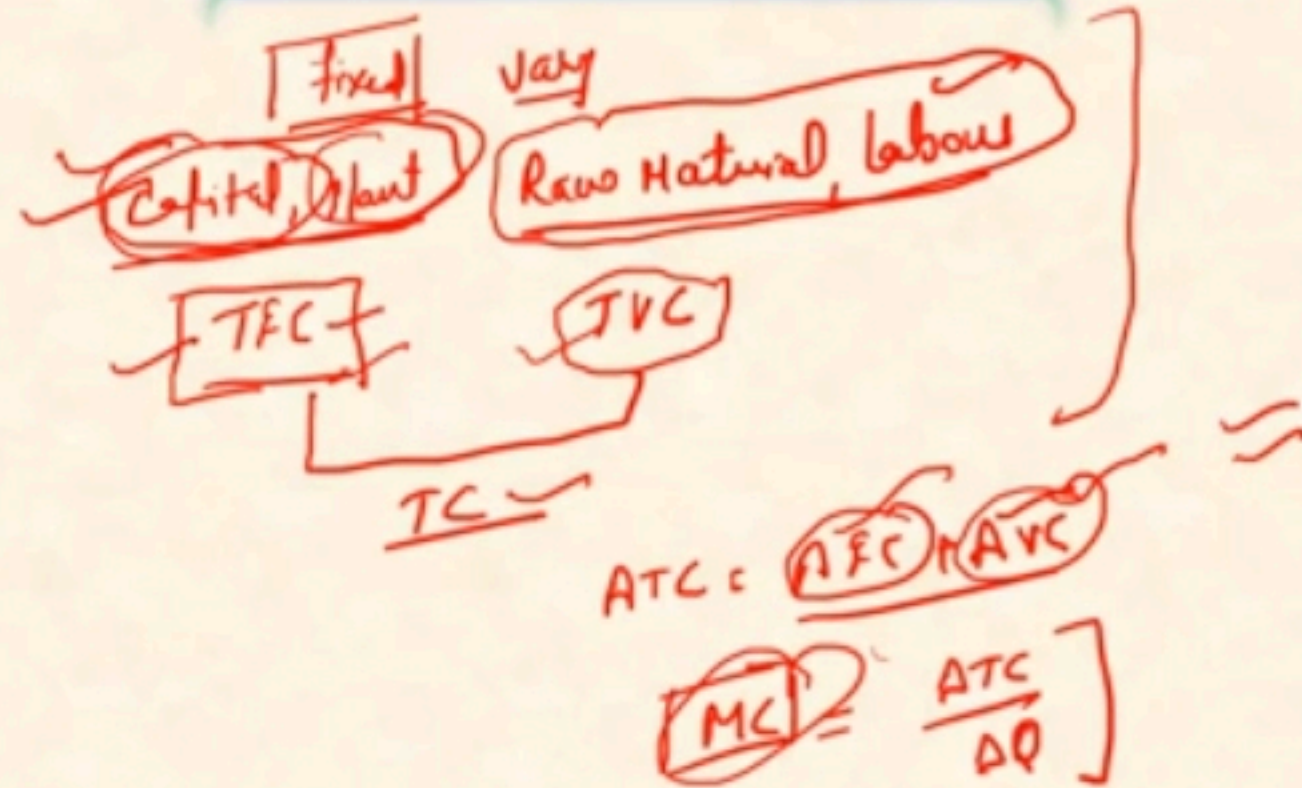




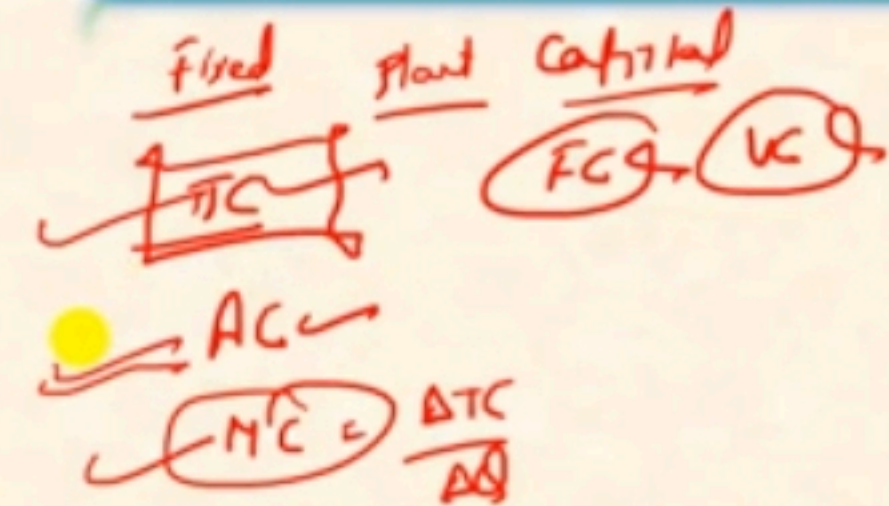
Cost Function: The relation between cost and output. In which we study how output and cost are related to each other.

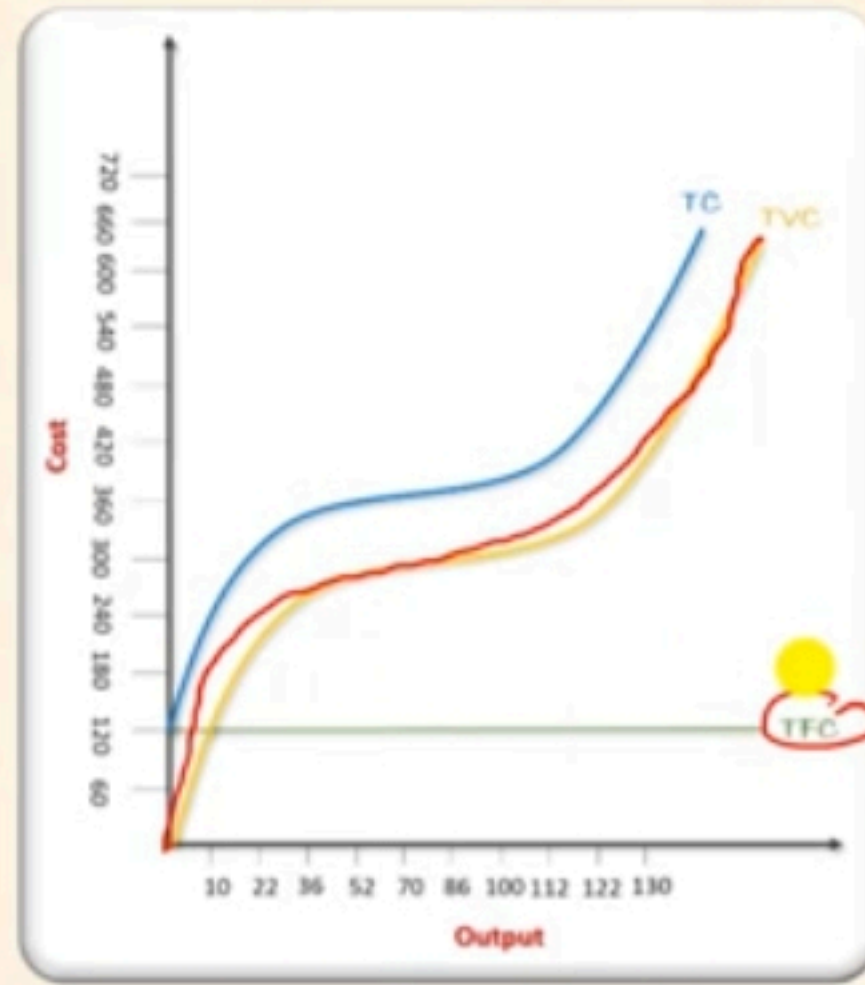
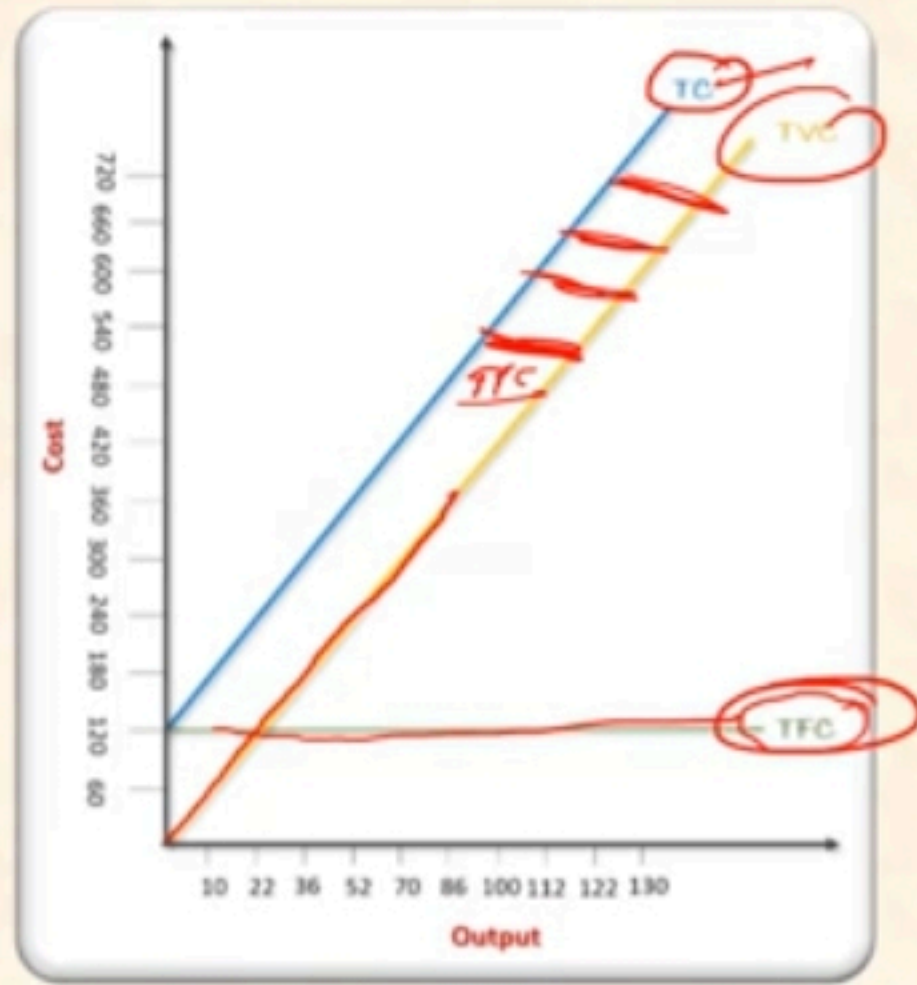
Short Run Cost Function

