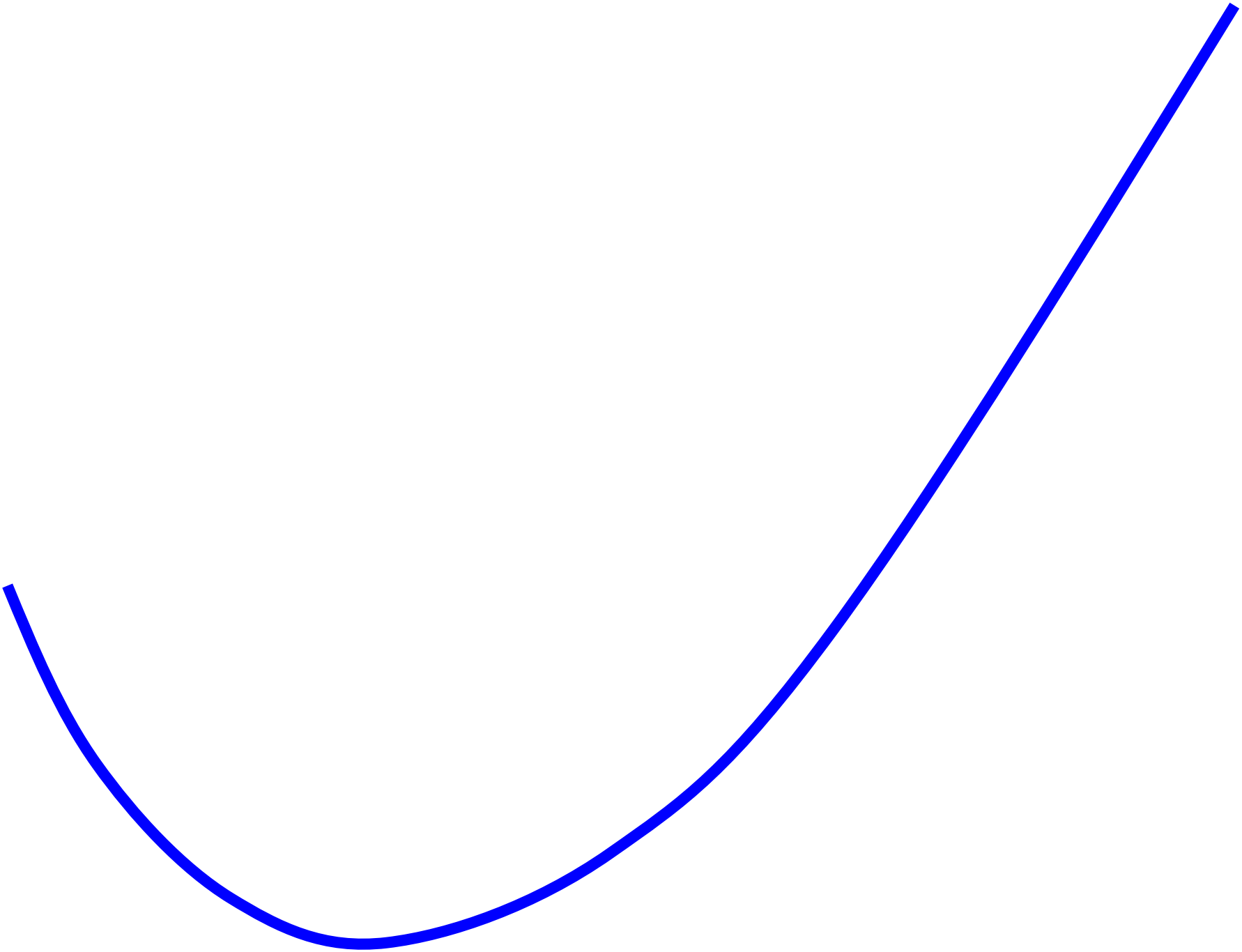
