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VC

AVC=

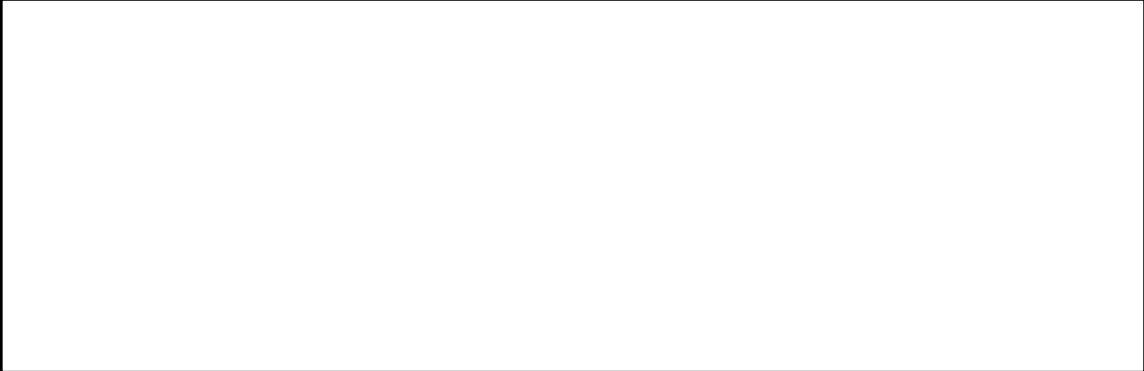
ATC

FC

Revenues cover only 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 **equal** to the FC







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[REDACTED]

[REDACTED]









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The firm is indifferent
between producing at a
loss and shutting down
the plant in the short run

The firm should exit the
industry in the long run

P, MC, MR, ATC, AVC

If the Price is equal to the AVC

If $P = AVC < ATC$

If the Price is equal to the AVC

If $P = AVC < ATC$

The firm is indifferent between producing at a loss and shutting 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 equal to the FC

