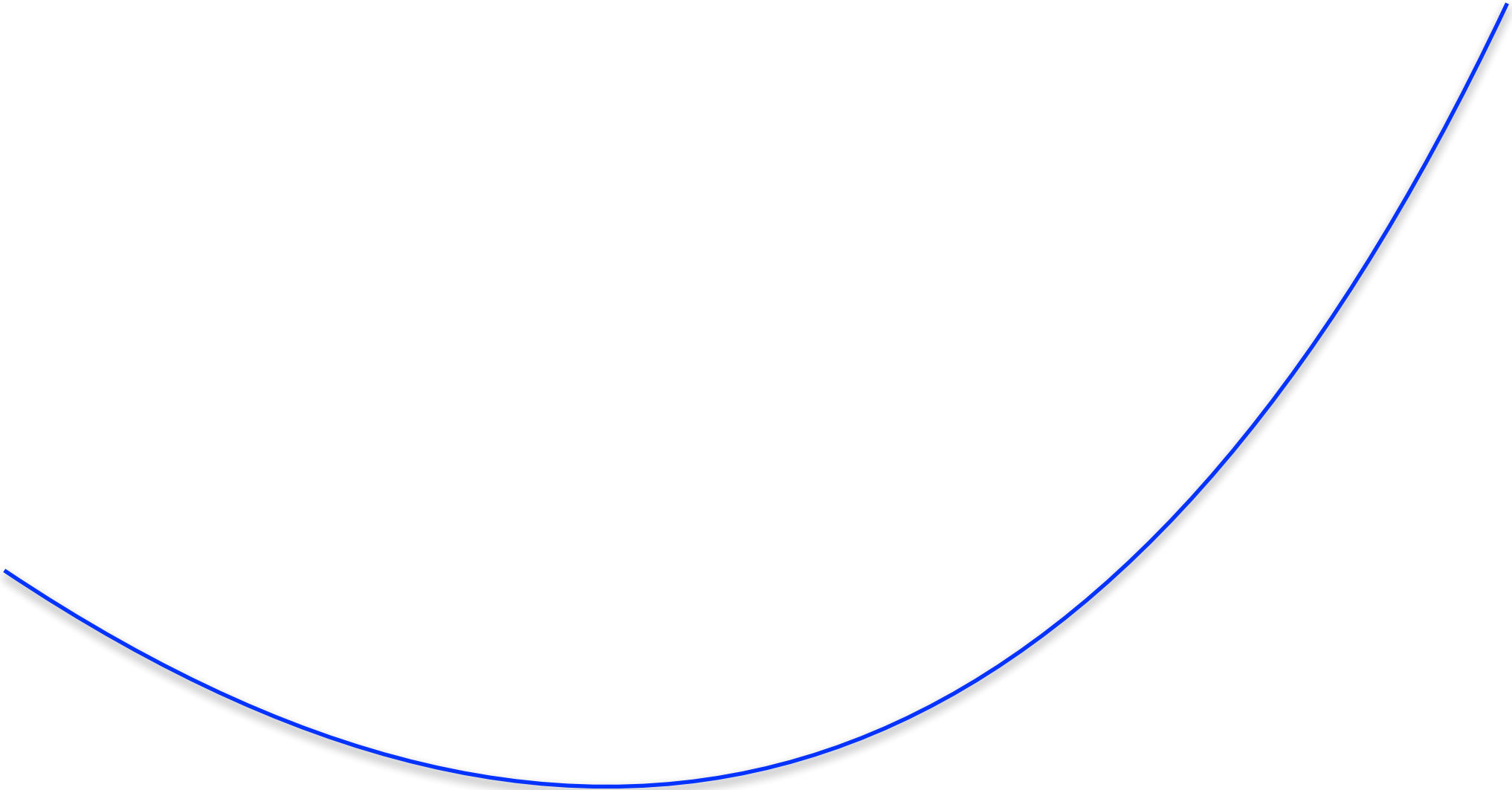
MR

MC

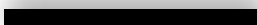
P_e

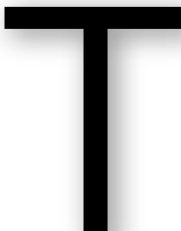


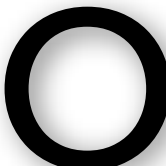
q

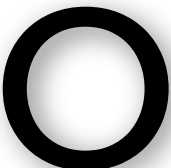
To Maximize Profit, the firm must produce q_0

