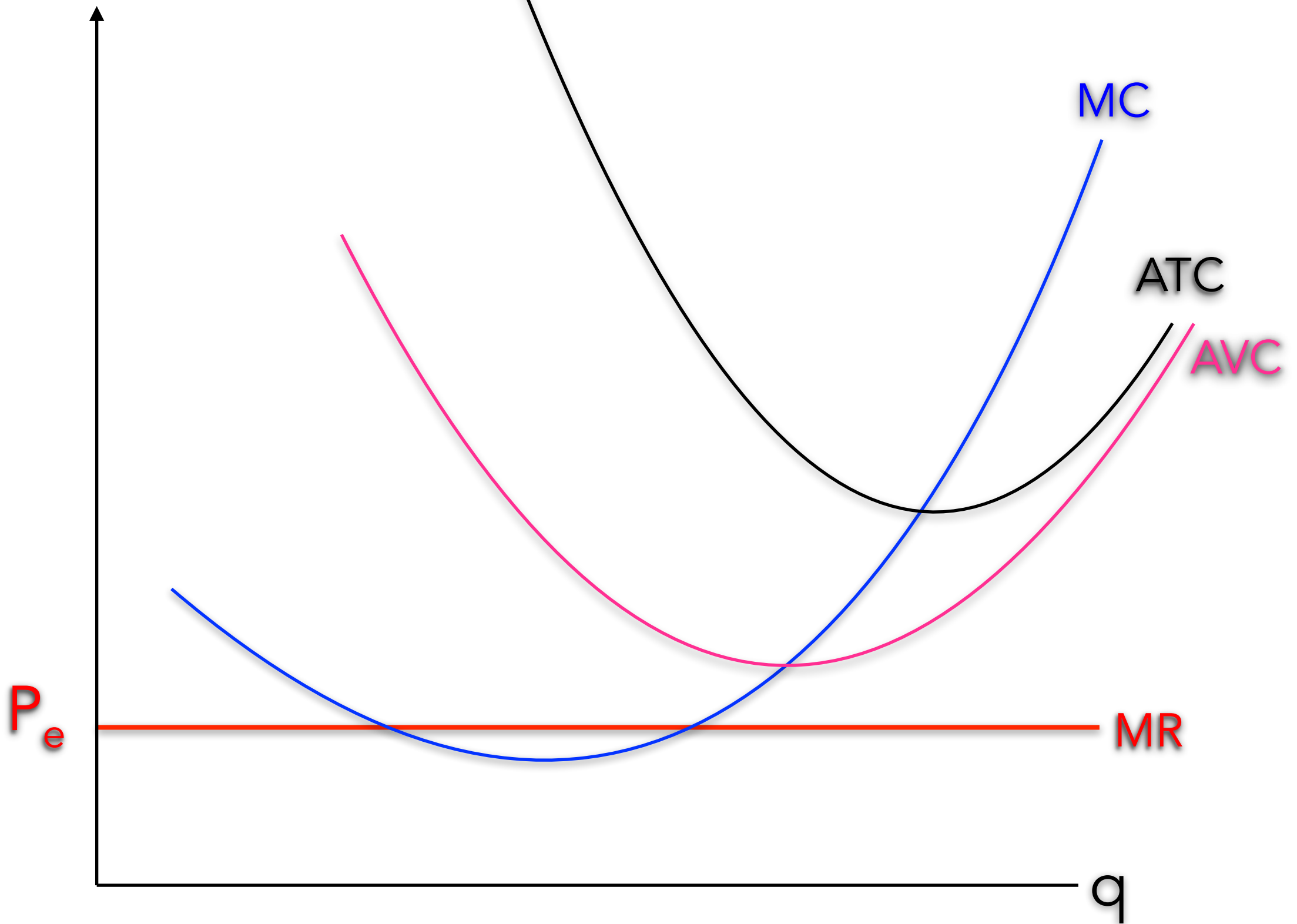


P, MC, MR, ATC, AVC



1

2

3

4

5

6

7

90









h

e

P





C

e



S

b







W



h

e

A





VC

AVC

—

—

—

—

—

—

—

—

—

—

—

—

—

—

—

—

ATC

|

|

|

|

|

|

|

|

|

FC

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

$$\text{Loss} = \text{FC}$$

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







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

