
MR


MC


+3.2

11
1

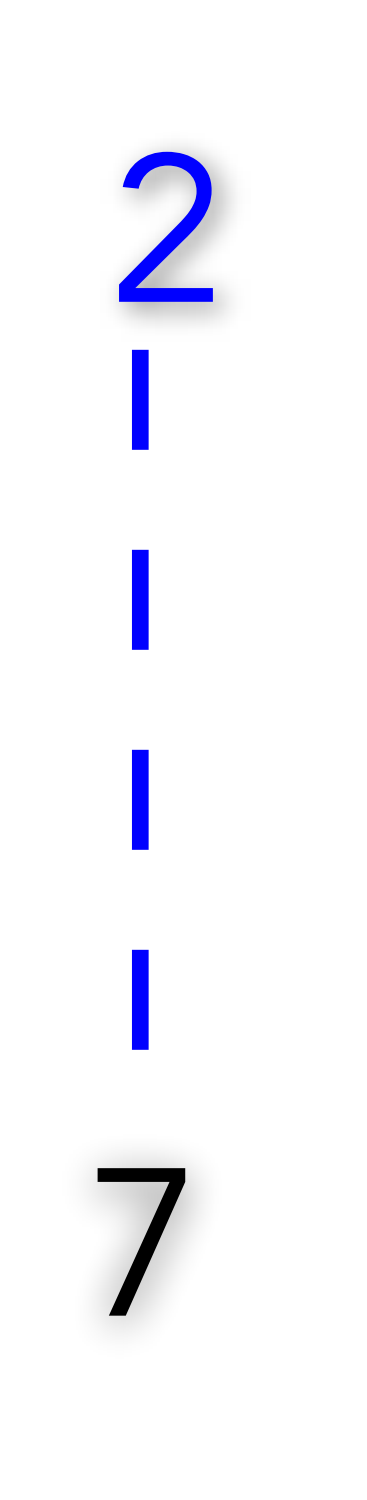
9
2

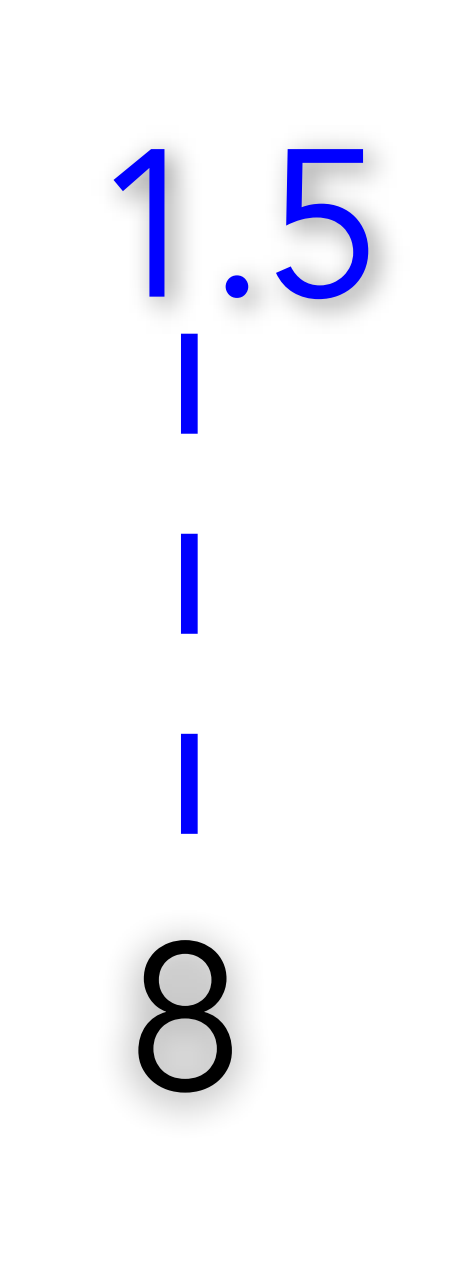
7

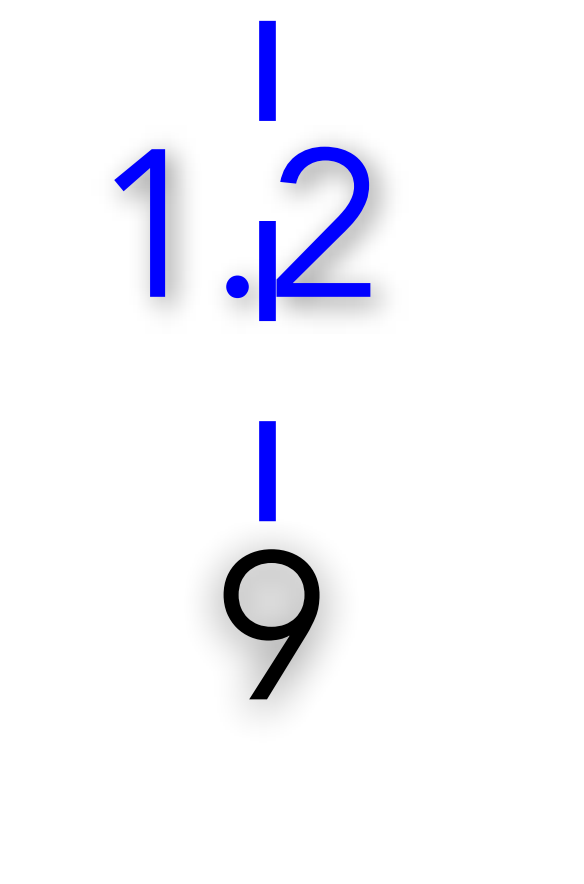
3