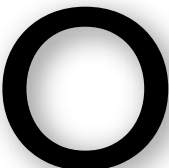
u











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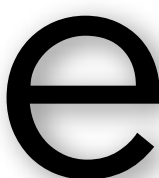

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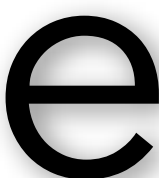
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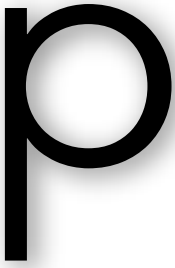

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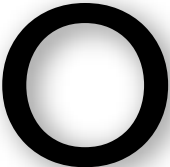

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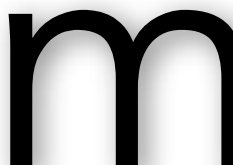

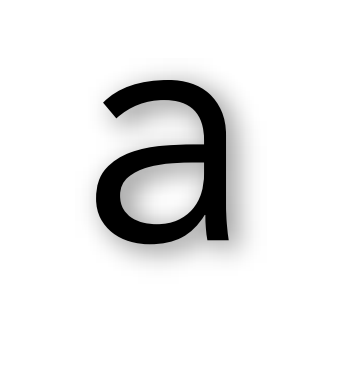
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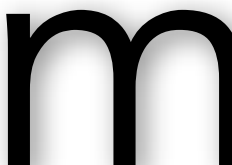

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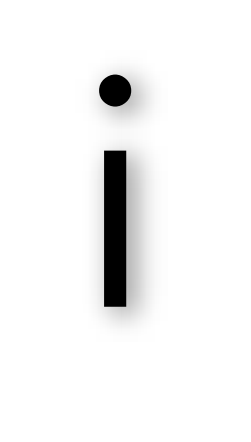

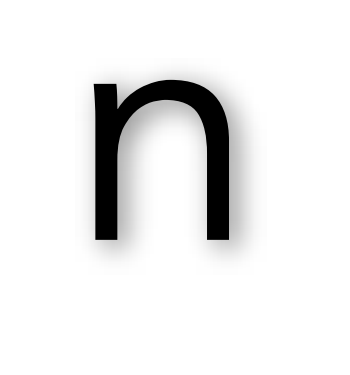
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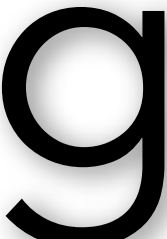

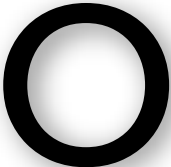

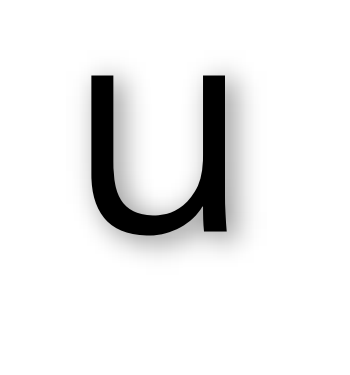

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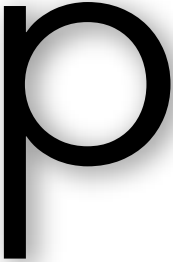

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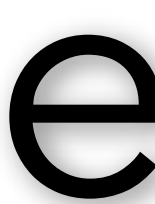

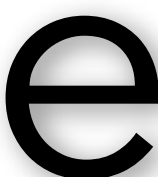

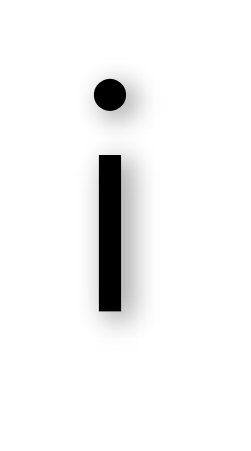

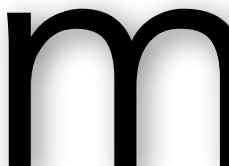

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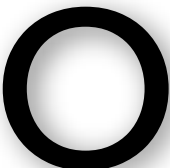

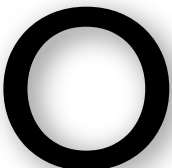

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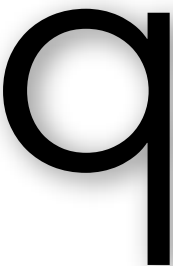

