



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

9

1

1

1

1

1

1

1

1

1

1

1

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1

1

1

2

7

1

1

1

1

1

1

1

1

1

1

1

1

1

1

3

3

1

1

1

1

1

6



2

1

1

1

1

7

1.5

|

|

|

8

1.2

9

1.2

10



-4



**+2**



+3

+3.5



h

e











m

m

u

S



**P**







d

u



e

m











h

a



4

u









S





S



a







a





u

m

u





a







g

**P**













S

MC = Cost of the  
last unit produced

$P_e = MR =$  Revenue per unit sold

4

4

4

4

4

4

4

4

5



-2

+3.8

5

1

1

1

1

1

1

1

1

1

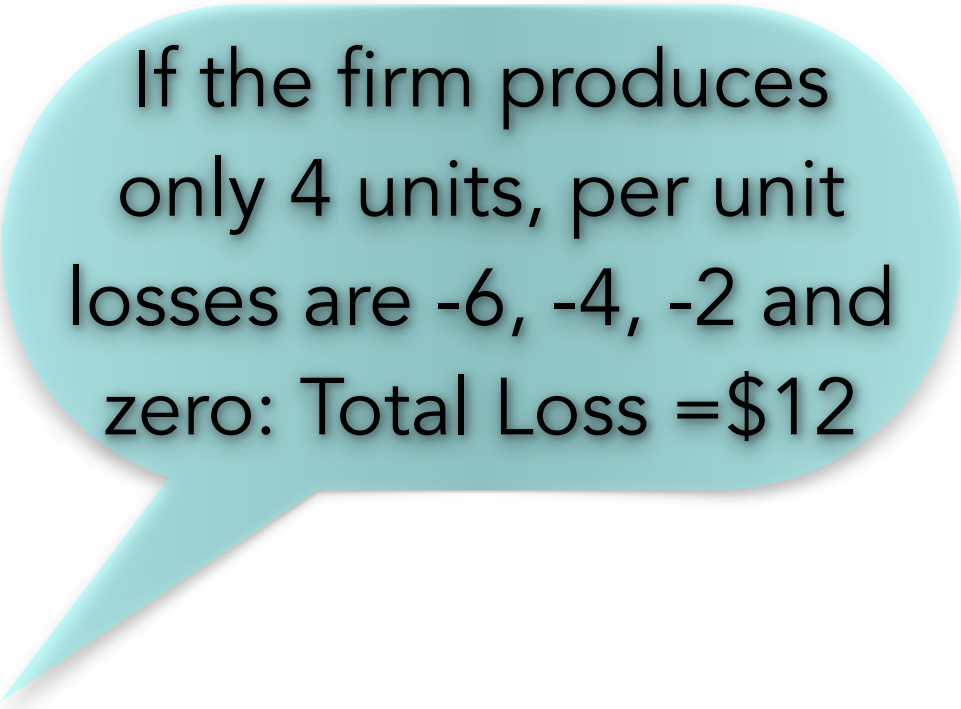
1

4

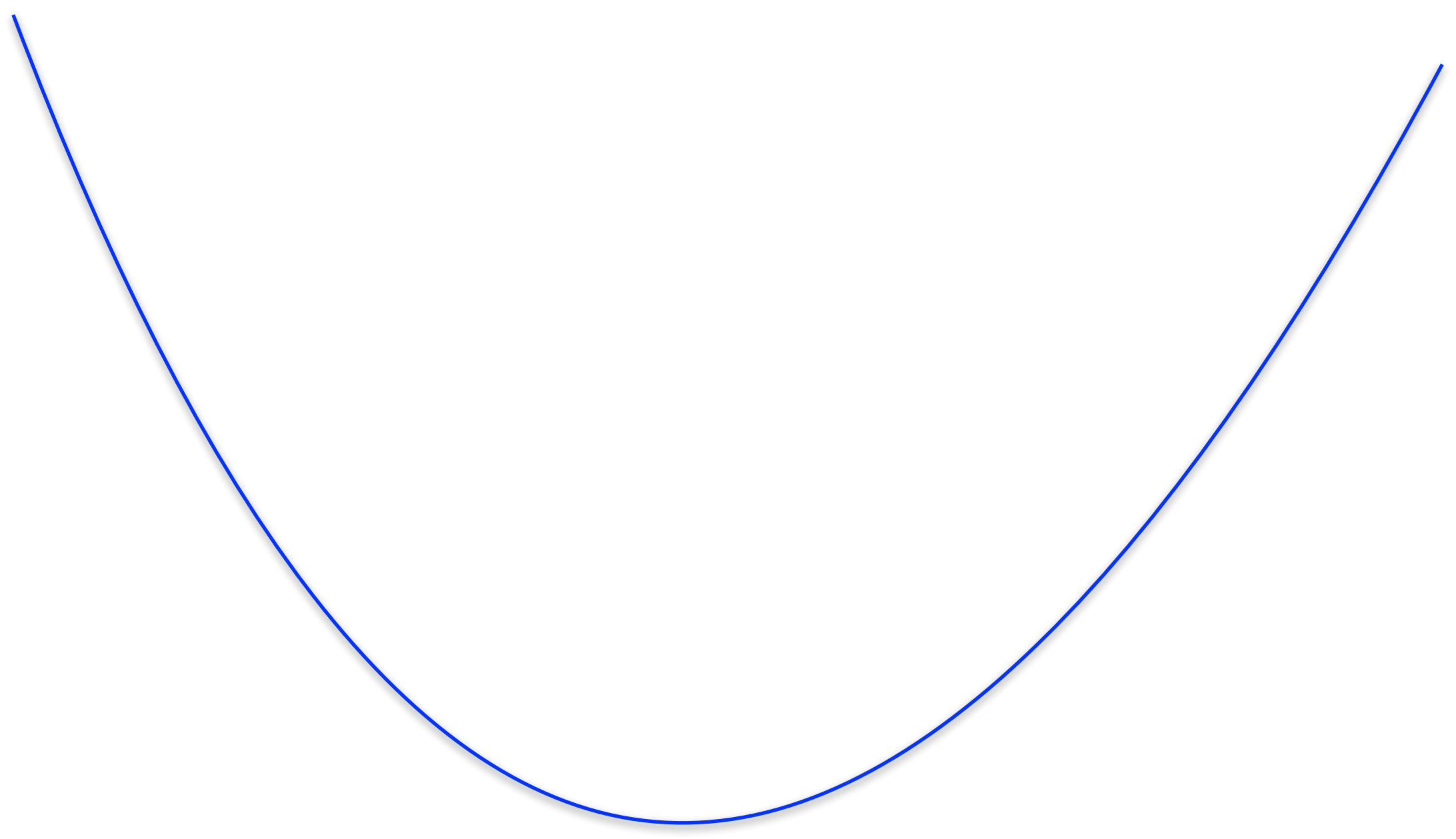
$$P_e = 5$$

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Unit 1 costs \$11 to  
