

→ Monopoly

A specific situation of market when a singular firm or an organization has complete authority of produce or sale of commodity or services in market and there is no close substitute of that product available in market.

e.g.

Railway, WAPDA

→ Features of Monopoly

It take place under the following features.

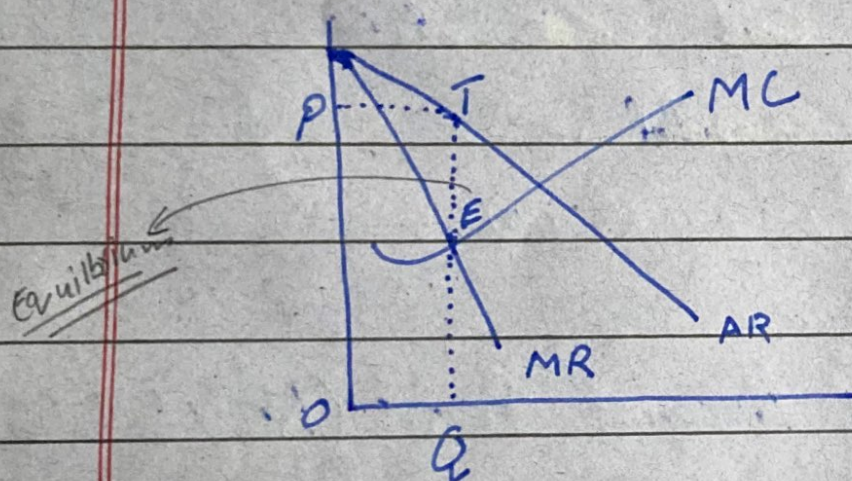
- 1- Single seller
- 2- Large number of buyers
- 3- No close substitute
- 4- Barriers for new firms
- * 5- Control on Price / Price Maker

6. 100% Profit

→ Equilibrium of Firm under Monopoly

These are two conditions for that

- 1) $MC = MR$
- 2) MC cuts from below MR

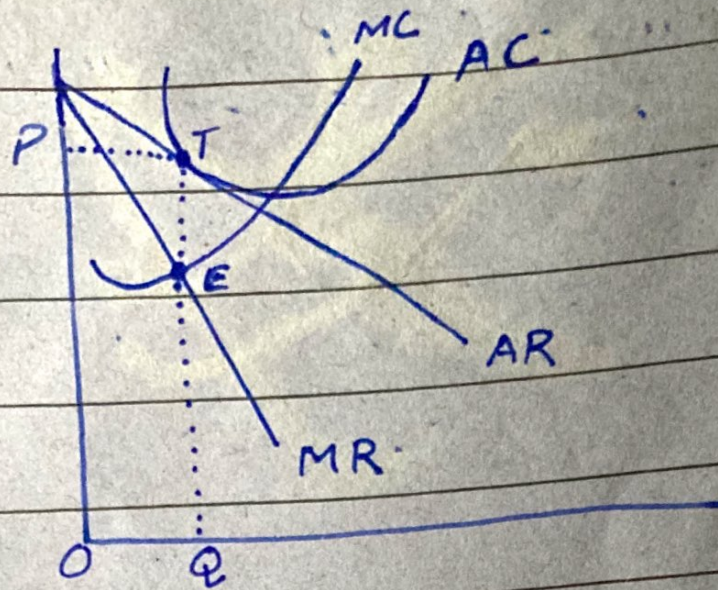


→ Equilibrium of firm under Short run

Following are the possible situations.

- 1) Normal Profit
- 2) Super Normal Profit / Abnormal Profit
- 3) Normal Loss

1) Normal Profit ($AR = AC$)



e.g.

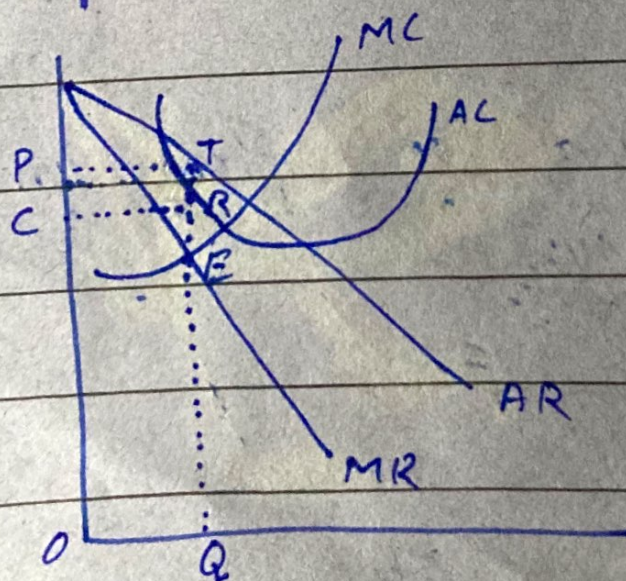
Per unit cost RS 50

when we sell, we sold

at same price (RS 50)

No revenue.

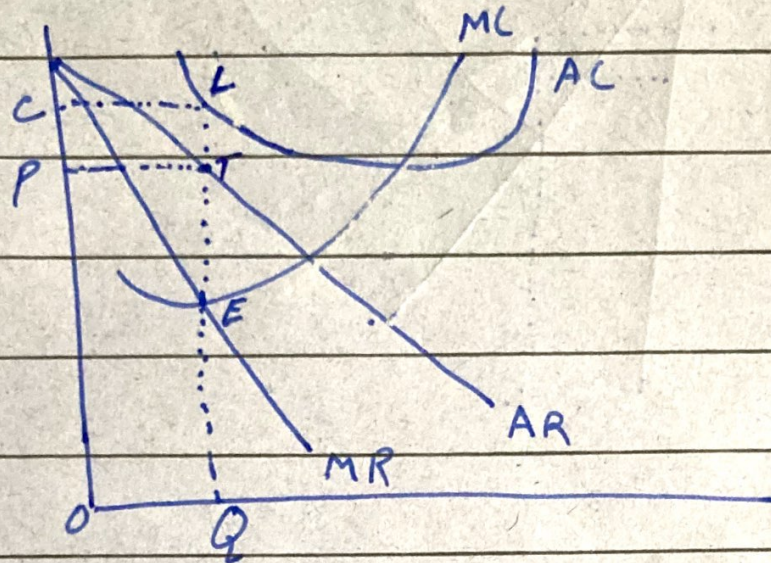
2) Super Normal Profit ($AR > AC$)



e.g.

Fifty rupees ki product
sixty main sell ki.

3) Normal Loss ($AR < AC$)



e.g. Fifty rupees ki
product forty main sell ki.

Equilibrium of Firm in Long Run

* Firm earn super normal profit in long run. Because no firm will enter into the market and because of no close substitute.

$$AR > AC.$$