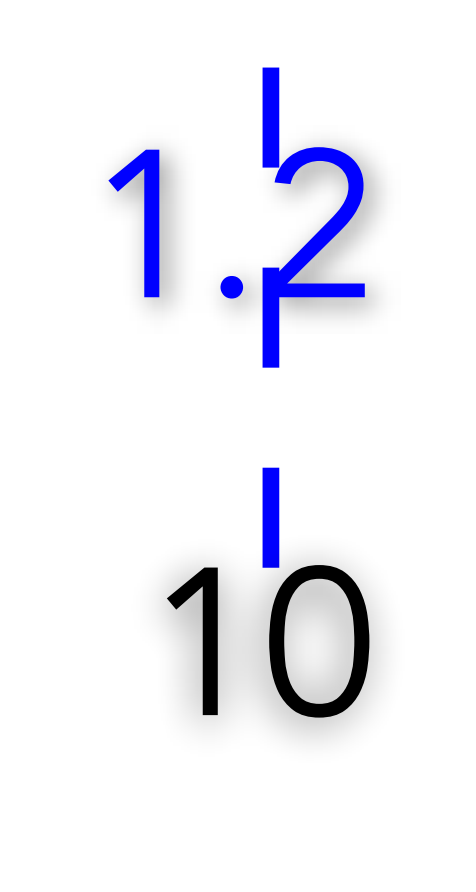
3

6


2
7

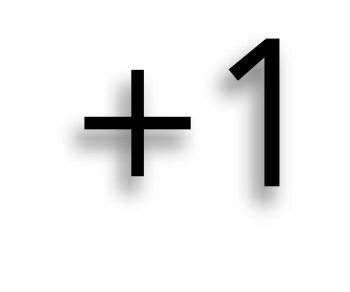

1.5
8


1.2
9


1.2
10


-6

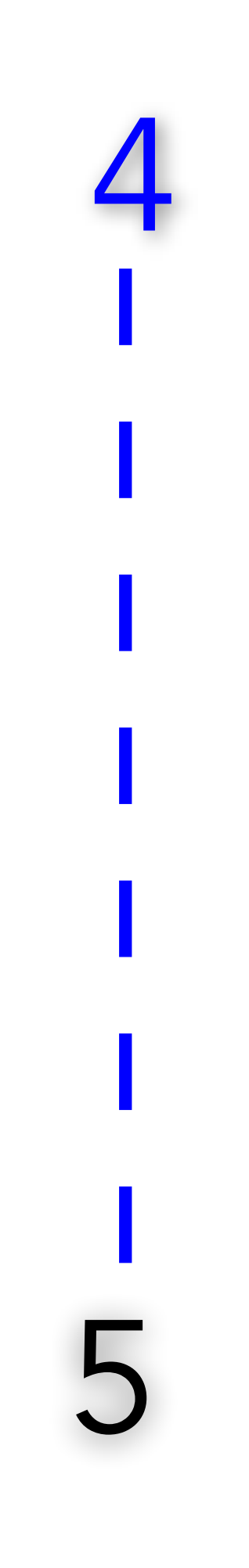

-4


+1


+2