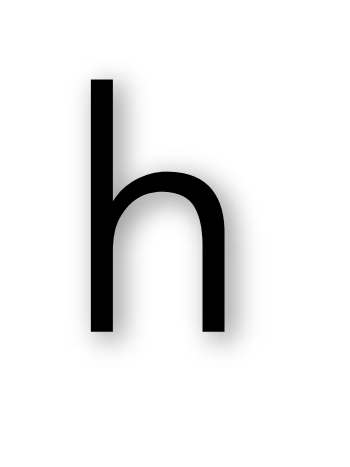

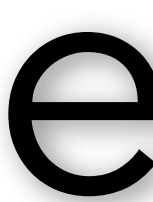

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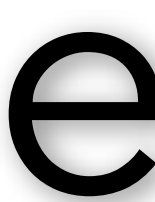

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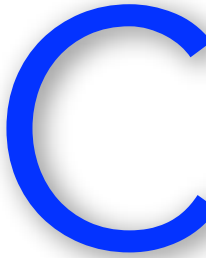
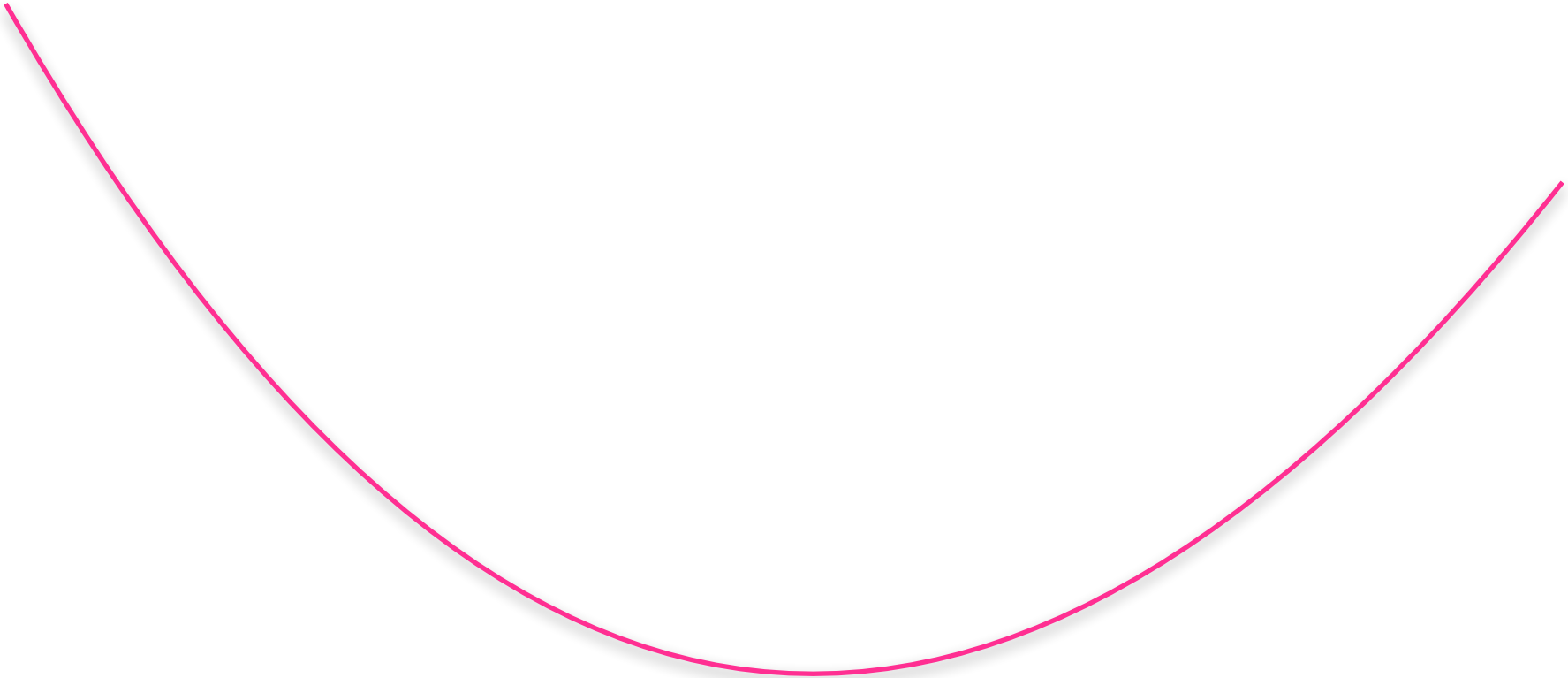