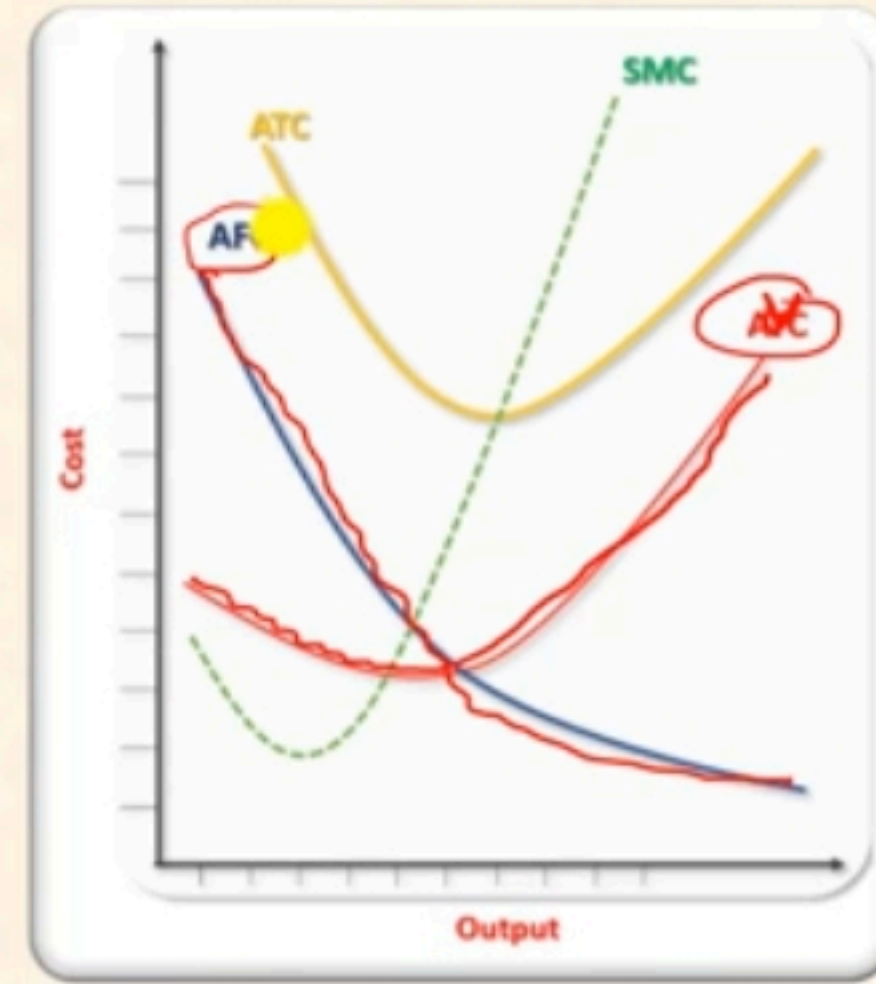
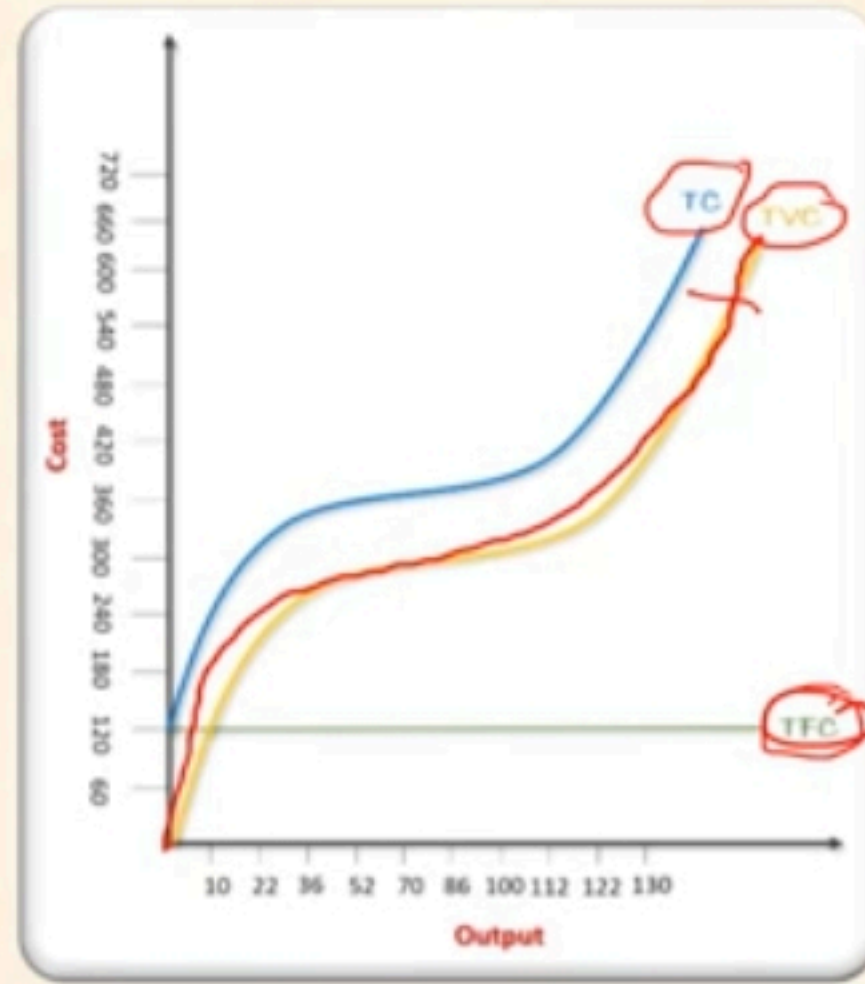
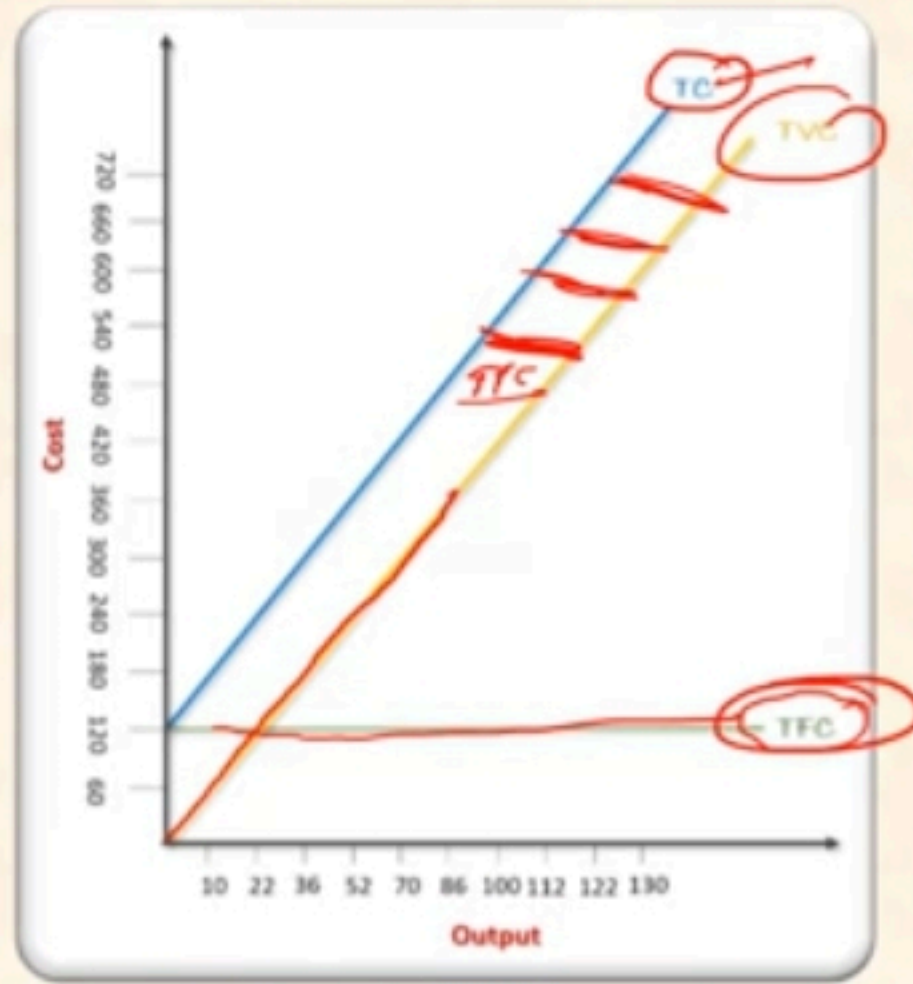


