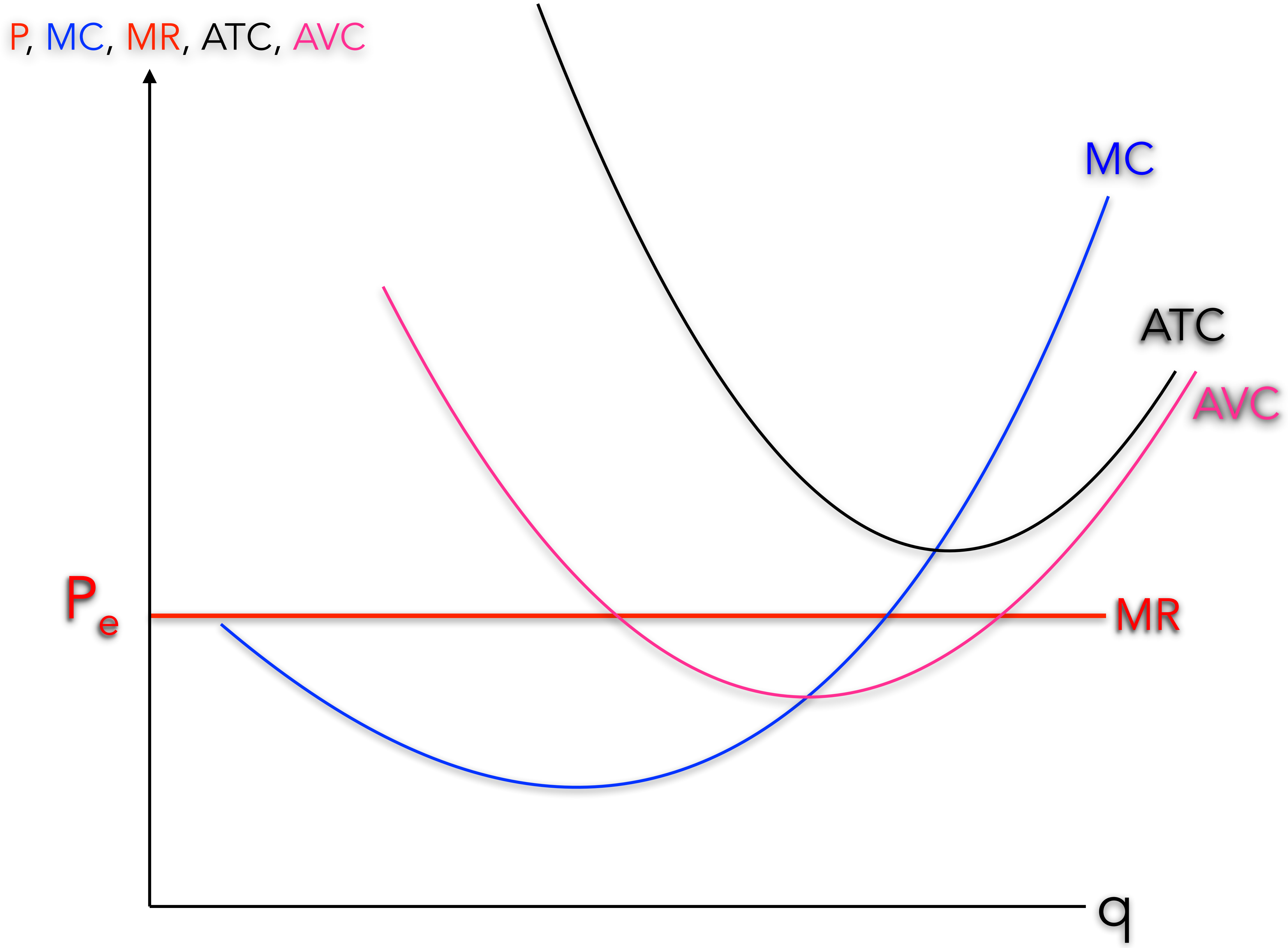


P, MC, MR, ATC, AVC
MC
ATC
AVC
P_e
MR
q

q_0

I

f

t

h

e

P

r

i

C

e

i

S

b

e

t

W

e

e

n

t

h

e

A

T

C

a

n

d

t

h

e

A

V

C

$$AVC \times q_0 = VC$$

AVC

ATC

$$AFC \times q_0 = FC$$

Revenues cover all the Variable Cost and part of the Fixed Cost

Loss is only part of the FC

If the Price < ATC the firm will incur a loss, but if Price > AVC the loss is smaller than the FC