q_0



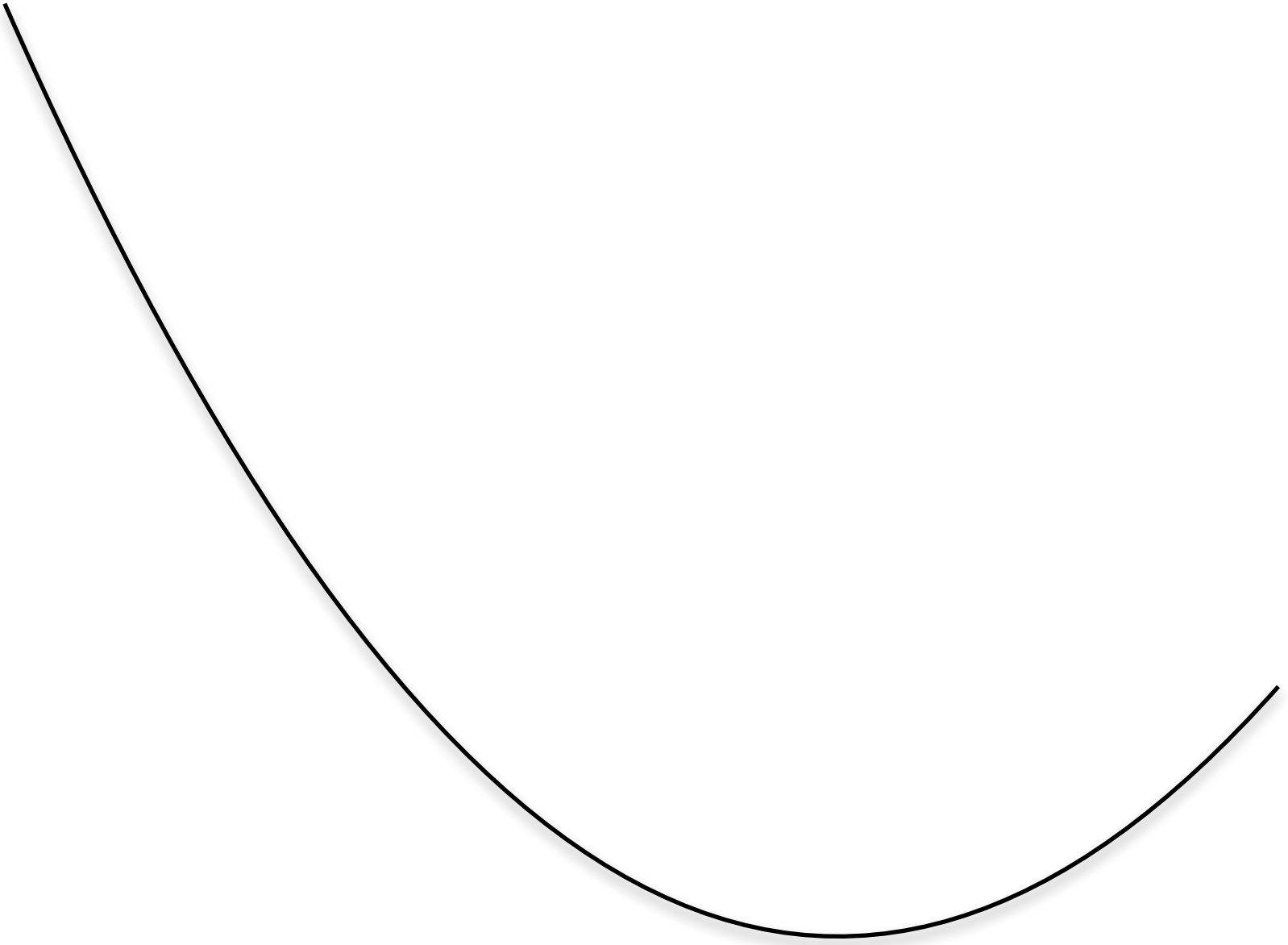
AVC

ATC

$$AVC \times q_0 = VC$$

$$ATC \times q_0 = TC$$

$$AFC \times q_0 = FC$$



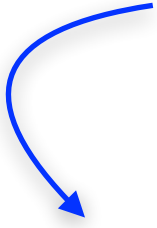
AFC=ATC - AVC

AVC

ATC - - -

Price x q_0 = TR

If the Price > ATC