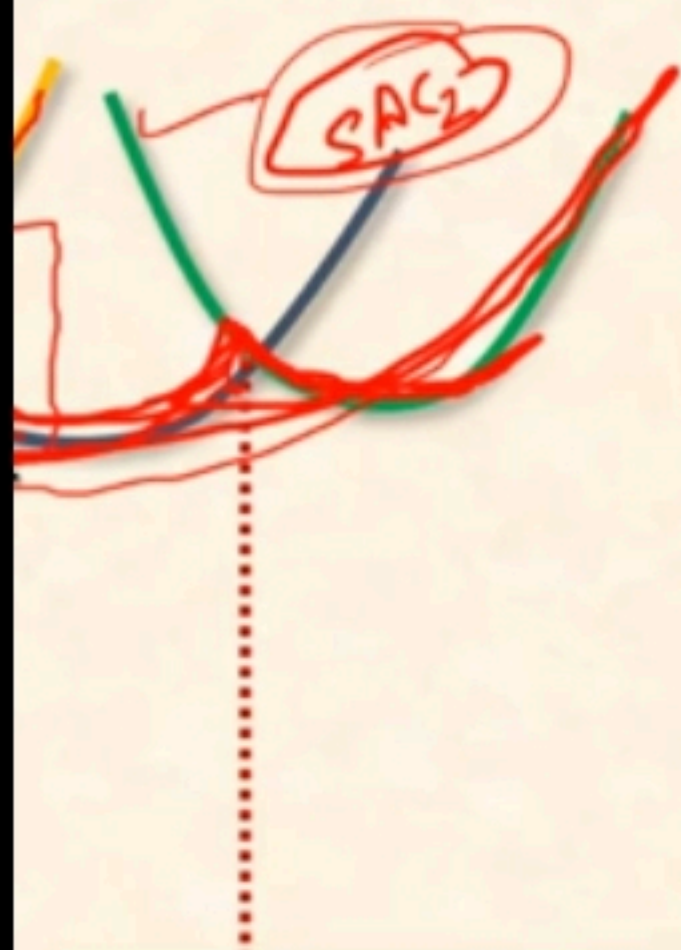
fixed variable

Long Run Cost Function

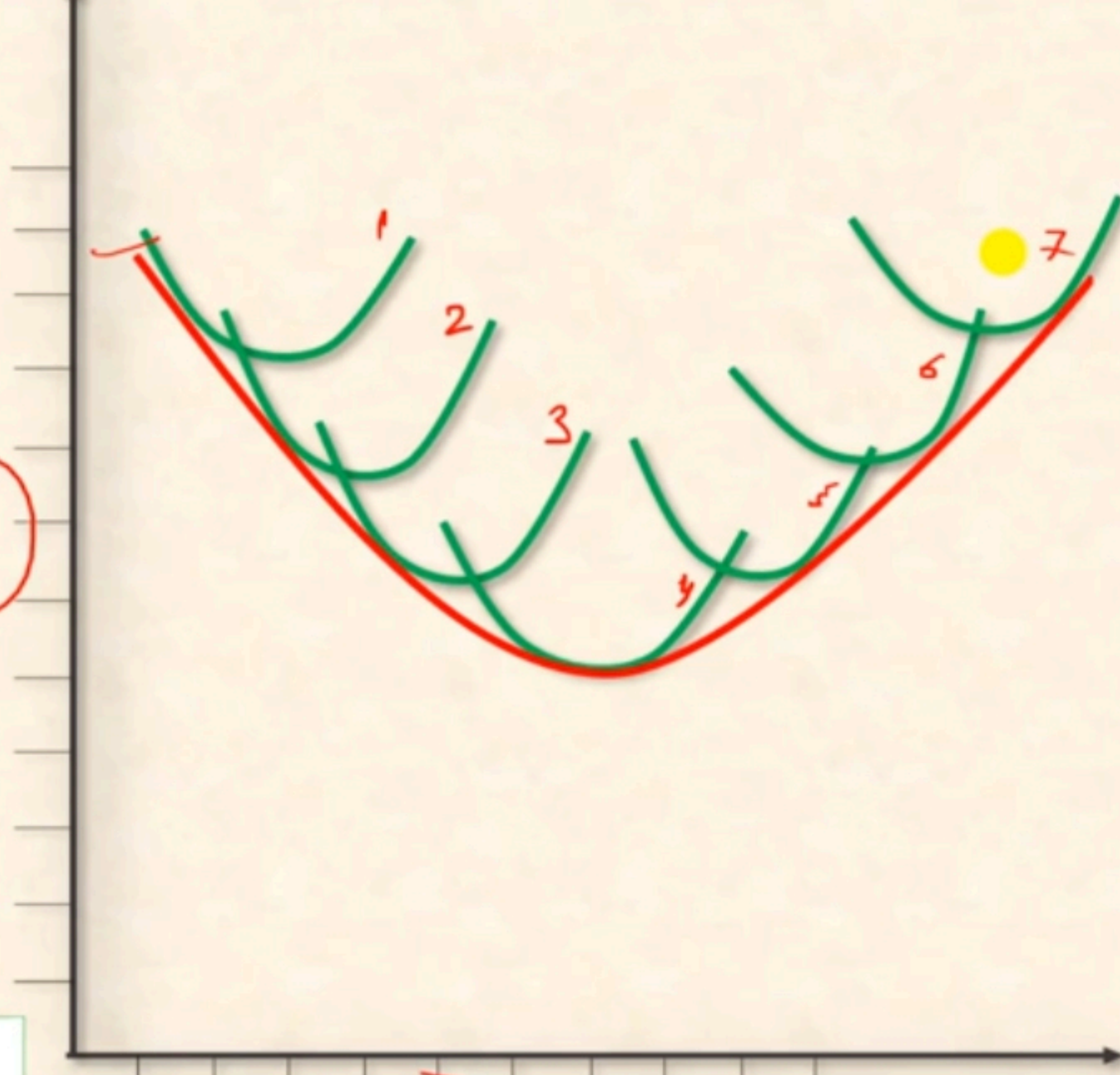








Cost



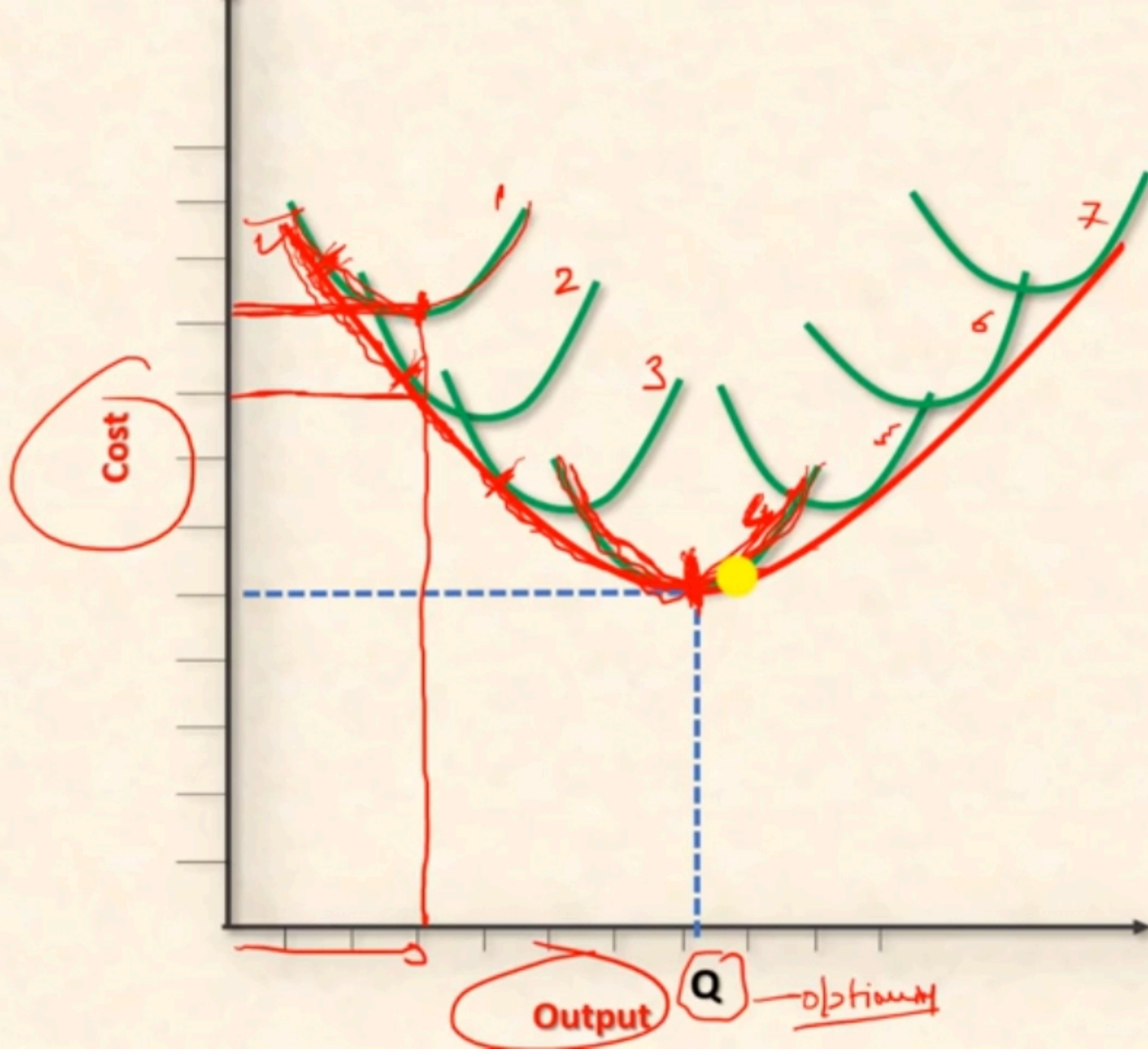
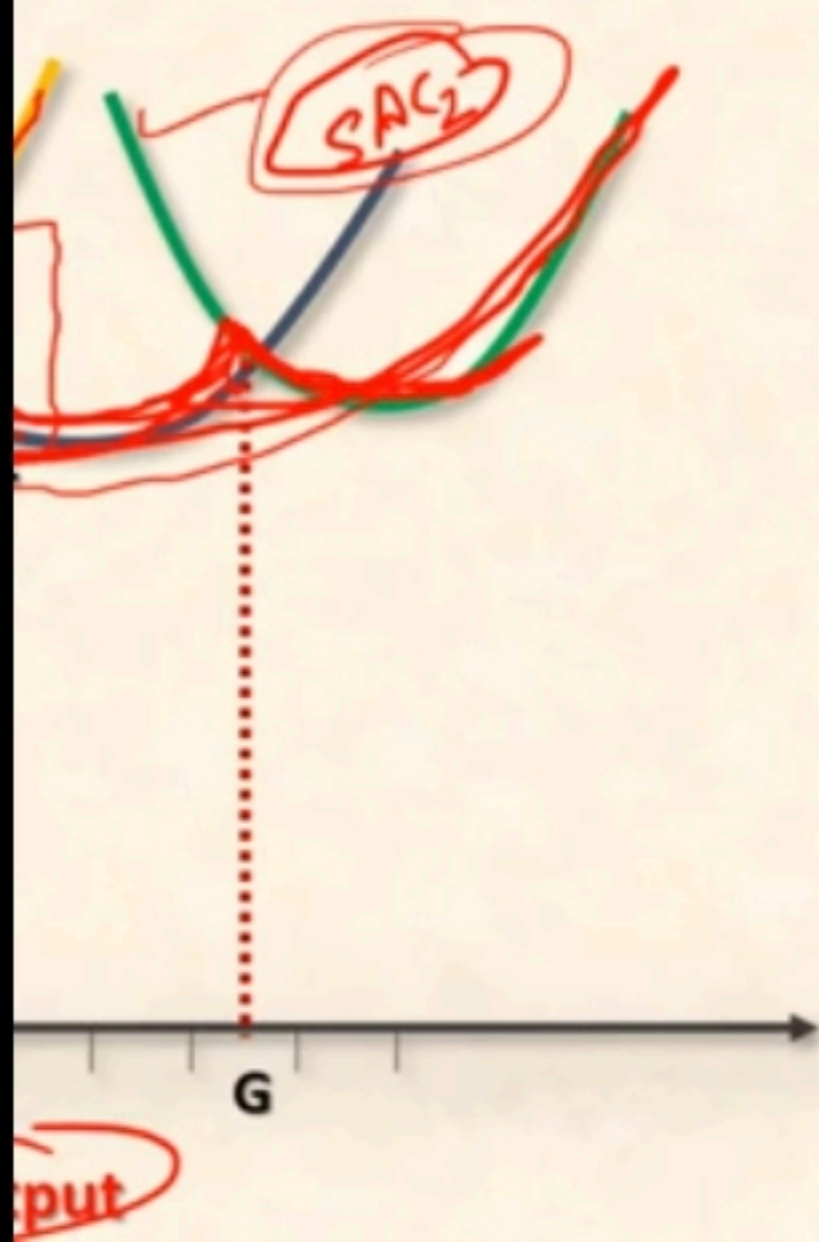
Output