produce, the firm  
sells it for \$5, it  
incurs a Loss = - 6



If the firm produces only 4 units, per unit losses are -6, -4, -2 and zero: Total Loss = \$12



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

1

20

1.5

|

|

11

1.8

|

|

|

12

2.2

|

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|

|

13

3

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14

4

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15

6

1

1

1

1

1

1

1

1

1

1

17

8

1

1

1

1

1

1

1

1

1

1

1

1

1

1

188



9



19



+3.5

+2.8

+

2









-3

-4

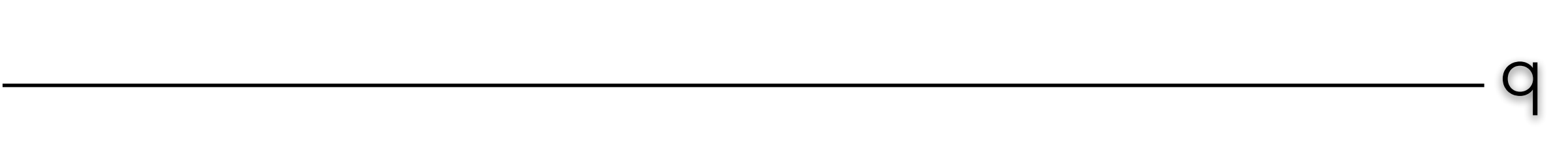
-6

MC



VC

**RP**



Unit 2 costs \$9 to  
produce, the firm  
sells it for \$5, it  
incurs a Loss = - 4

