Shut-down price

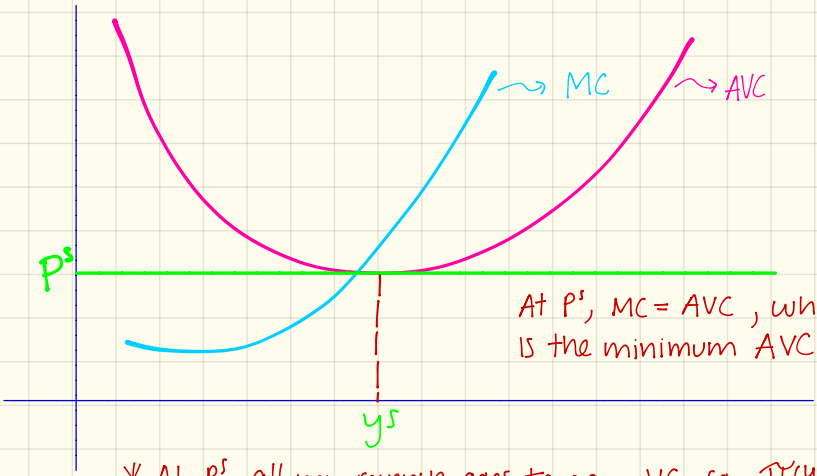
The price at which the firm is indifferent between operating & shutting down

→ Remember, if this firm shuts down, it still has to pay fixed costs

$$\Pi(y=0) = -FC$$

→ at the shut-down price, the firm can barely pay variable cost & nothing else, so:

at shut-down price $AR = AVC$



At P^s, $MC = AVC$, which means this is the minimum AVC.

* At P^s, all my revenue goes to pay VC, so $\Pi(y^s) = -FC$
  ⇒ I am indifferent between producing & shutting down.

why? Because if $P = P^s$
$P^s = AVC \Rightarrow \underbrace{P^s y^s}_{\text{revenue}} = VC$
$\Rightarrow \Pi = P^s y^s - VC - FC$
$\Rightarrow \Pi = -FC$

Note that:
P^s is found as the minimum AVC, so it is unrelated to the specific value of Fixed Cost