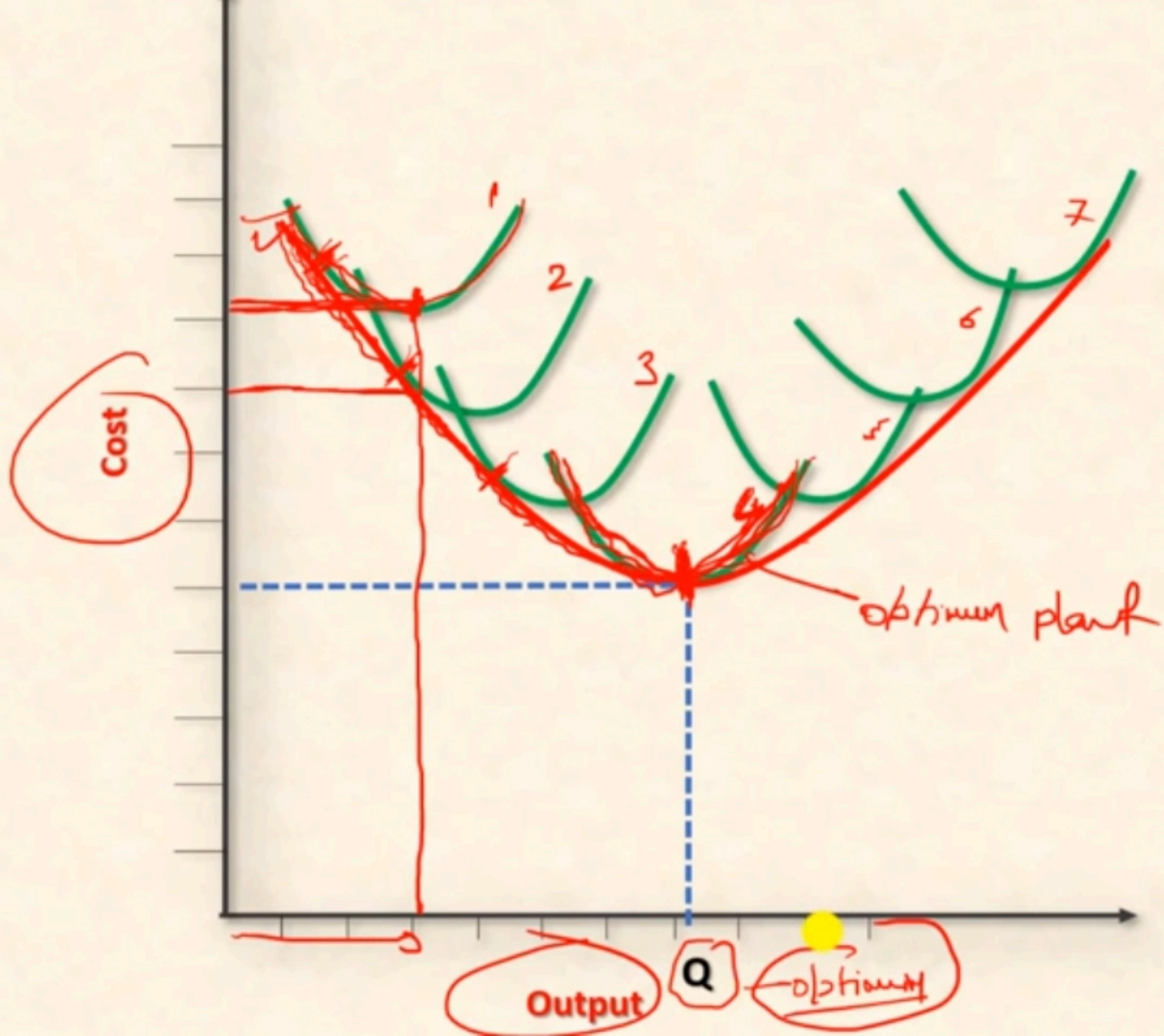
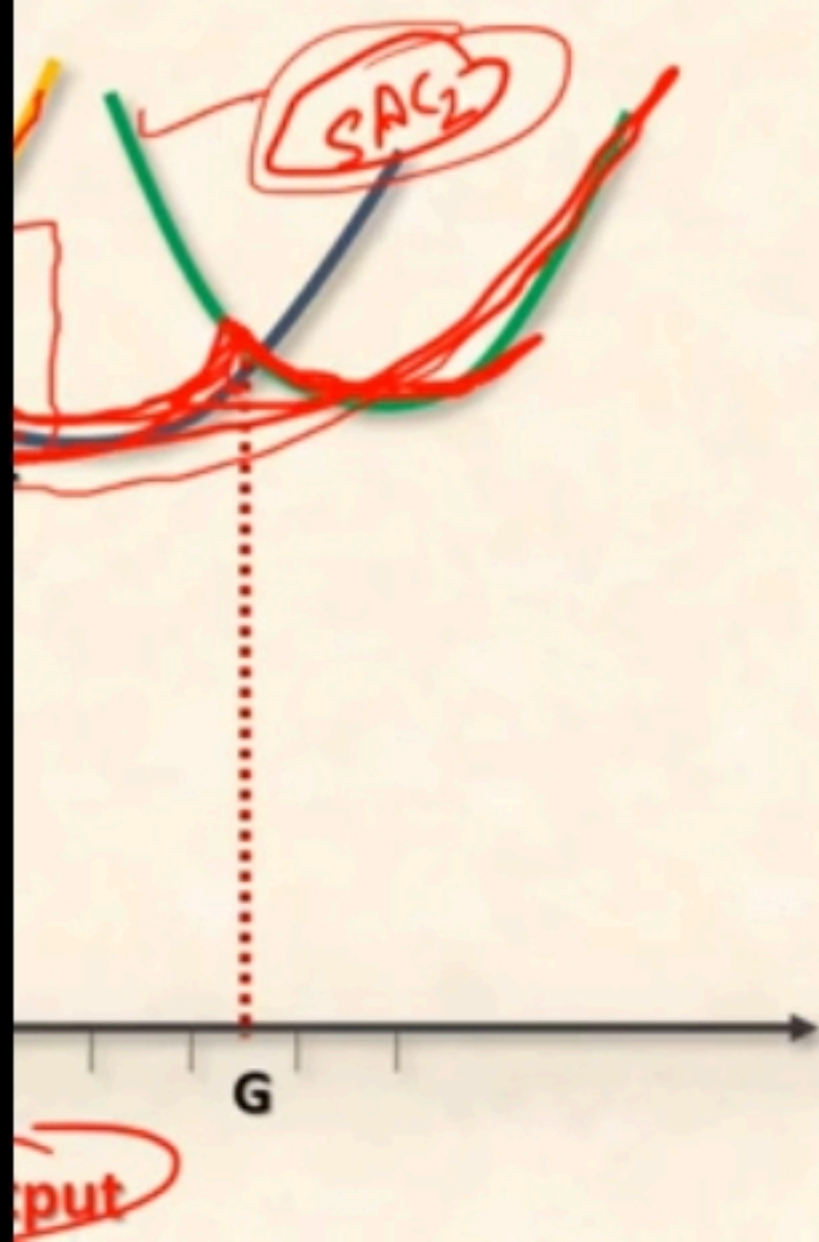