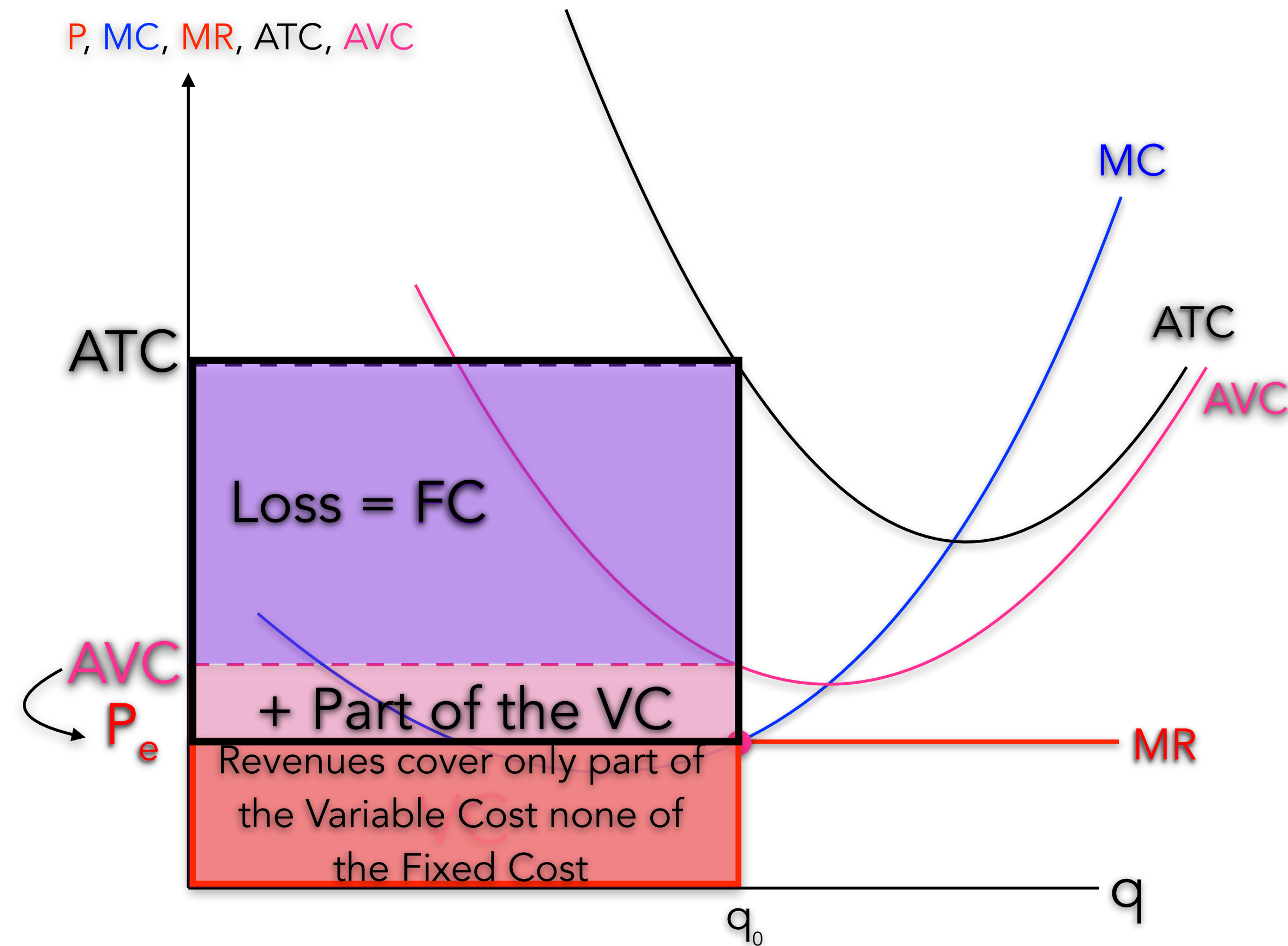
If the Price is **below** the **AVC**

$$P < AVC < ATC$$

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



The diagram shows a blank coordinate system for a graph. It consists of a vertical y-axis and a horizontal x-axis that meet at an origin. The y-axis is labeled 'TR,TC' at its top end, and the x-axis is labeled 'Output' at its right end. The axes are represented by thin black lines.