I

f

A

V

C

<

P

<

A

T

C

The firm should produce at a loss in the short run

The firm should exit the industry in the long run

If the Price is between the ATC and the AVC

If $AVC < P < ATC$

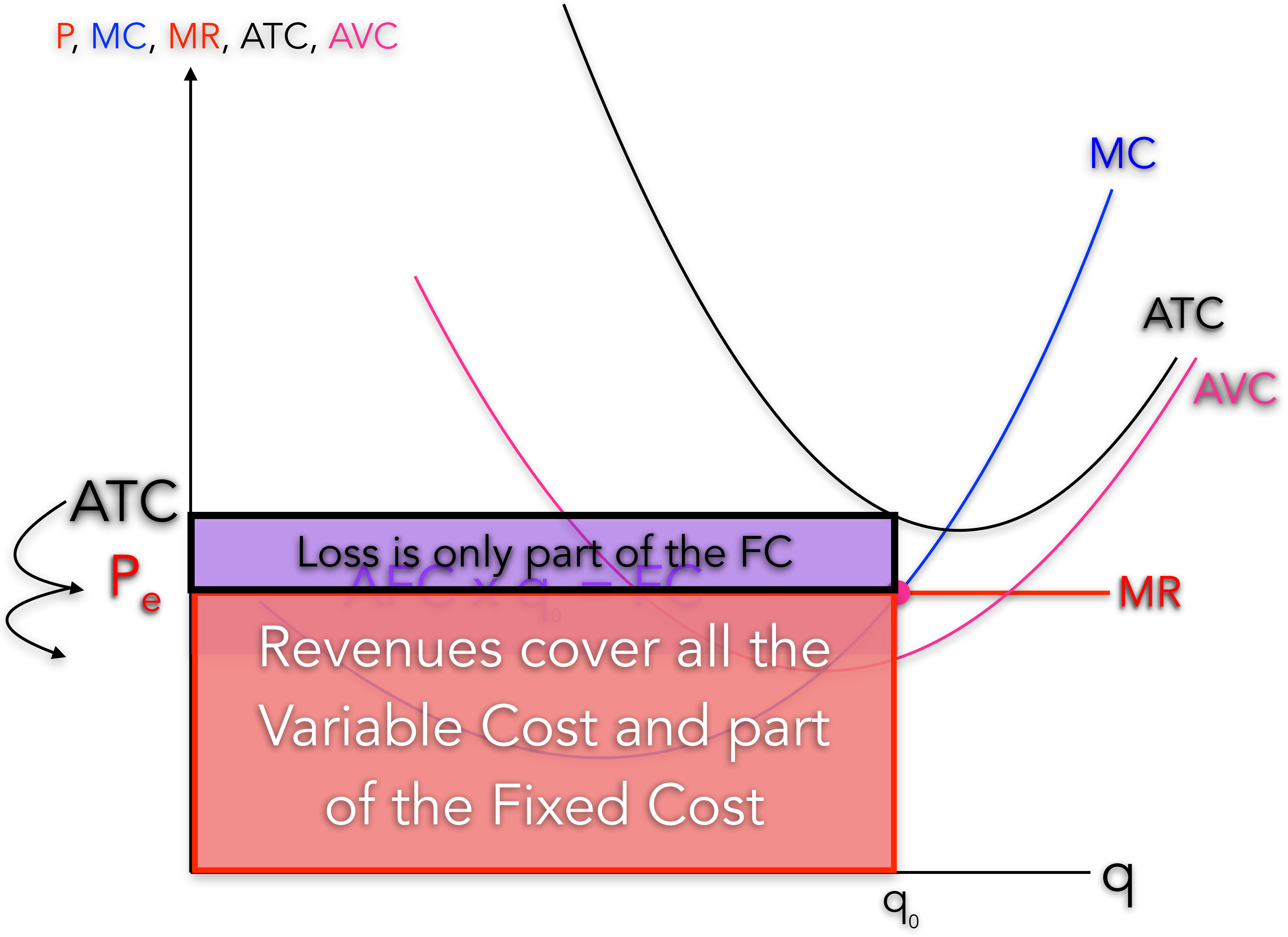
If the Price is between the ATC and the AVC