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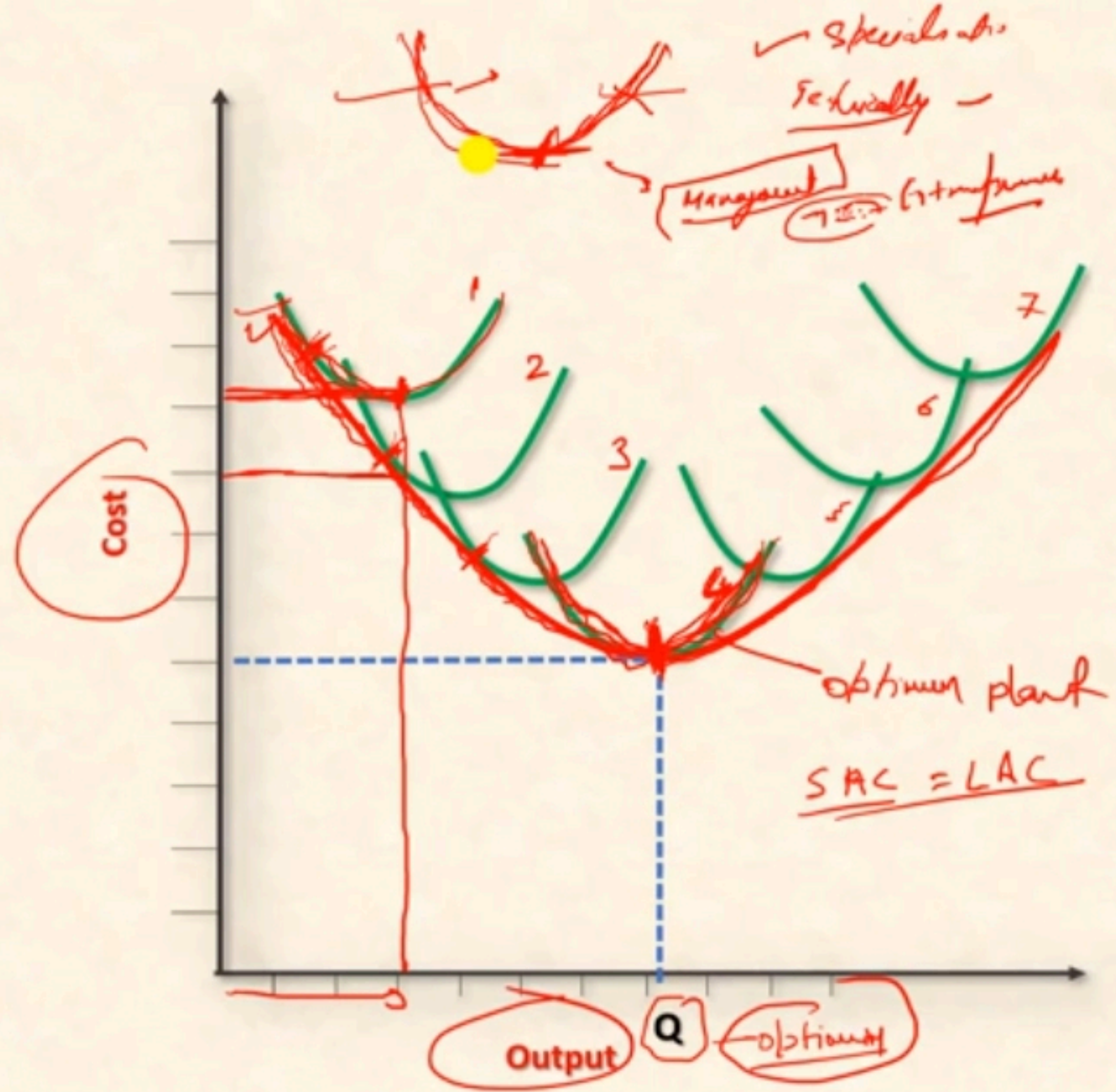
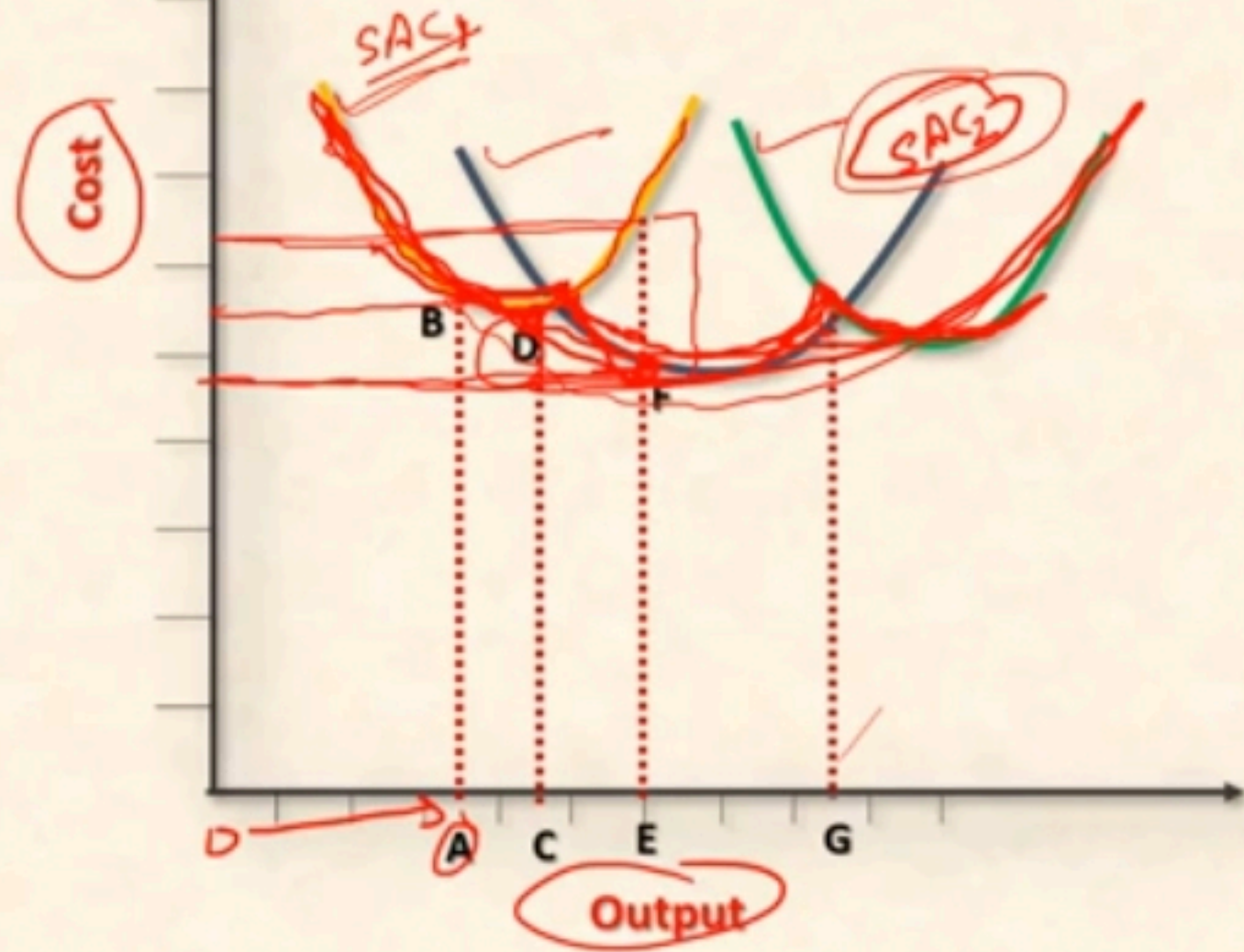




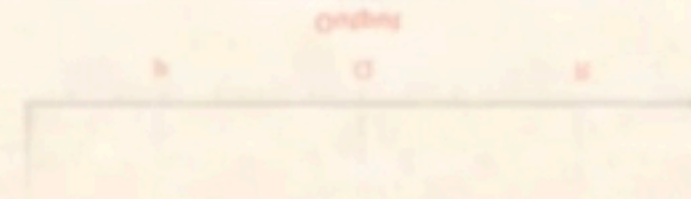
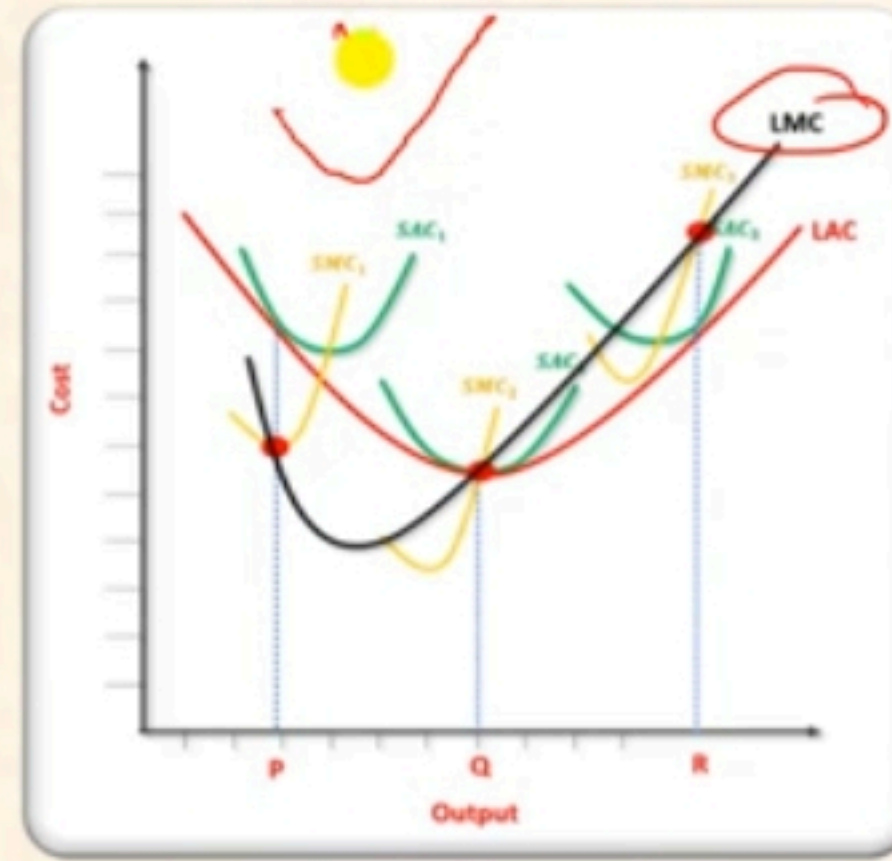
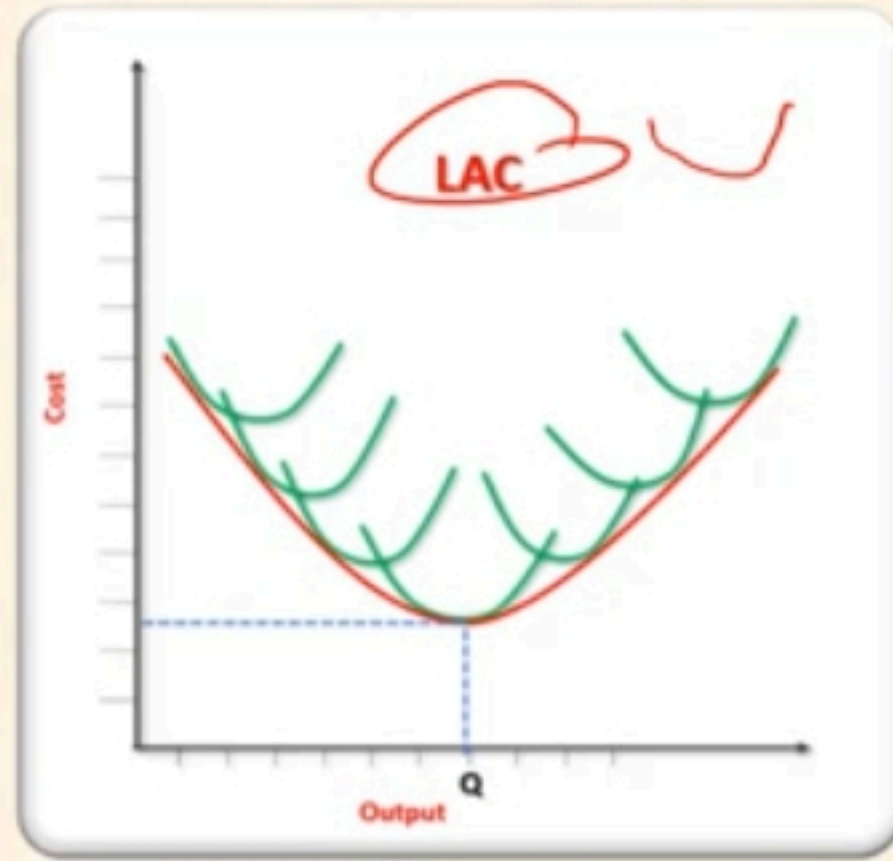




