



MR

MC

+3.2

11

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

2

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9

7

1

1

1

1

1

1

1

1

1

1

1

1

1

1

3

3

1

1

1

1

1

6



2

|

|

|

|

7

1.5

|

|

|

8

1.2

9

1.2

10



-4



+

2



+3

+3.5

4

4

4

4

4

4

4

4

5

-2

+3.88

5

1

1

1

1

1

1

1

1

1

1

4

$$P_e = 5$$

---

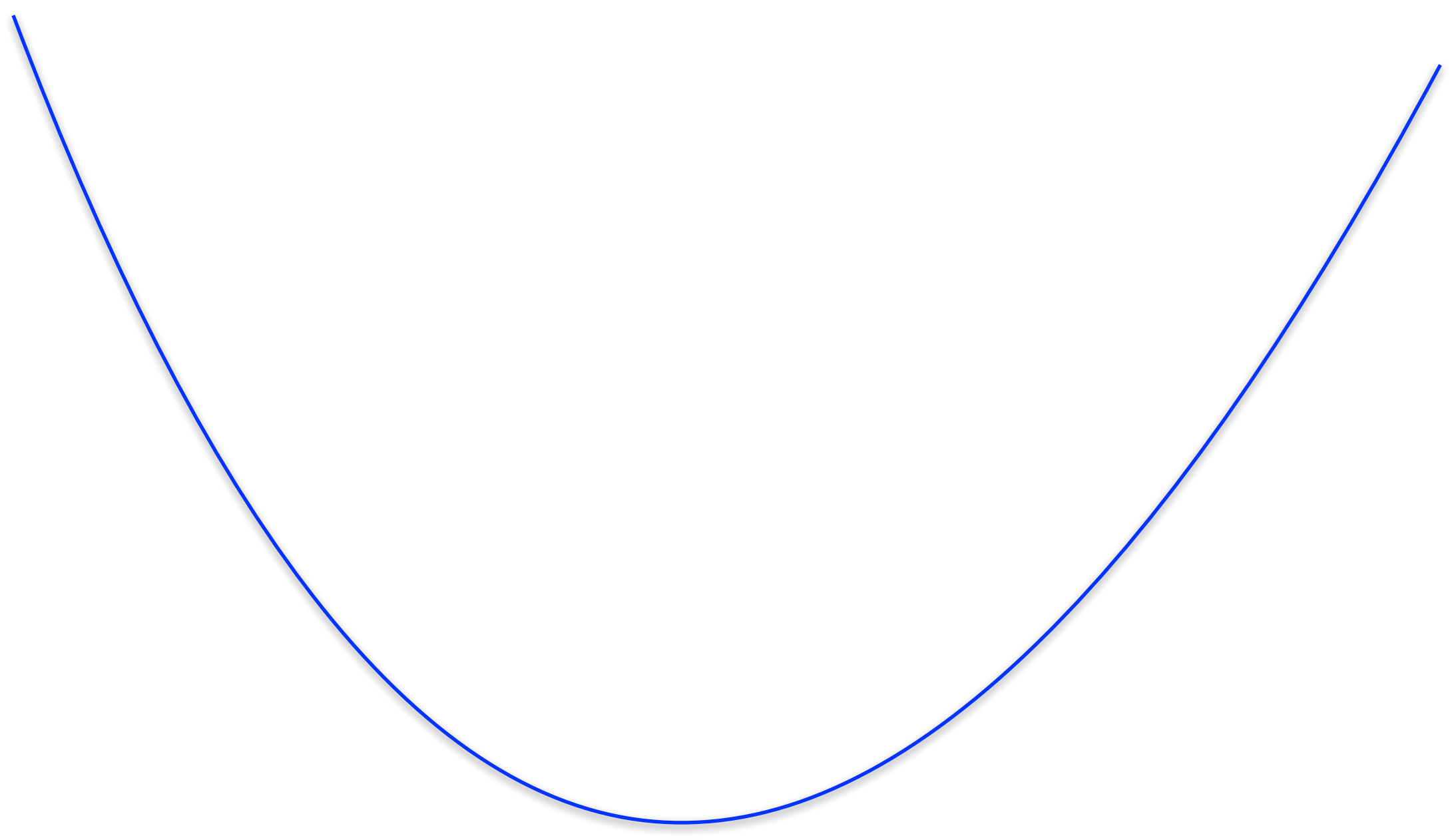
For units 1, 2 and 3,

$MC > MR(=Price)$

and the firm has  
losses



For units 5 through 15,  
 $MC < MR(=Price)$  and  
the firm has profits



5

1

1

1

1

1

1

1

1

.

16

11

11

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

20

1.5

1

1

11

1.8

|

|

|

12

2.2

|

|

|

|

13

3

|

|

|

|

|

.