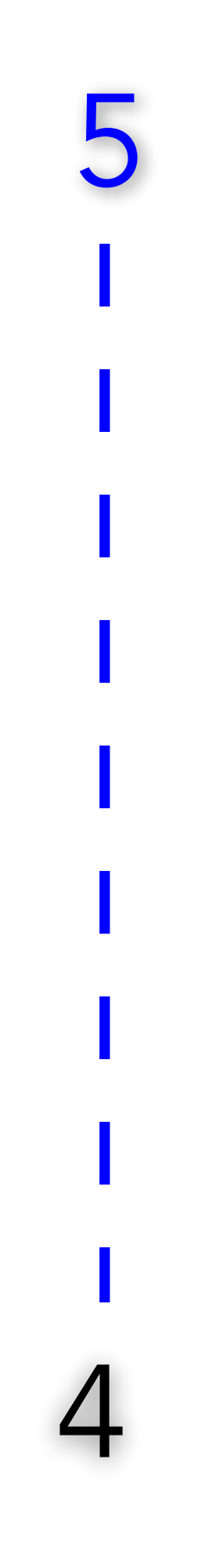

+3

+3.5


4
5


-2

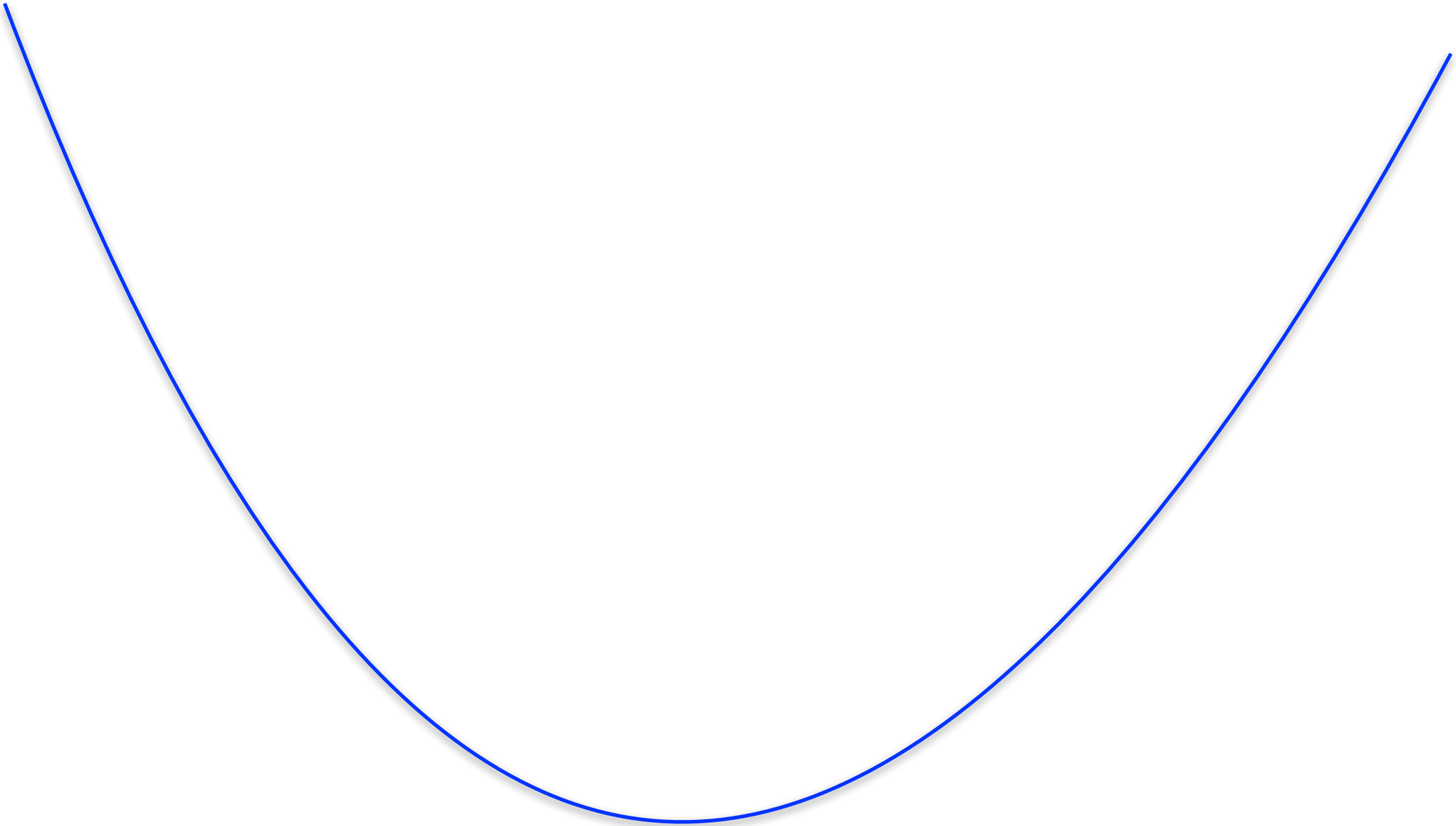

+3.8

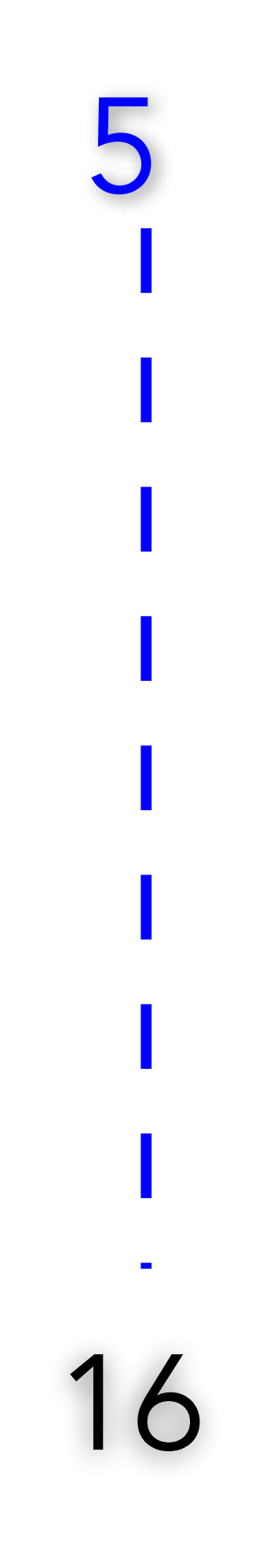

5
4

$P_e=5$