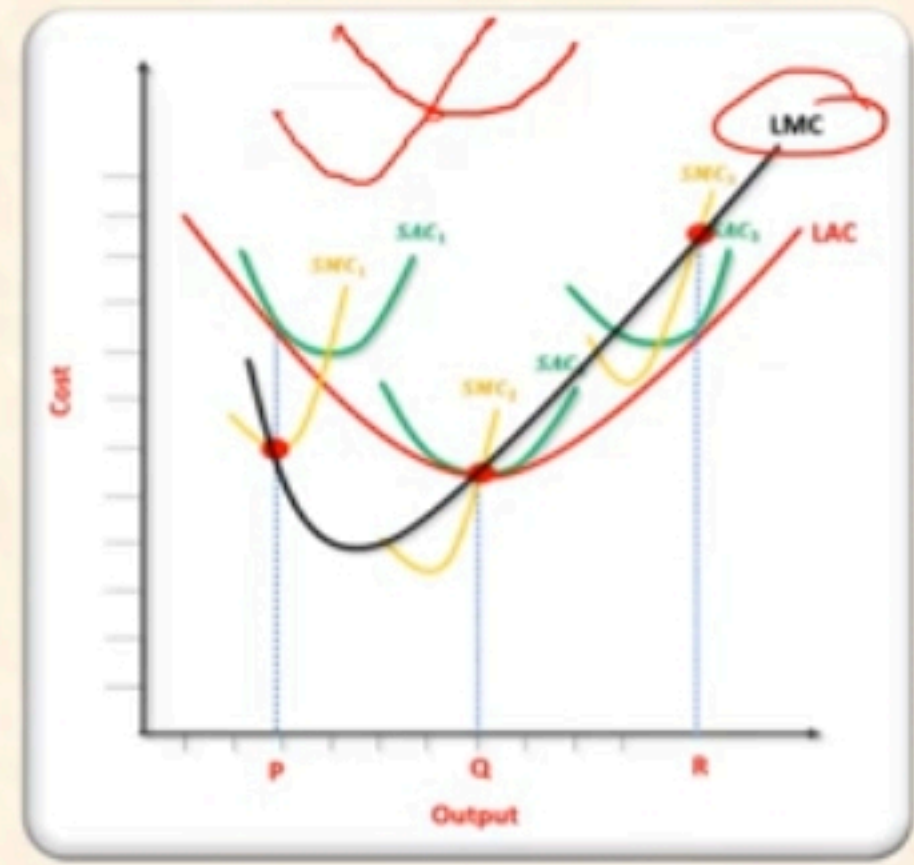
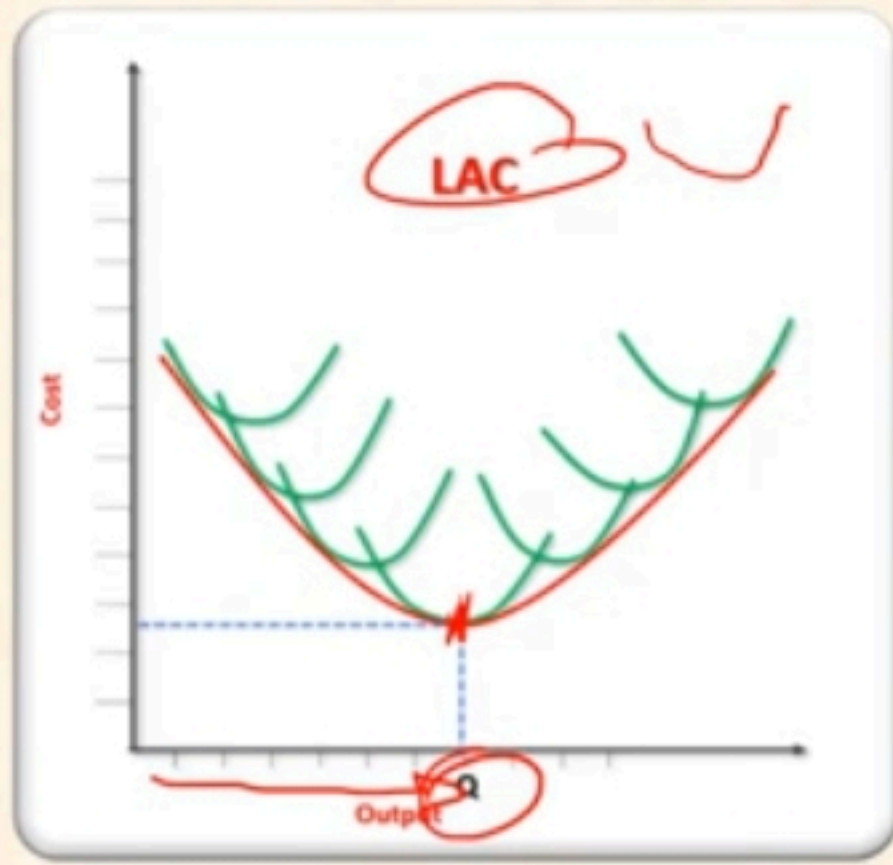
divisible $\begin{matrix} \rightarrow \\ \rightarrow \\ \rightarrow \end{matrix}$





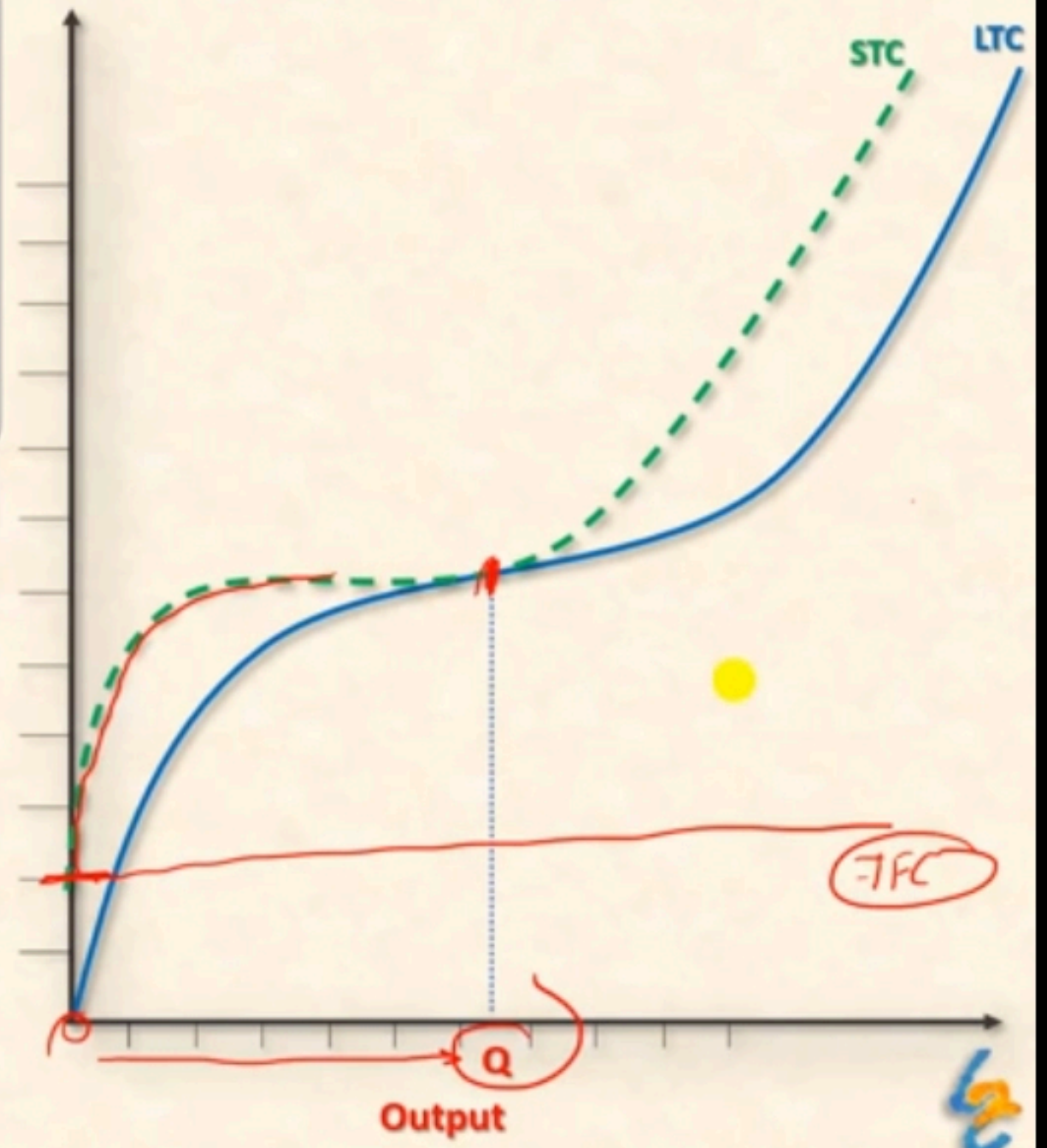


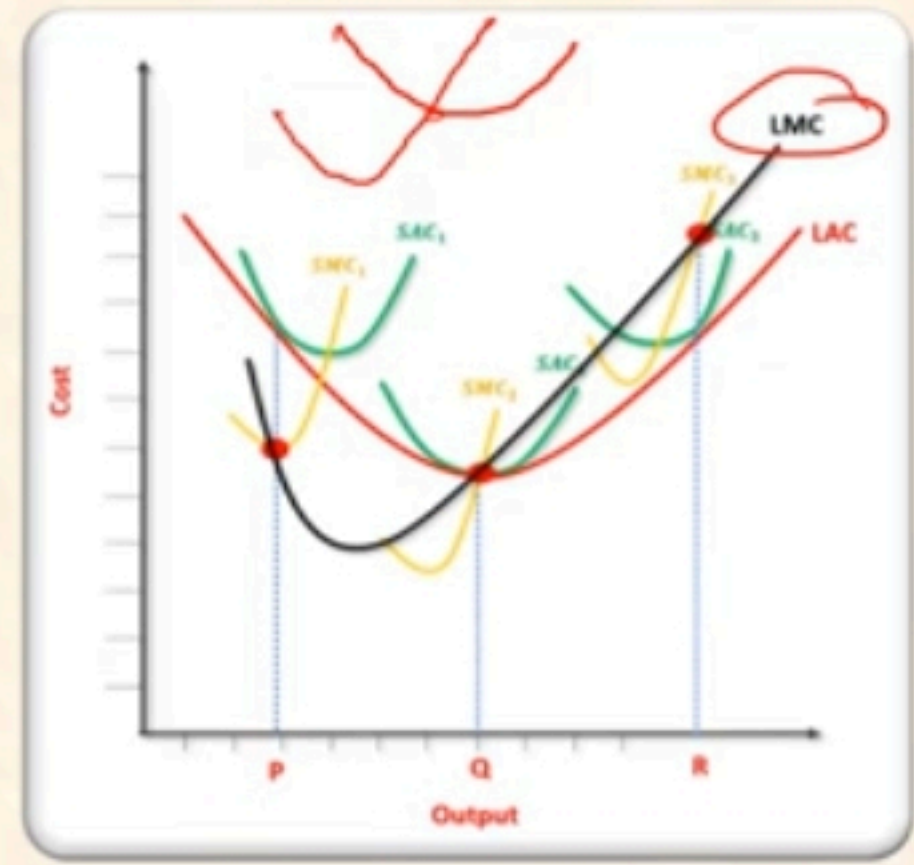
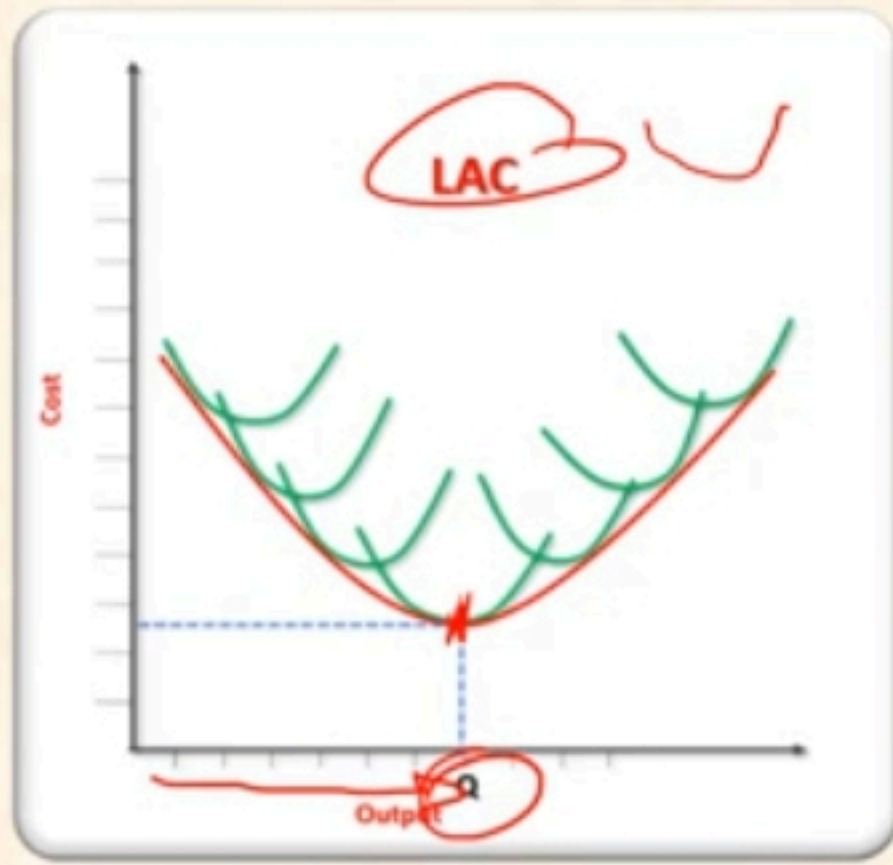
62



