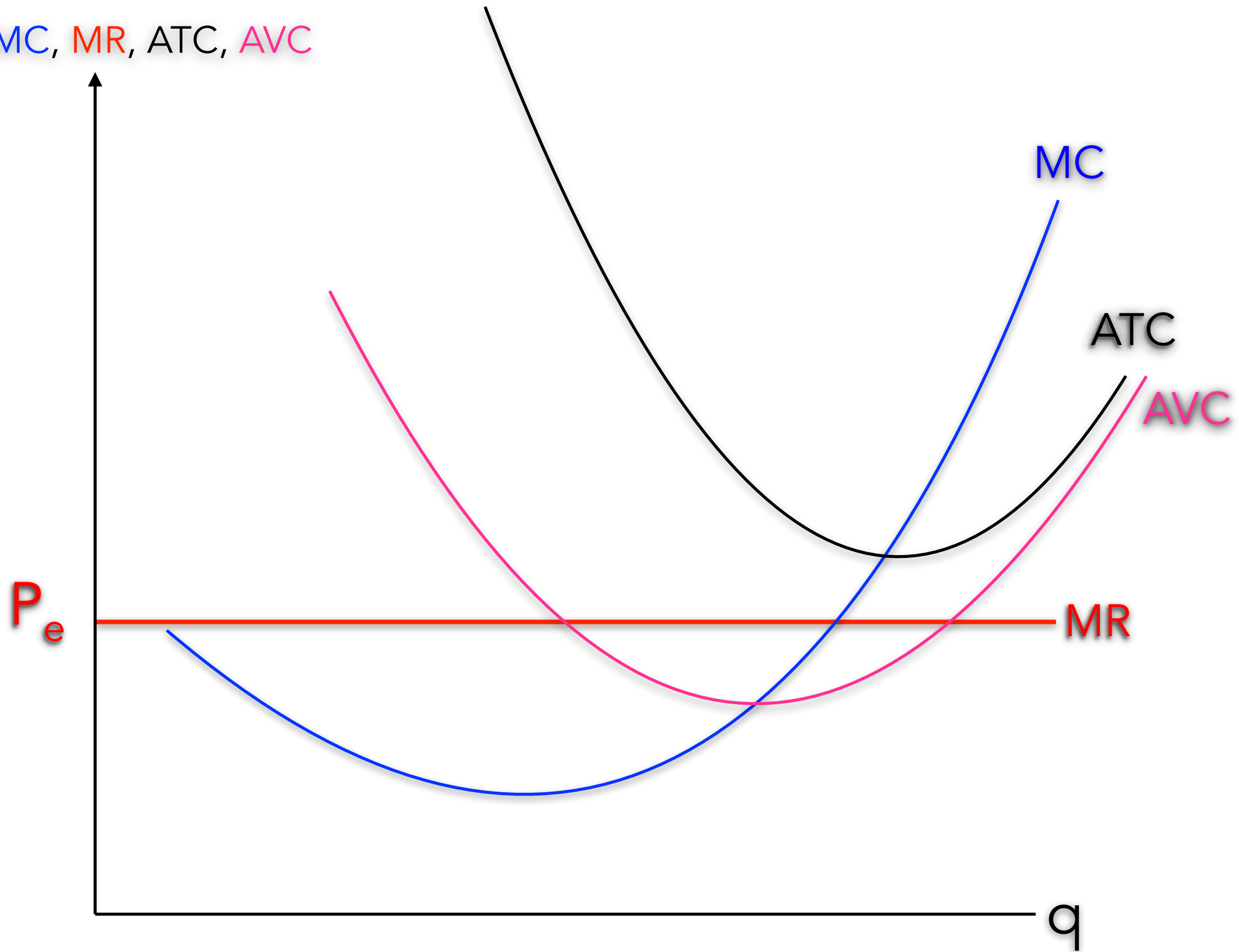


P, MC, MR, ATC, AVC



90

1

1

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1

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P







e



S

b





W

e



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e

A





$$AVC \times q_0 = VC$$

AVC



ATC

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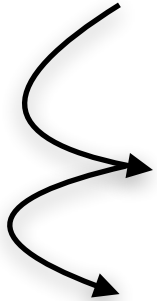
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$$AFC \times q_0 = FC$$

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

Loss is only part of the FCC

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









A







P



A

T



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

