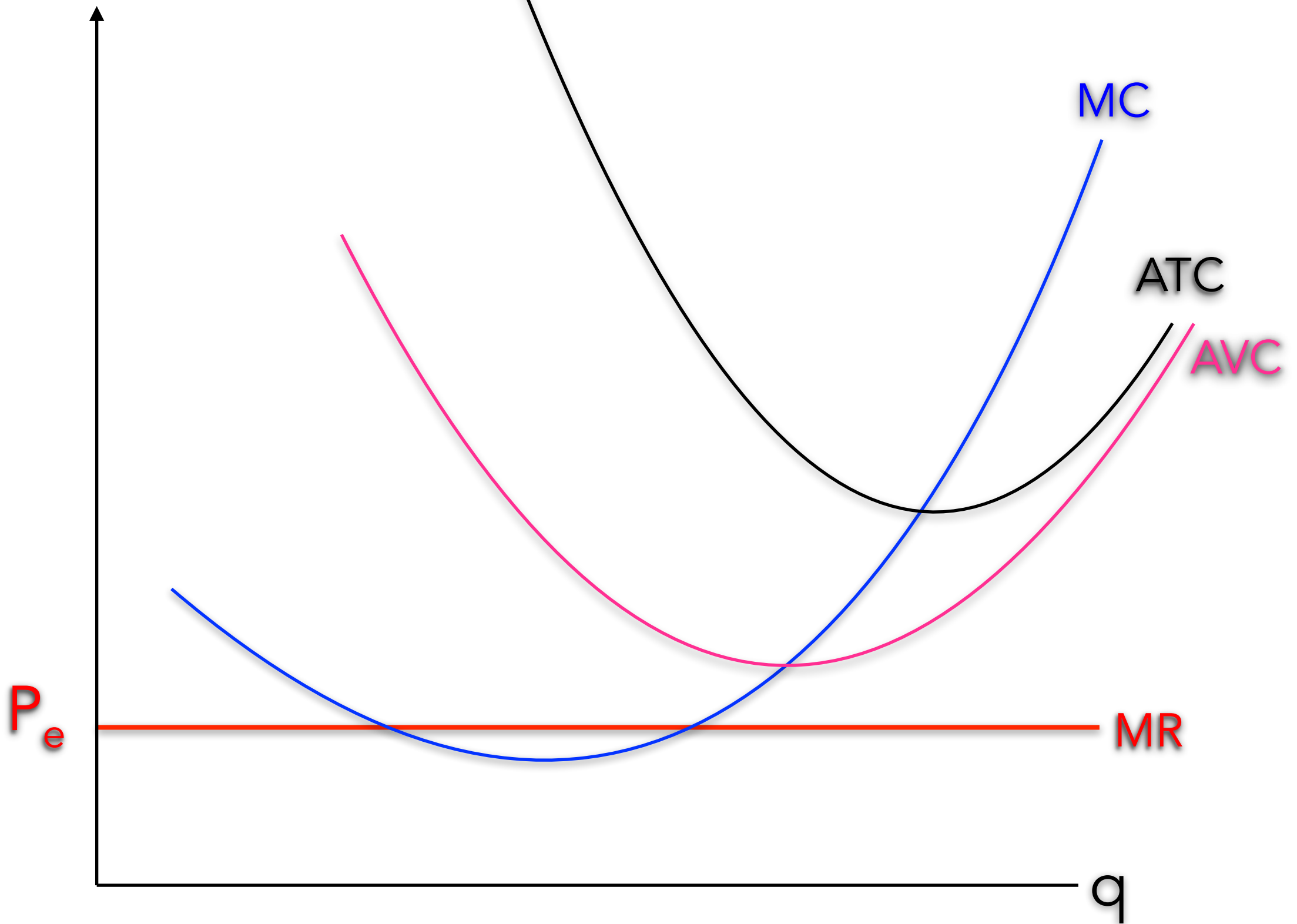


P, MC, MR, ATC, AVC



1

2

3

4

5

6

7

90









h

e

P





C

e



S

b







W



h

e

A





VC

AVC

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ATC

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FC

Revenues cover only part of
the Variable Cost none of
the Fixed Cost

Loss = FC

If the **Price** $<$ ATC the firm will incur a loss, and if the **Price** $<$ **AVC** the firm will incur a loss **larger** than the FC