For units 1, 2 and 3, MC > MR(=Price) and the firm has losses

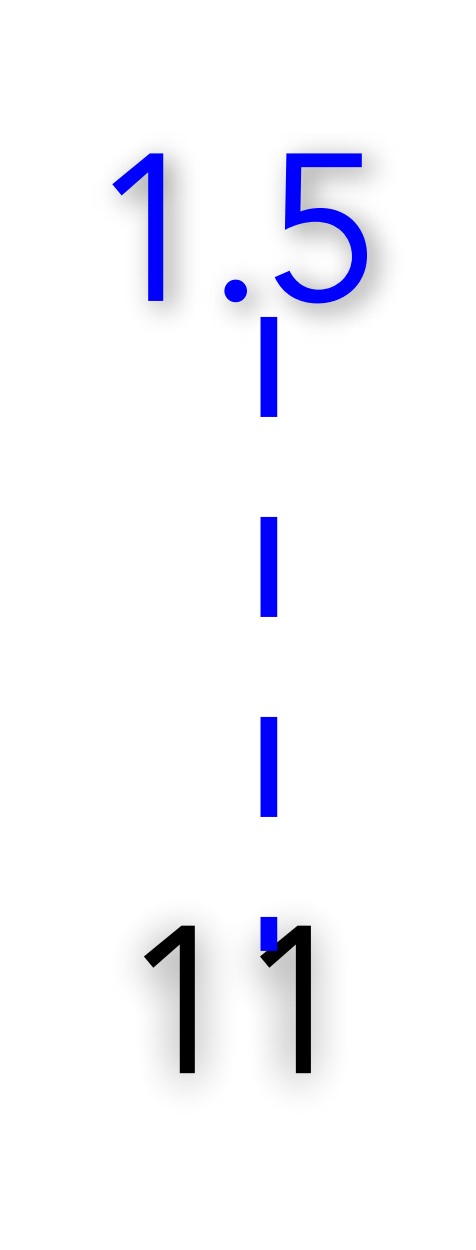
For units 5 through15, MC < MR(=Price) and the firm has profits