Handwritten notes in red ink:

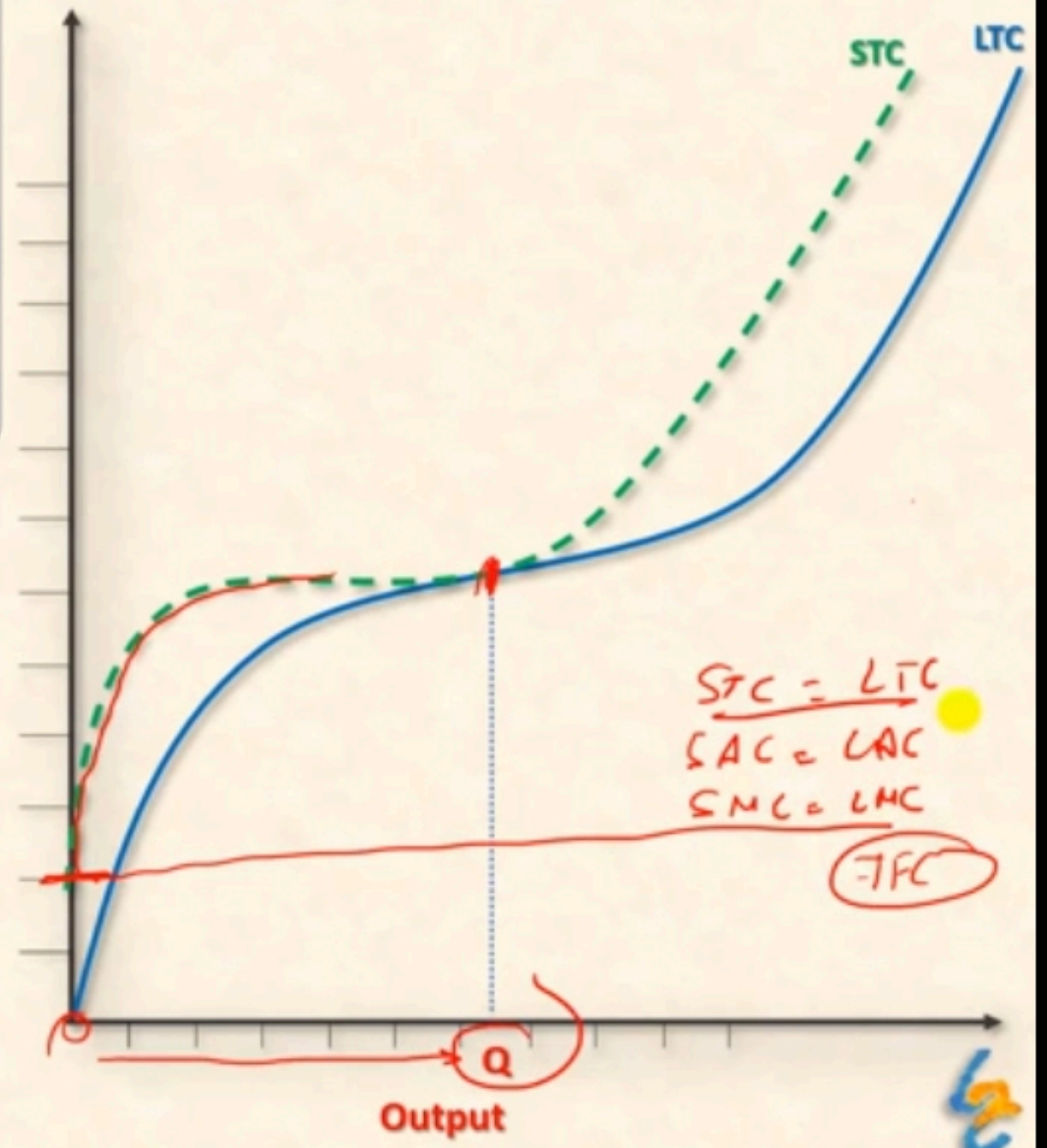
- $SAC = STC$ (circled)
- $LAC = LTC$ (circled)

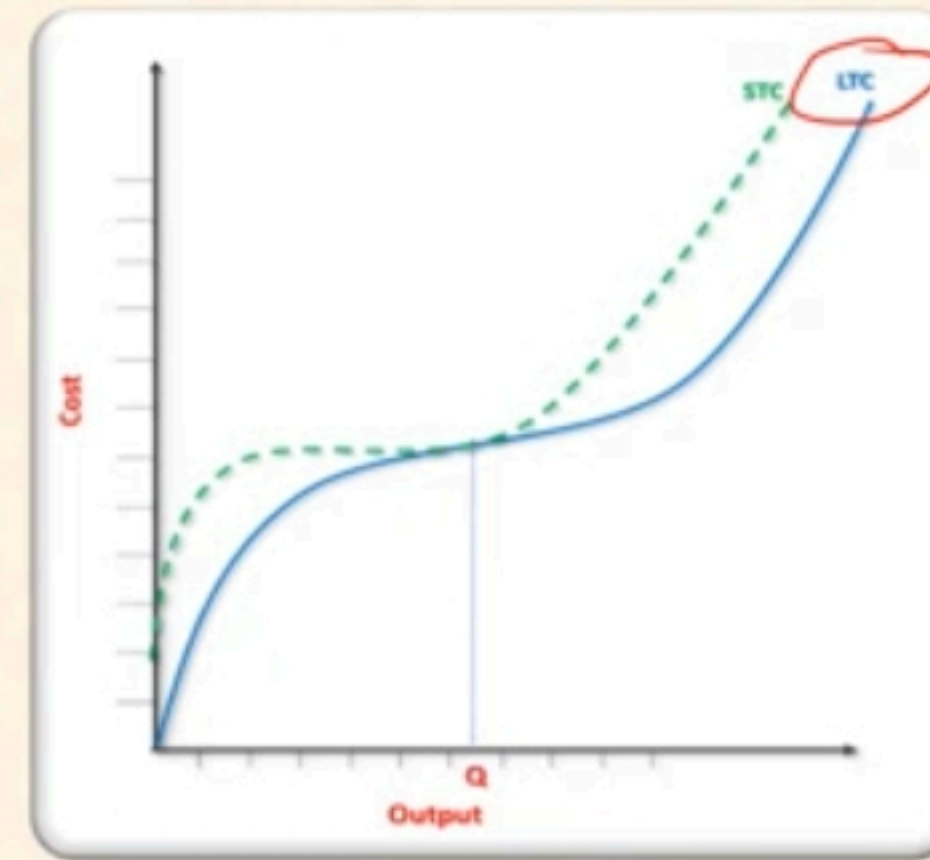
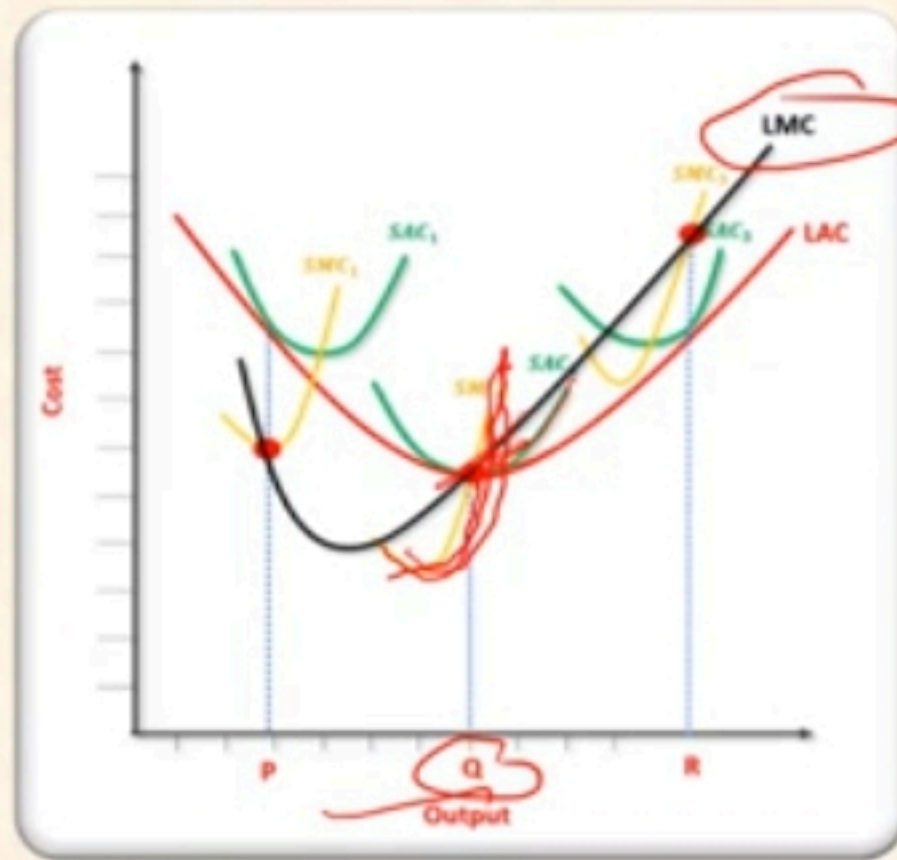
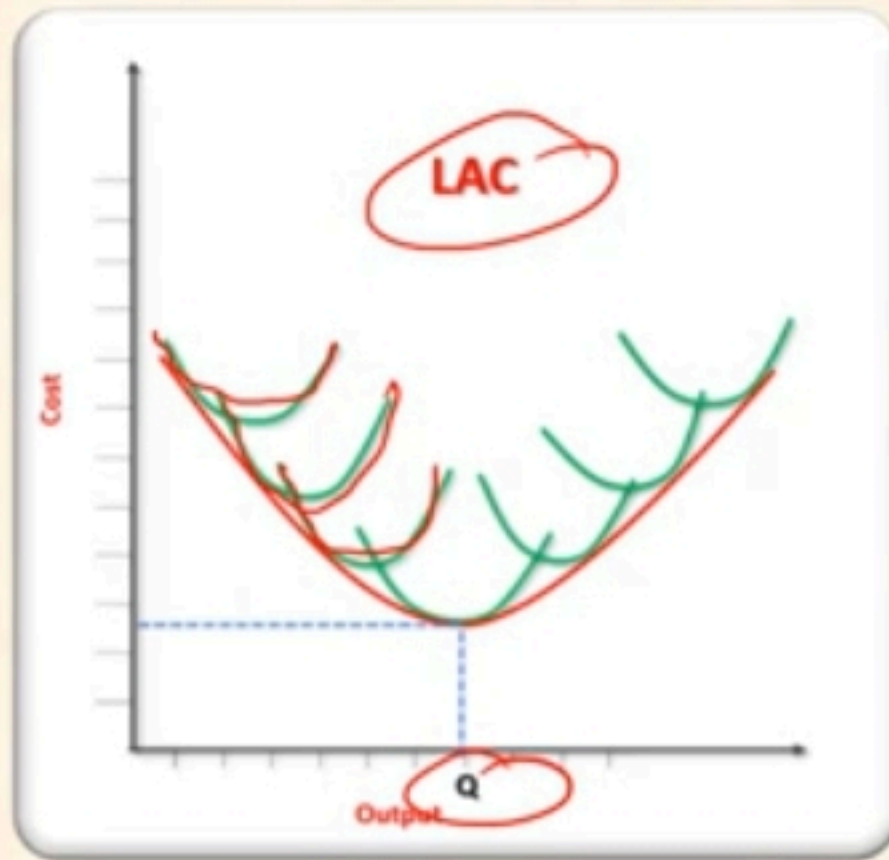