14



4

—

—

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—

—

—

—

15

6

1

1

1

1

1

1

1

1

1

1

17

8

1

2

3

4

5

6

7

8

9

10

11

12

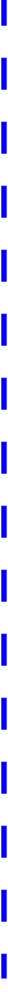
13

14

15

18

9



19



+3.5

+2.8

+

2







-

1

-3

-4

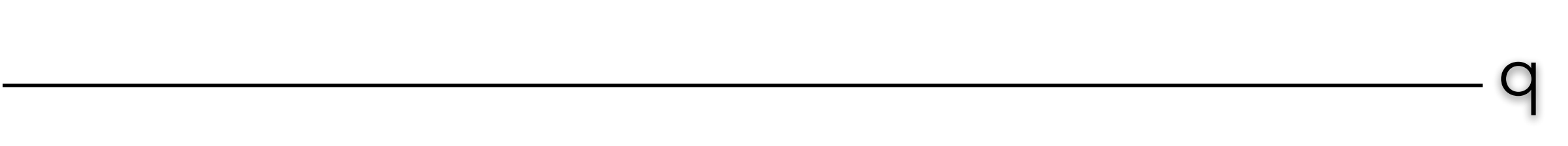
-6

MC



**,P**





+3.8



For all units  
above 16, again  
 $MC > MR(=Price)$   
and the firm has  
losses