the firm will make
a Profit



Profit = TR - TC

Calculating Total Profit

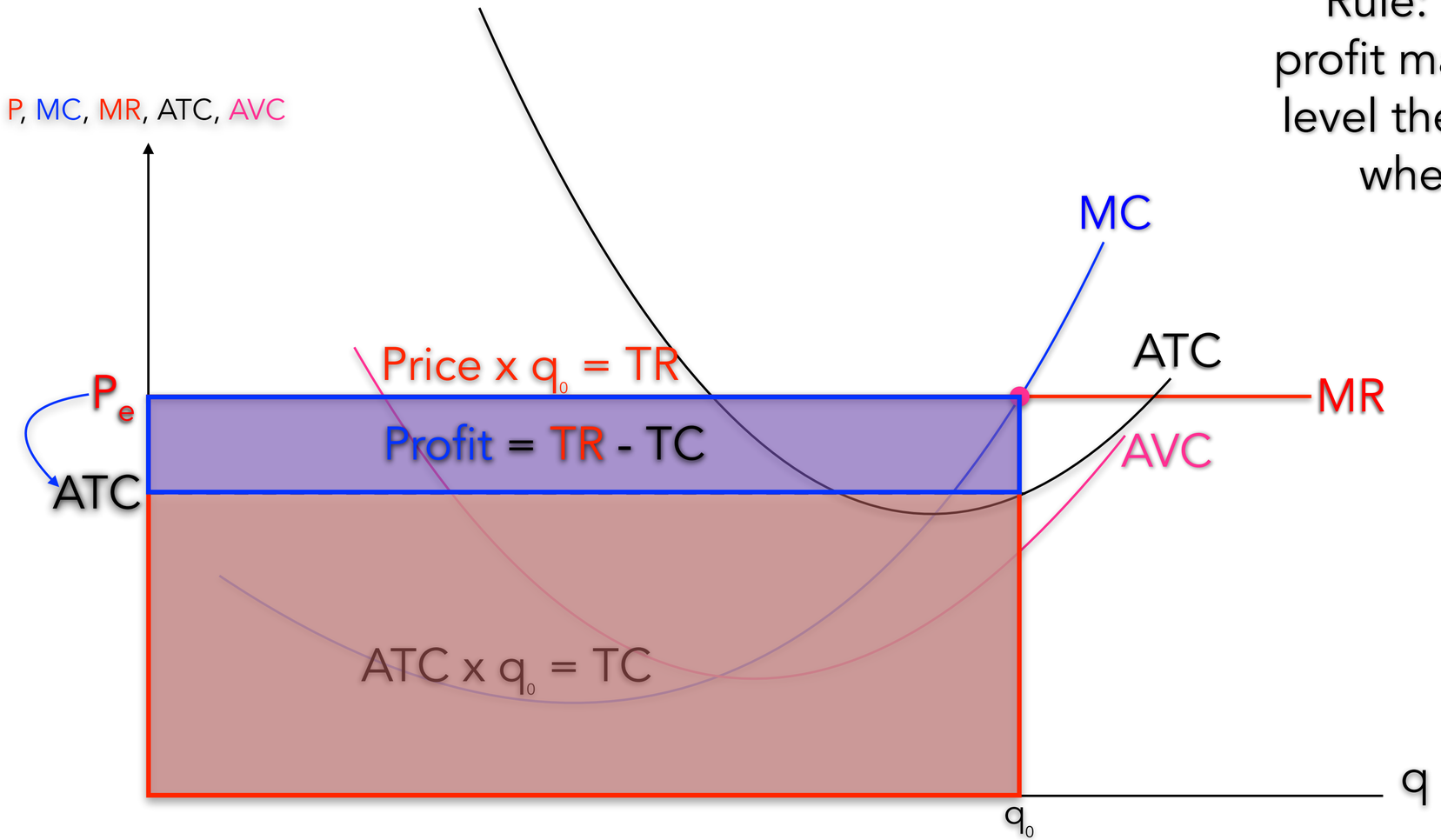
TR > TC

P, MC, MR, ATC, AVC

Rule: To choose the profit maximizing output level the firm chooses q where MC = MR

