## Key Terms

break even point

level of output where the marginal cost curve intersects the average cost curve at the minimum point of AC; if the price is at this point, the firm is earning zero economic profits

entry

the long-run process of firms entering an industry in response to industry profits

exit

the long-run process of firms reducing production and shutting down in response to industry losses

long-run equilibrium

where all firms earn zero economic profits producing the output level where P = MR = MC and P = AC

marginal revenue

the additional revenue gained from selling one more unit

market structure

the conditions in an industry, such as number of sellers, how easy or difficult it is for a new firm to enter, and the type of products that are sold

perfect competition

each firm faces many competitors that sell identical products

price taker

a firm in a perfectly competitive market that must take the prevailing market price as given

shutdown point

level of output where the marginal cost curve intersects the average variable cost curve at the minimum point of AVC; if the price is below this point, the firm should shut down immediately