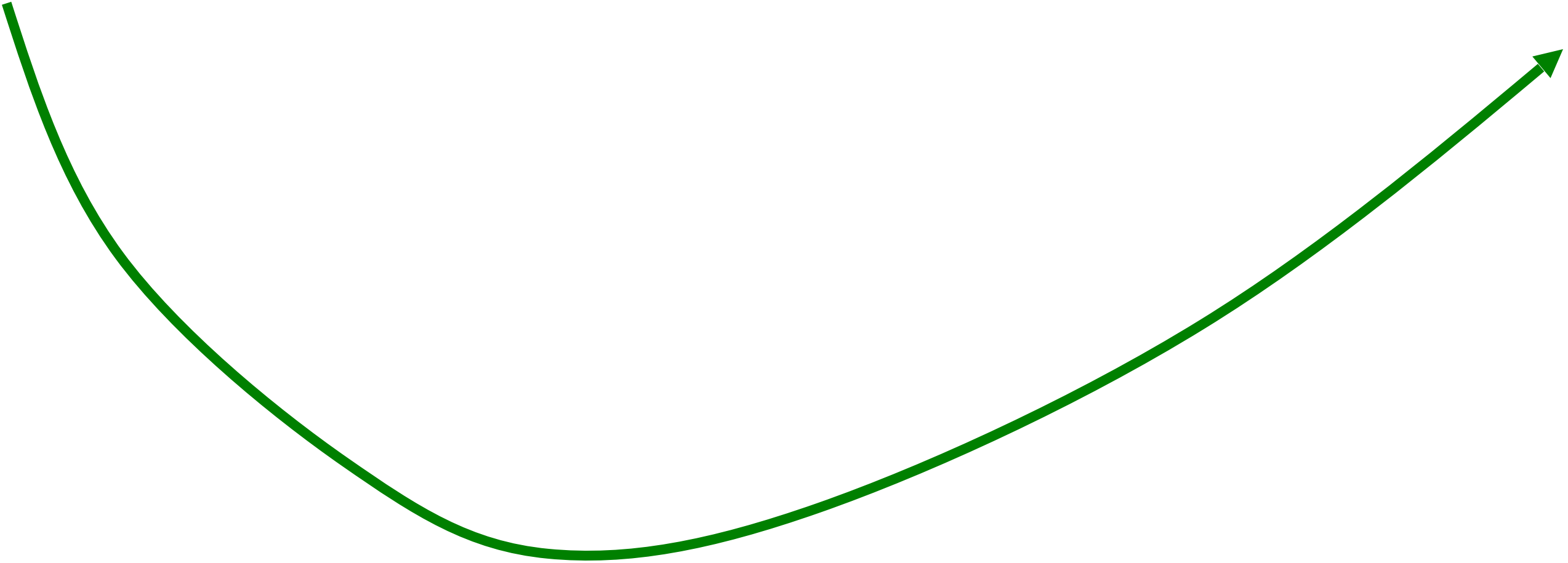
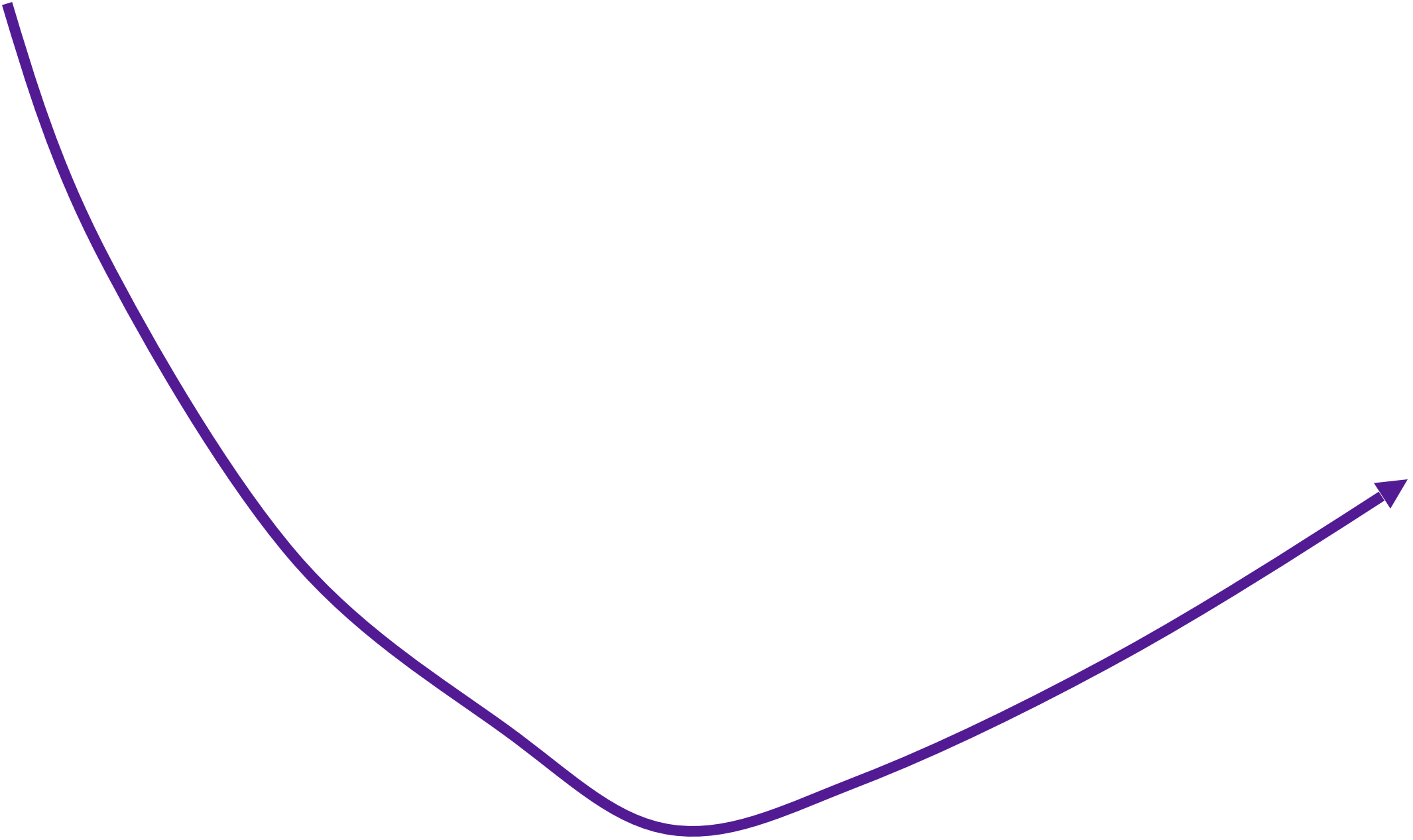
If Price > ATC Economic Profit



