

- Supernormal profit: $P > \min ATC$
- Loss: $P < \min ATC$
- Zero economic profit: $P = \min ATC$

→ A person needs 1 lakh Tk to start a business.

→ have 1 lakh in bank and earn 6000 Tk

→ To start business he needs to resign from his old job, where he used to earn 5000 Tk

→ From the business he can earn revenue which 160000 Tk

Business

$$\dots - TR - TC \dots = 60000$$

Business

$$\text{Accounting Profit} = TR - TC$$

$$= 160000 - 100000 = 60000$$

$$\text{Economic Profit} = TR - TC$$

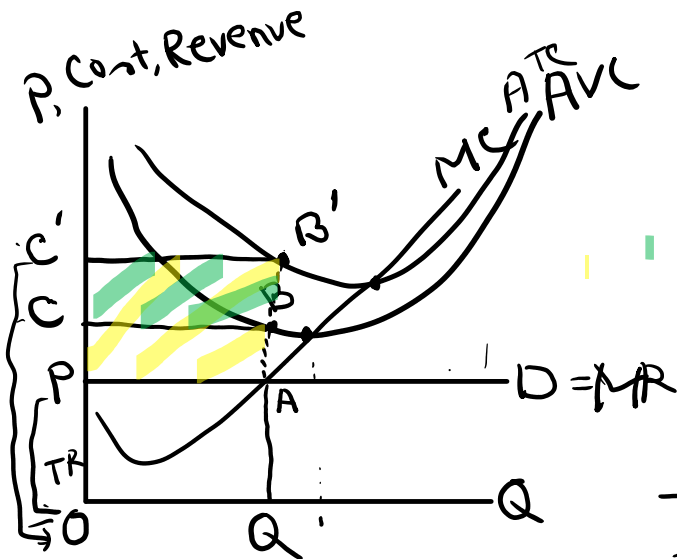
$$= 160000 - (EX + GMP)$$

$$= 160000 - (100000 + 10000 + 50000)$$

$$= 160000 - 160000 = 0$$

$$AVC = \frac{TVC}{Q}$$

Production decision



Produce

$$\pi = TR - TC$$

$$TR = P \times Q = OP \times OQ = OPAQ$$

$$TC = TFC + TVC$$

$$TVC = AVC \times Q = OC \times OQ = OCBQ$$

$$TC = ATC \times Q = OC' \times OQ = OC'B'Q$$

$$TFC = TC - TVC = OC'B'Q - OCBQ$$

$$TFC = C'B'BC$$

$$\pi = TR - TC = OPAQ - OC'B'Q = -PC'B'A$$

Not produce:

$$\pi = TR - TC$$

$$--- TC \quad [\because TR = 0]$$

$$\pi = -C'B'BC$$

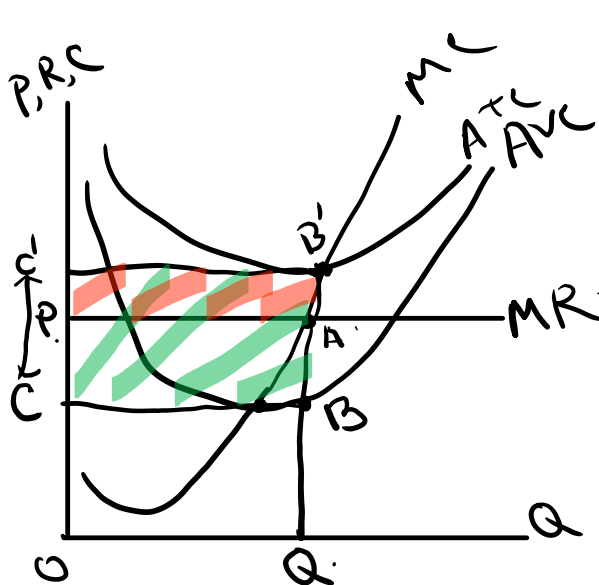
$$\text{Loss } C'B'BC$$

SHUT down
condition
 $P < \min AVC$

$$\Rightarrow \pi = -TC \quad [\because TR=0]$$

$$\Rightarrow \pi = -(TFC + TVC)$$

$$\Rightarrow \pi = -TFC$$



Produce

$$\pi = TR - TC$$

$$TR = P \times Q = OP \times OQ = OPAQ$$

$$TC = TFC + TVC$$

$$TVC = AVC \times Q = OC \times OQ = OCBQ$$

$$TC = ATC \times Q = OC' \times OQ = OC'B'Q$$

$$TFC = TC - TVC = OC'B'Q - OCBQ = CC'B'B$$

$$\pi = TR - TC = OPAQ - OC'B'Q = -PC'B'A$$

Not produce

$$\pi = TR - TC$$

$$\pi = -TC$$

$$\pi = -TFC$$

$$\pi = -CC'B'B$$

Loss Minimization

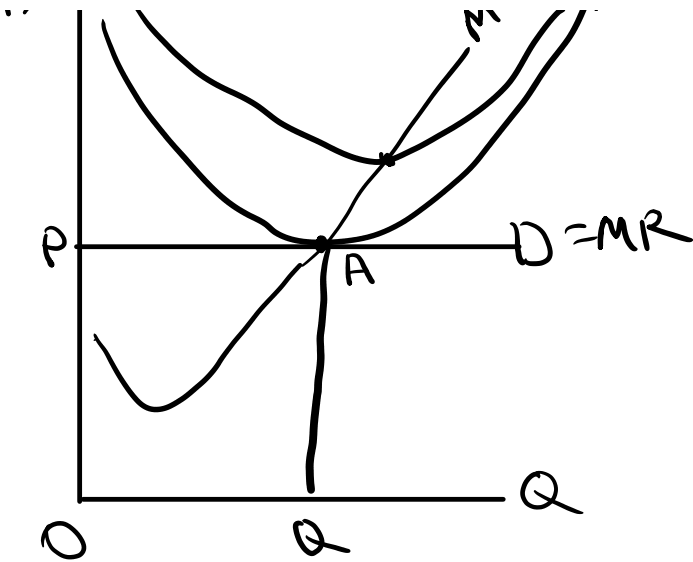
$\min_{AC} P < \min_{ATC}$

Break even ~~even~~ point



Produce

Not produce



produce

$$\left[\frac{10:10 - 11:40}{358} (02) \right]$$

$$\left[\frac{08:30 - 10:00}{358} (20) \right]$$