Total Profit is  
maximum

when

$$MC = MR(=Price)$$



U

**S**



n



g



M



a

n

d

M



R







d

e

n









**y**



h

e

P













M

a







m



**Z**



n

g



u





**p**

u



e

**V**

e

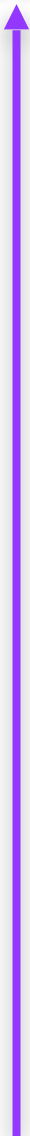


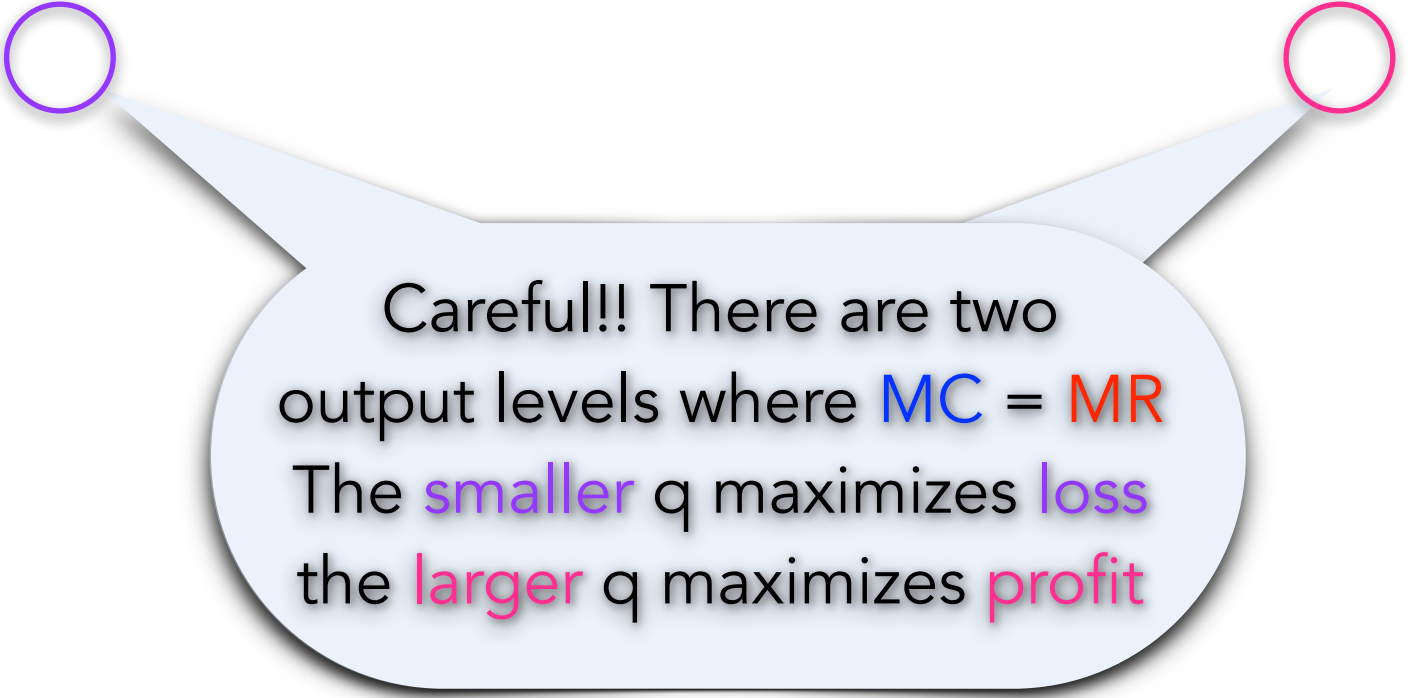


Total Loss is  
maximum

when

$$MC = MR(=Price)$$

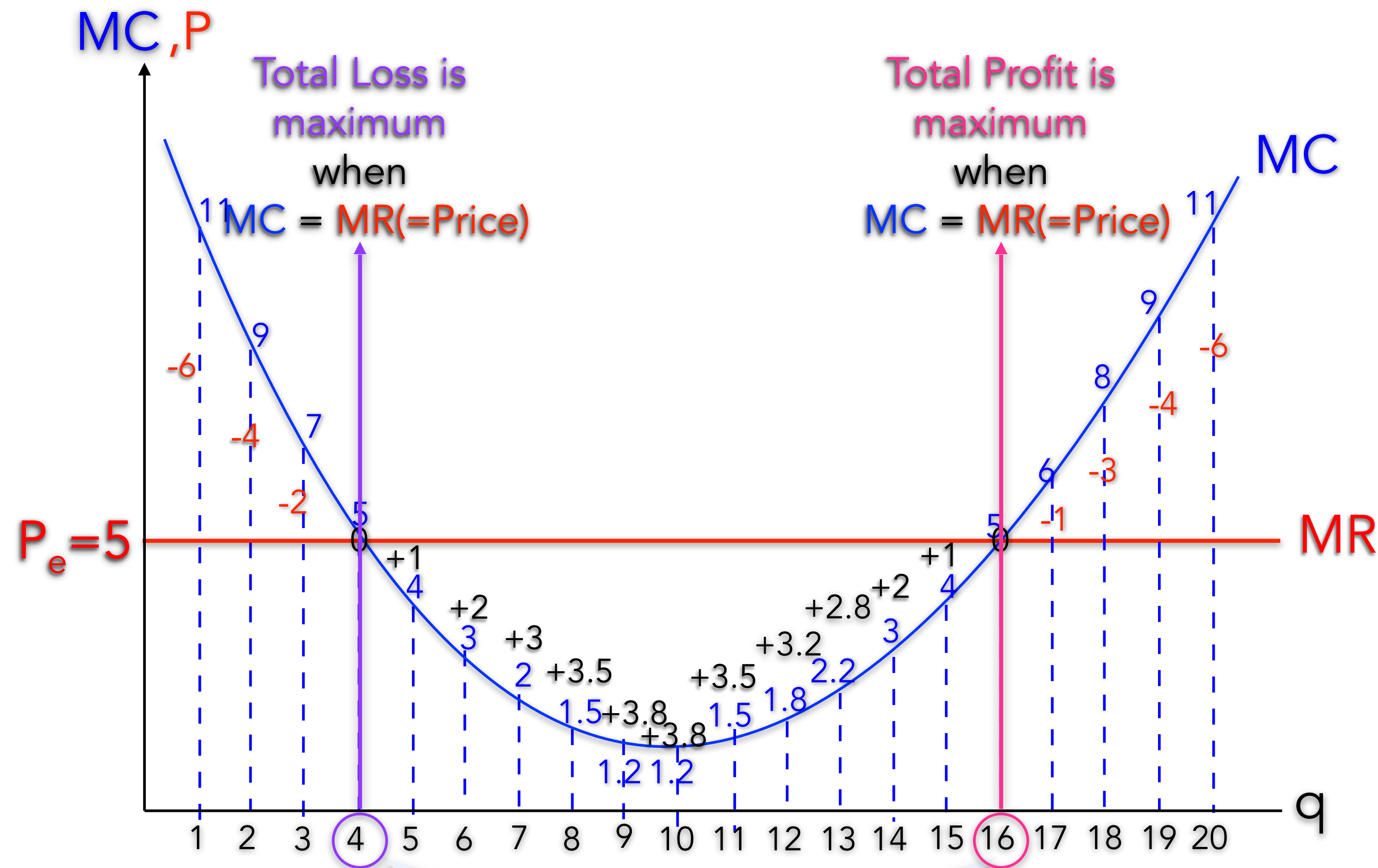




Careful!! There are two  
output levels where  $MC = MR$   
The **smaller**  $q$  maximizes **loss**  
the **larger**  $q$  maximizes **profit**

Using **MC** and **MR** to Identify the **Profit Maximizing** Output Level

## Using MC and MR to Identify the Profit Maximizing Output Level



Careful!! There are two output levels where  $MC = MR$ . The smaller  $q$  maximizes loss; the larger  $q$  maximizes profit.