Calculating Total Profit

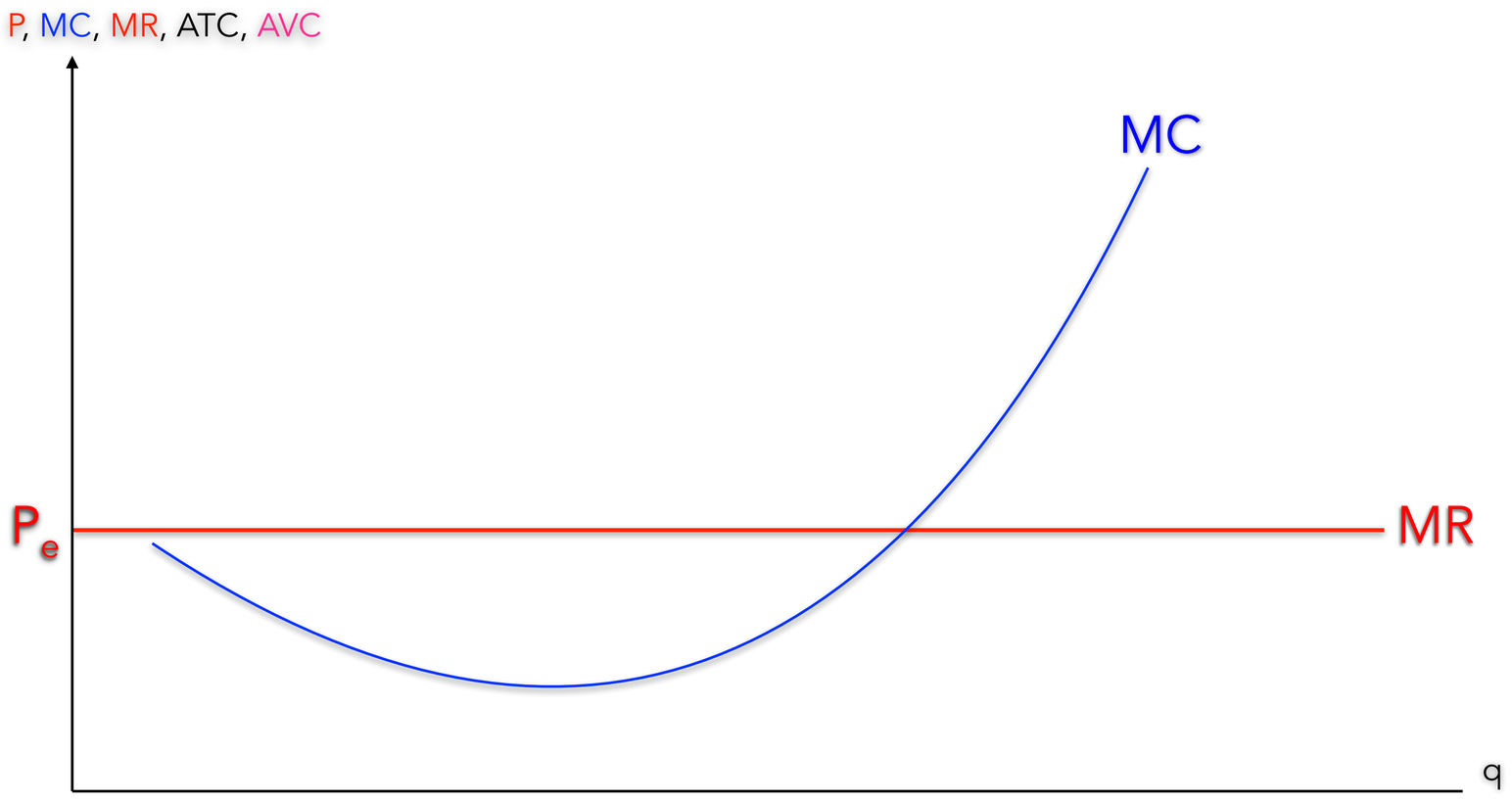
Rule: To choose the profit maximizing output level the firm chooses q where MC = MR



If the Price > ATC the firm will make a Profit

TR > TC

To Maximize Profit, the firm must produce q_0


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