+3.8



If the firm produces 16 units, adding all per unit losses and profits

-6

-4

-2

0

+1

+2

+3

+3.5

+3.8 +3.8

+3.5

+3.2

+2.8

+2

+1

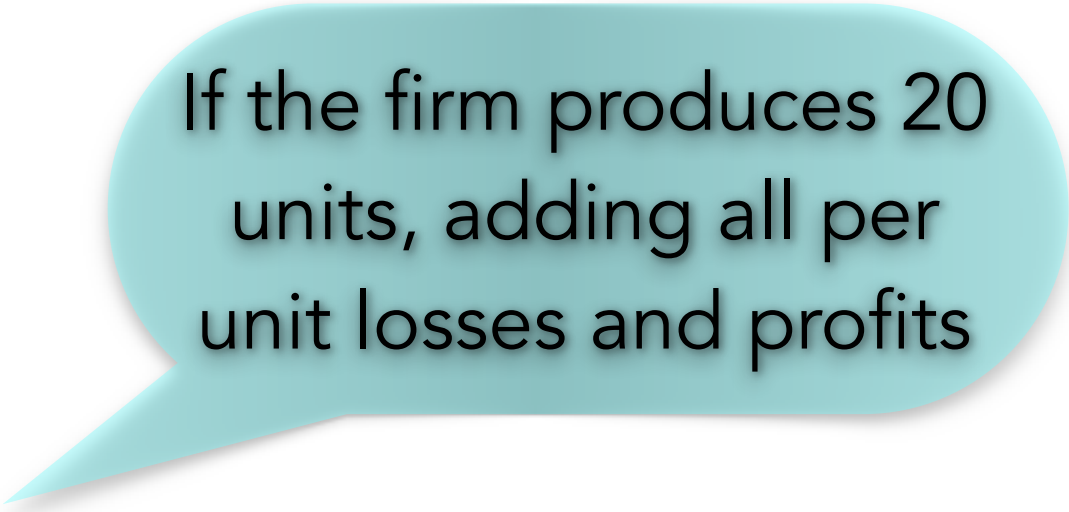
0

Total Profit  
= \$17.6



If the firm produce **less than 16** units profit will be **less than \$17.6**

If the firm produce **more** than **16** units profit will be **less** than \$17.6



If the firm produces 20  
units, adding all per  
unit losses and profits

Total Profit  
= \$3.6



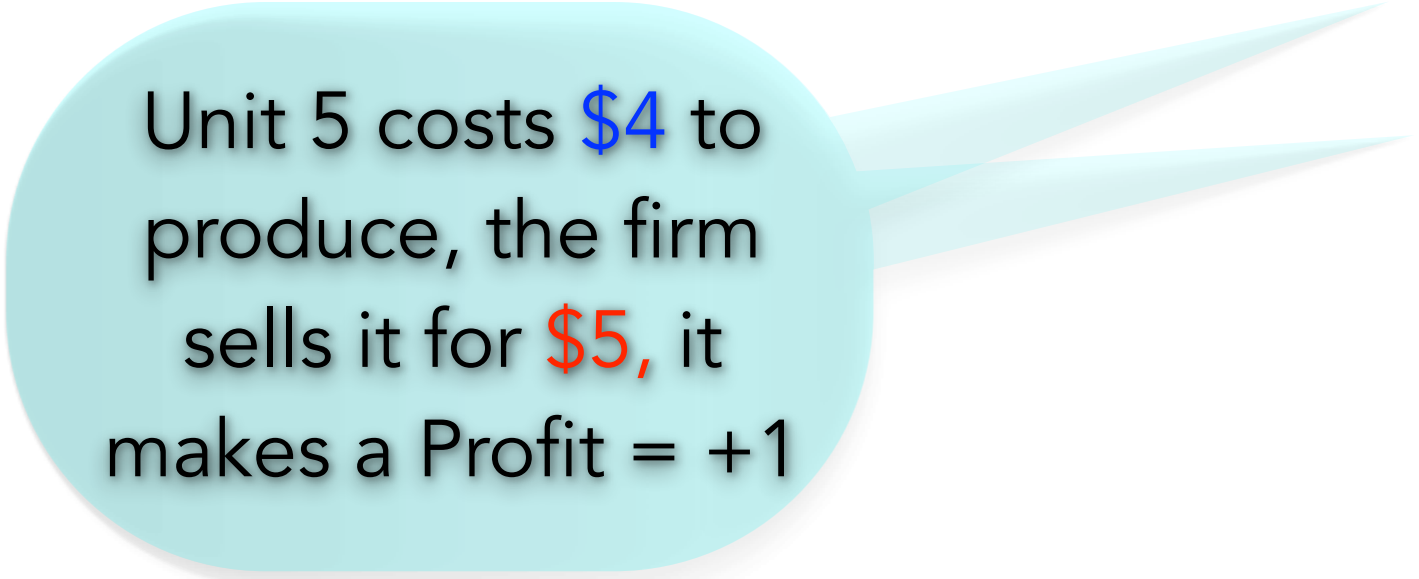
-6

-4

-3

-1





Unit 5 costs \$4 to  
produce, the firm  
sells it for \$5, it  
makes a Profit = +1

# Understanding Marginal Cost and Marginal Revenue

The firm must produce **more than 4** units to start accumulating profits

Understanding Marginal Cost and Marginal Revenue