Handwritten notes in red ink:

- $SAC = STC$ (circled)
- $LAC = LTC$ (circled)





Points to Remember

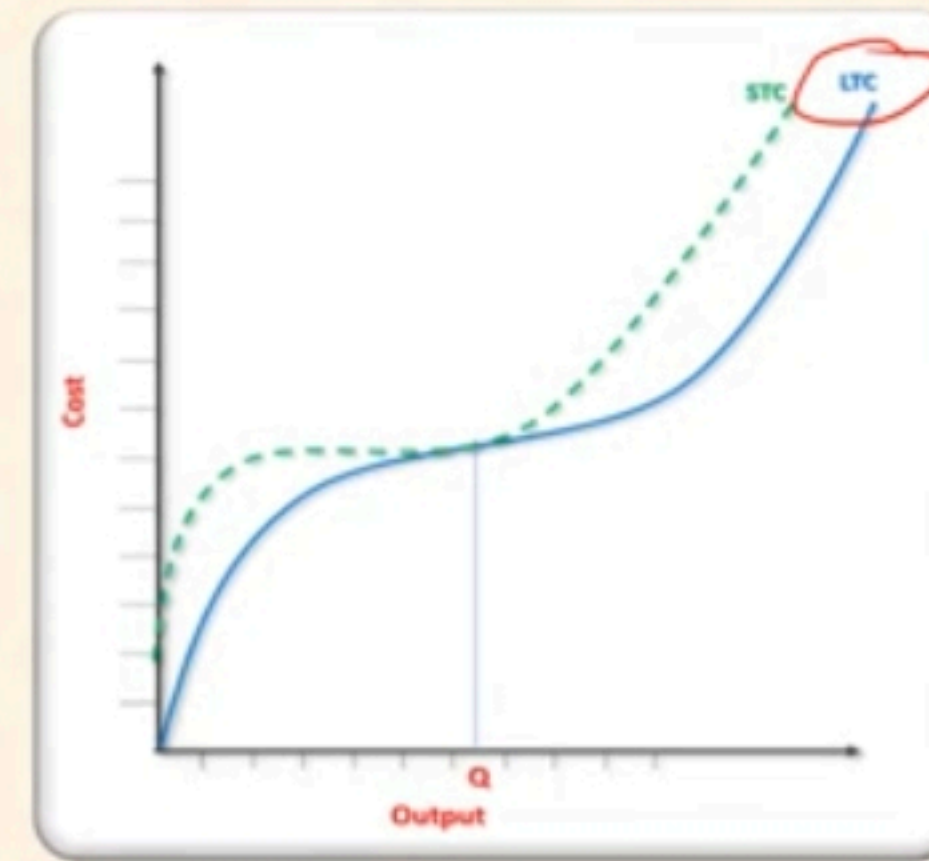
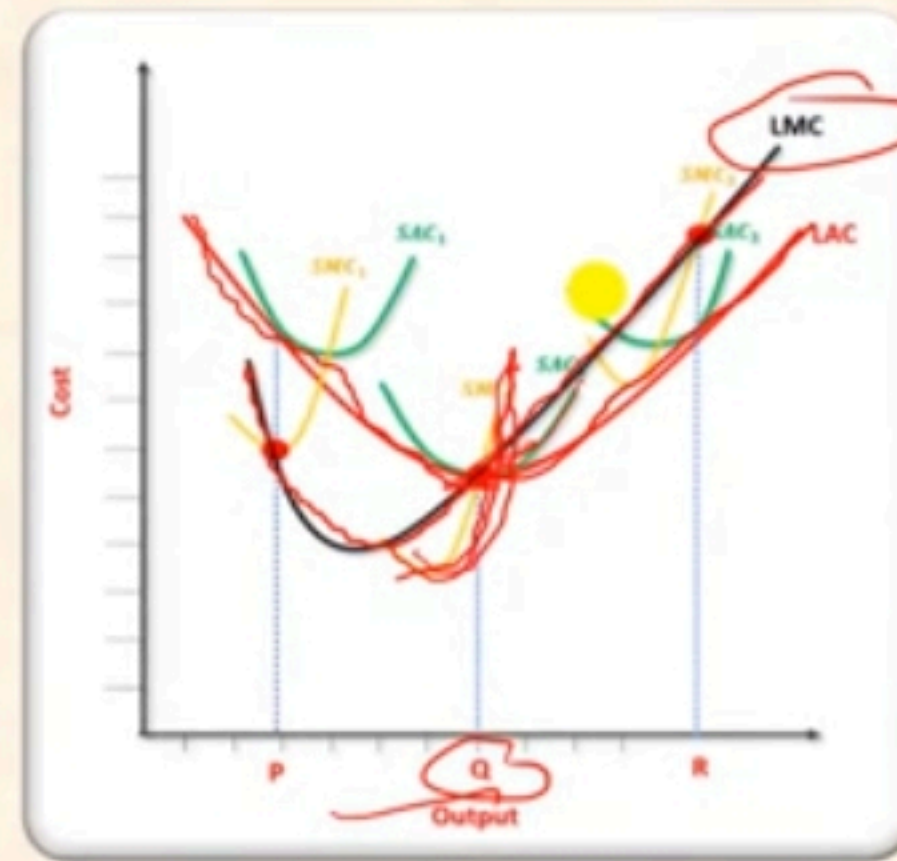
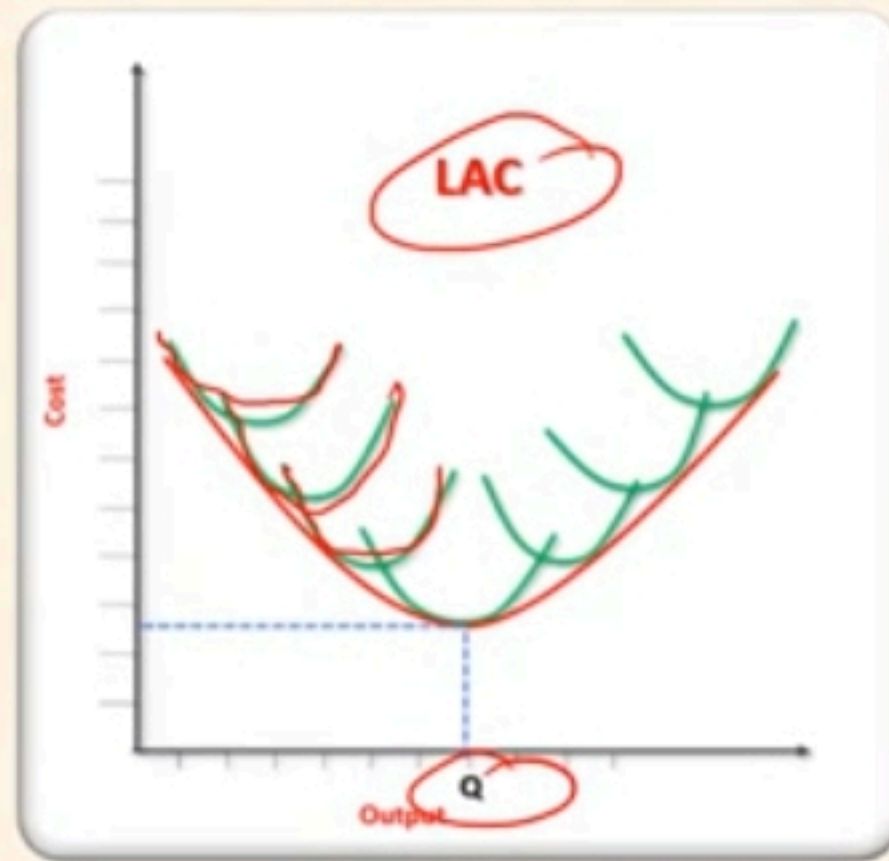
- ✓ SAC curve is also called plant Curve.
- ✓ LAC curve is also called Envelop Curve or Planning Curve.
- ✓ The level of output where SAC curve is equal to LAC curve, the corresponding SMC curve intersect LMC curve.
- ✓ At optimum output :

$$SAC = LAC$$

$$SMC = LMC$$

$$STC = LTC$$

SMC = LMC



Points to Remember

- ✓ SAC curve is also called plant Curve.
- ✓ LAC curve is also called Envelop Curve or Planning Curve.
- ✓ The level of output where SAC curve is equal to LAC curve, the corresponding SMC curve intersect LMC curve.
- ✓ At optimum output :

$$SAC = LAC$$

$$SMC = LMC$$

$$STC = LTC$$