+ Part of the VC

P



A









T



The firm should shut down
the plant in the short run

The firm should exit the
industry in the long run

If the Price is below the AVC

P

<

AVC

<

ATC

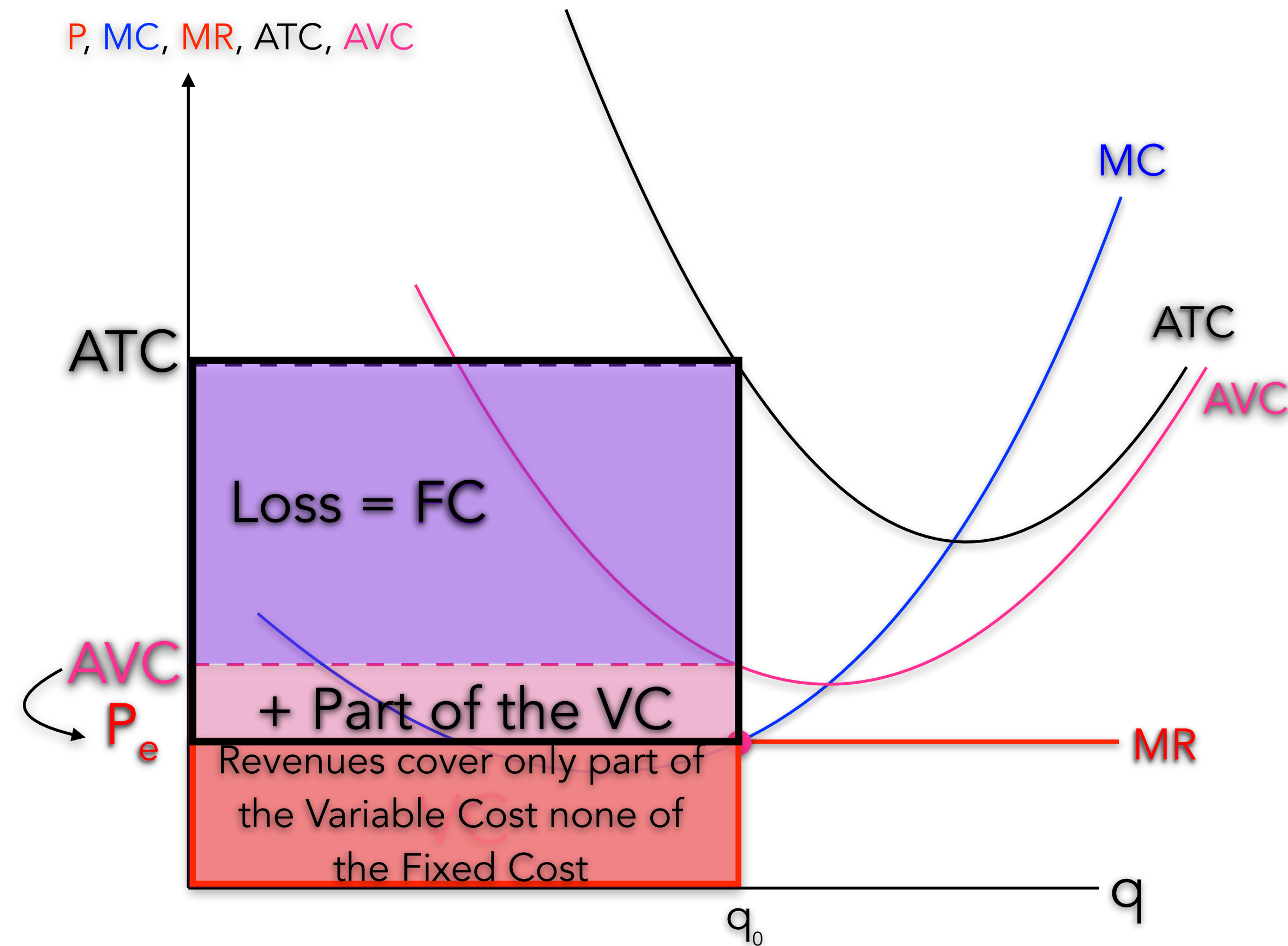
If the Price is **below** the **AVC**

$$P < AVC < ATC$$

The firm should **shut down**
the plant in the **short run**

The firm should **exit** the
industry in the **long run**

If the **Price** < ATC the firm will
incur a loss, and if the **Price** <
AVC the firm will incur a loss
larger than the FC



Total Revenue - Total Cost view

TR,TC

Output