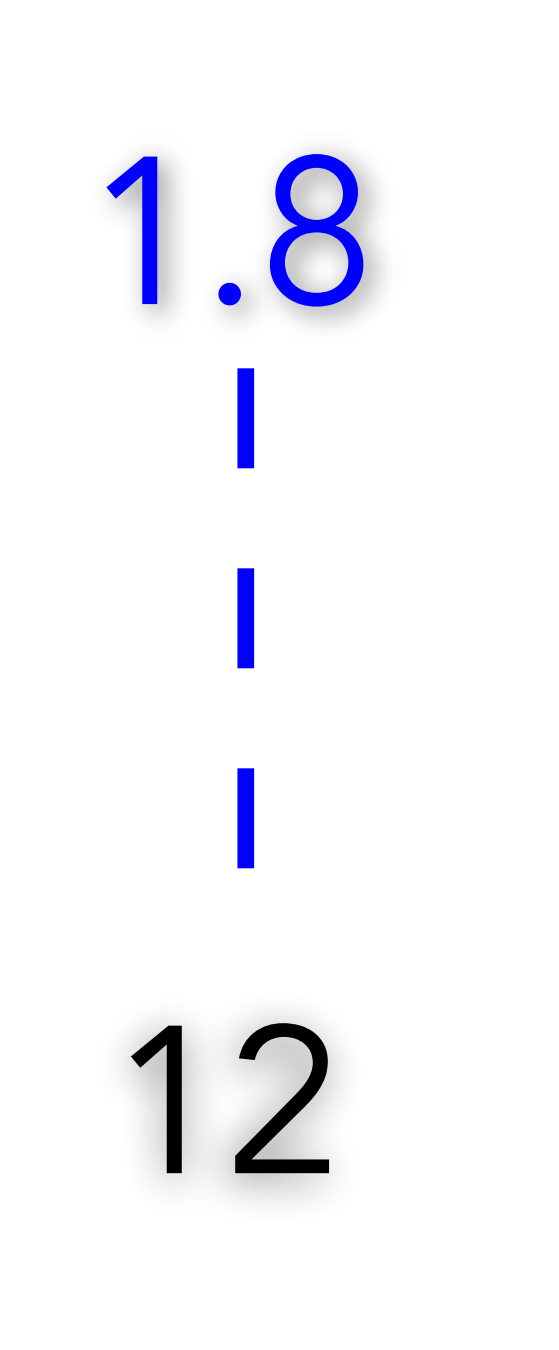



5
16

11

20


1.5
11


1.8
12

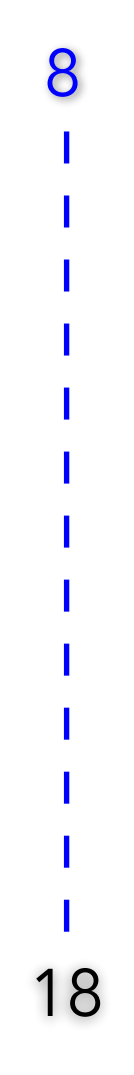
2.2

3

14

4

15


8
18

9

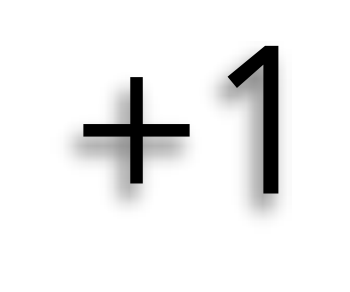
19

0


+3.5


+2.8


+2


+1

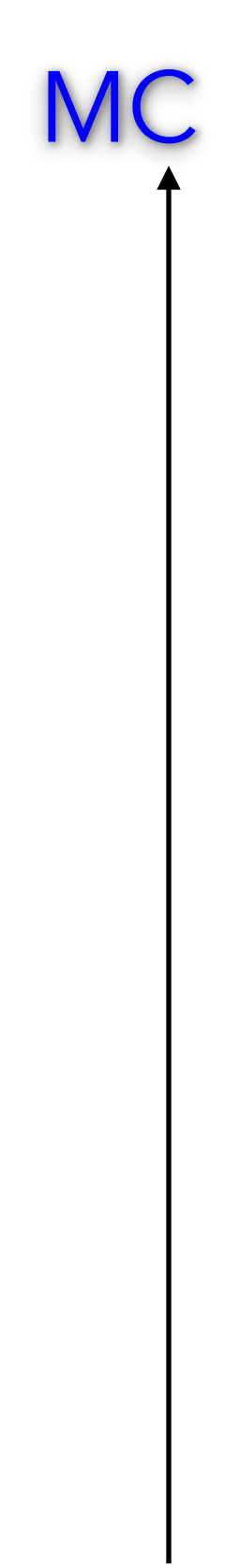
0


-1


-3


-4


-6


MC

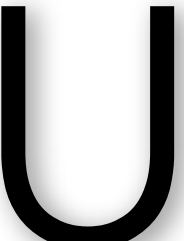

,P

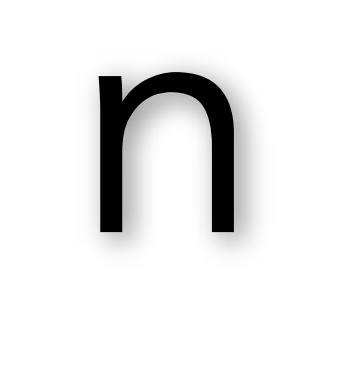