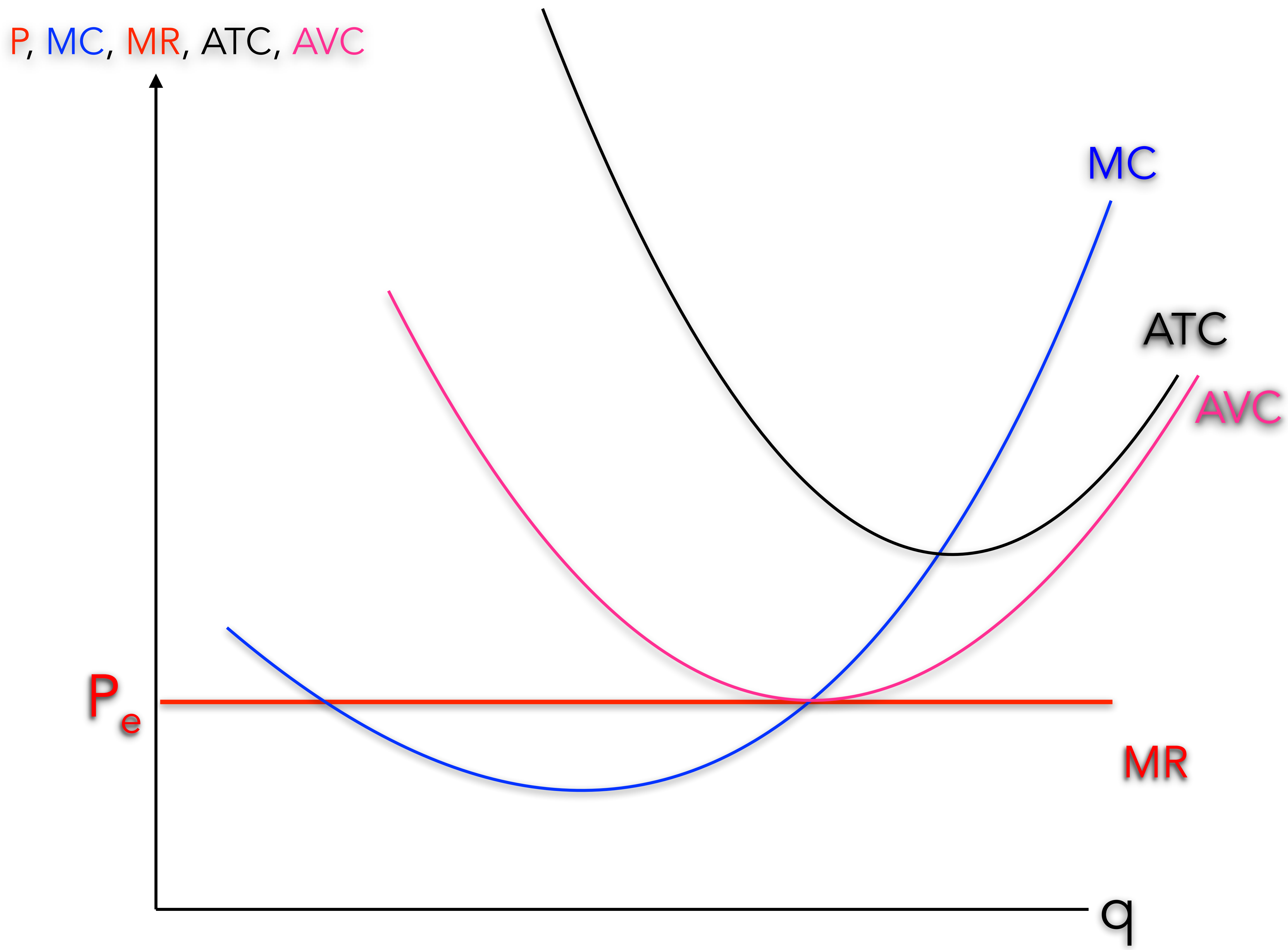
If AVC < P < ATC

The firm should produce at a loss in the short run

The firm should exit the industry in the long run

If the Price < ATC the firm will incur a loss, but if Price > AVC the loss is smaller than the FC




P, MC, MR, ATC, AVC
MC
ATC
AVC
Pe
MR
q