MC



AVC



ATC

AVC

q*

Profit Maximizing Output level

VC

FC

TC

$$AVC \times Q = VC$$

$$AFC \times Q = FC$$

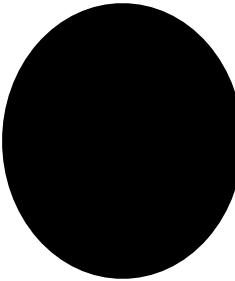
$$ATC \times Q = TC$$

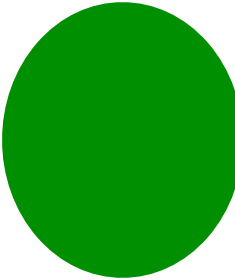
P=MR

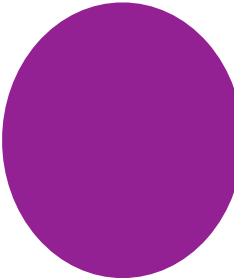
TR

TR – TC = Profit

ATC

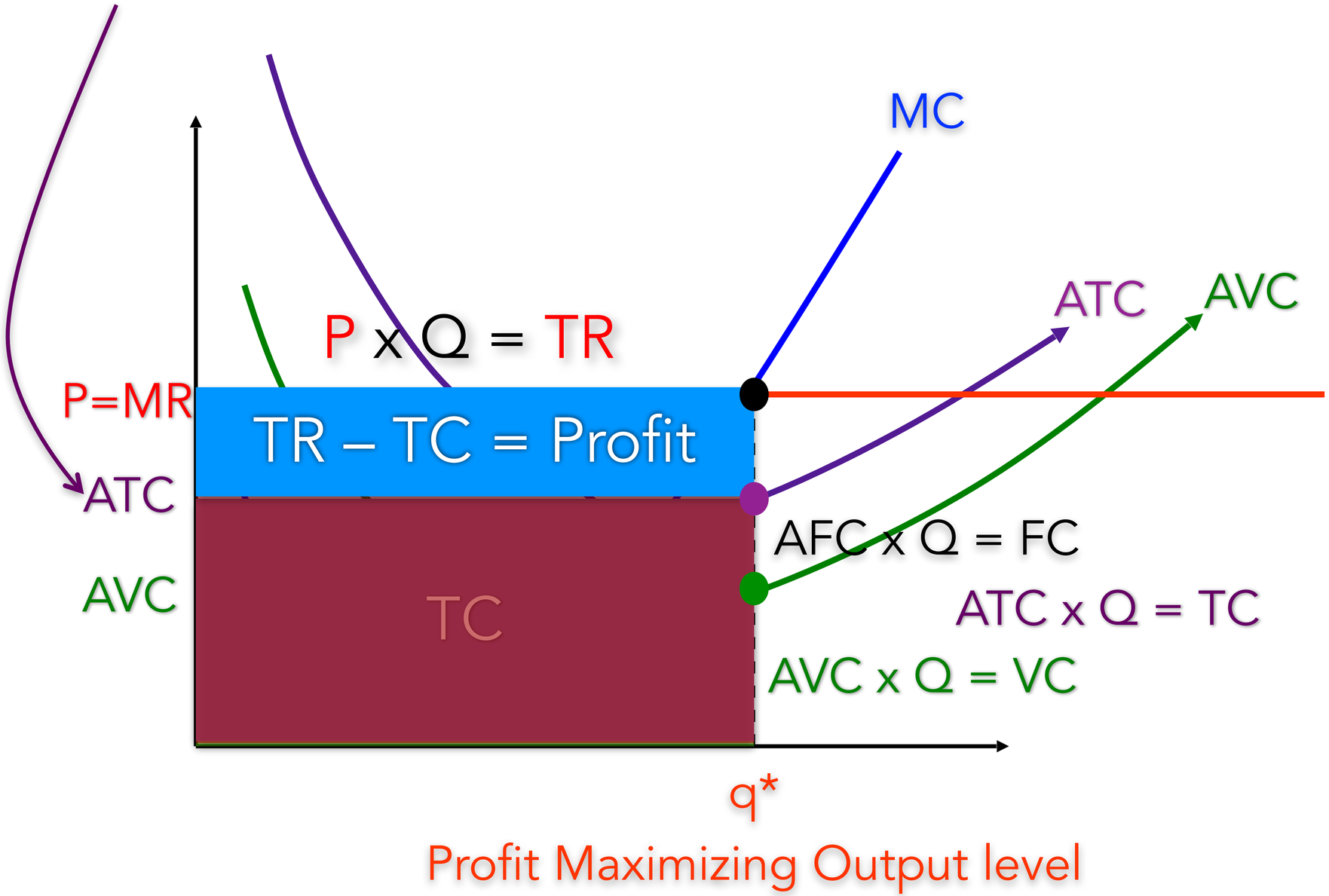


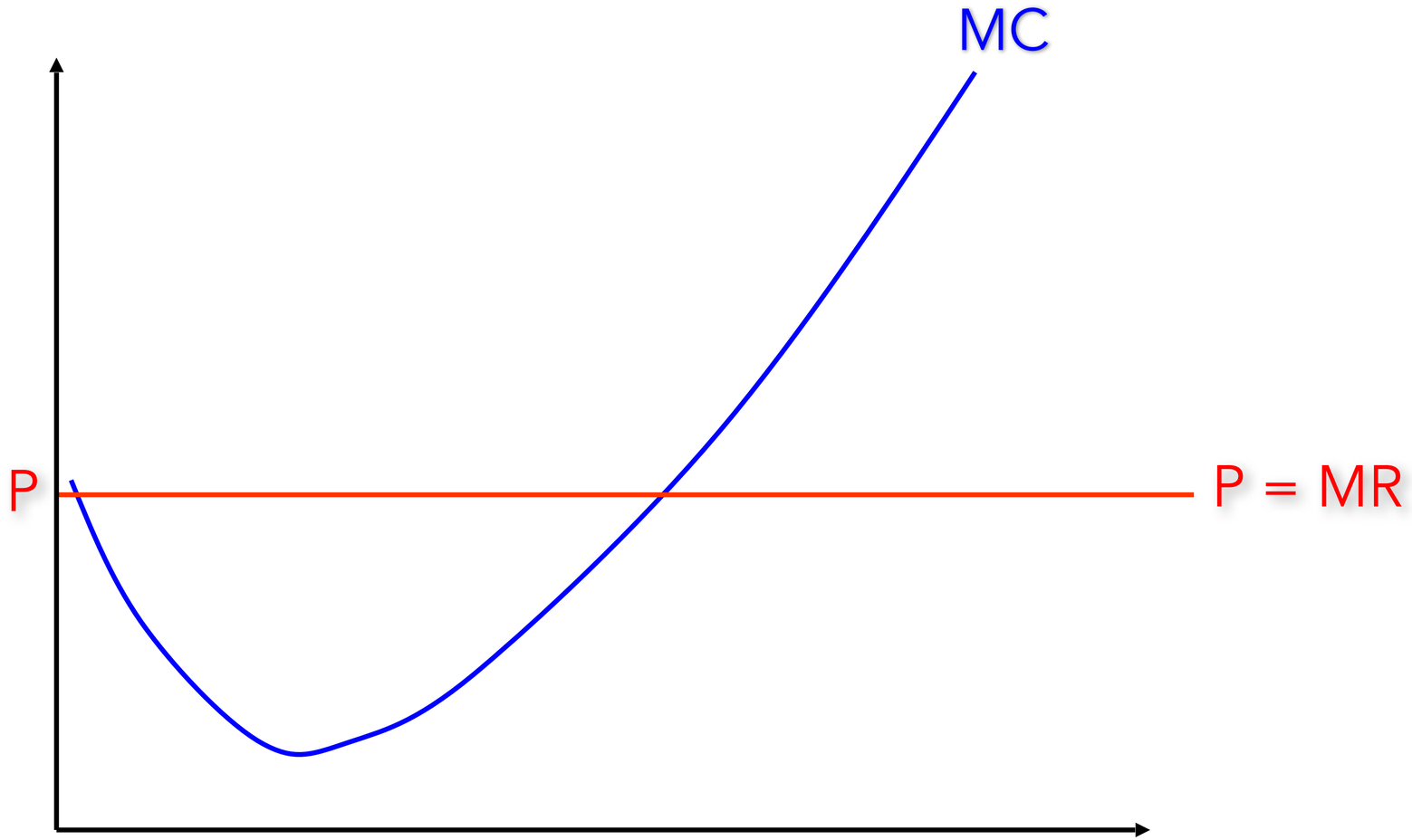




P x Q = TR

If Price > ATC ⟶ Economic Profit



Profit Maximizing Output level

Perfectly Competitive firms choose output where MC = MR