q

+3.8

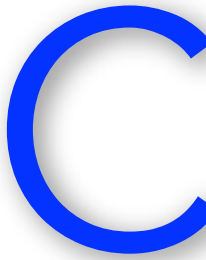
For all units above16, again MC > MR(=Price) and the firm has losses

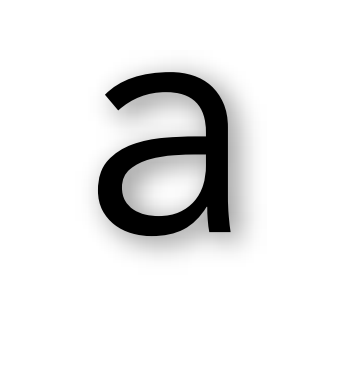
Total Profit is maximum when MC = MR(=Price)

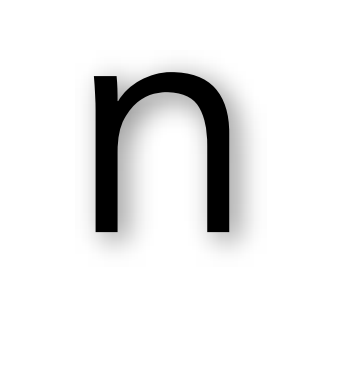



n


M




a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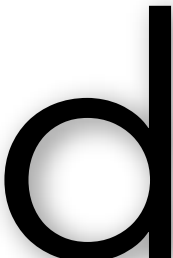

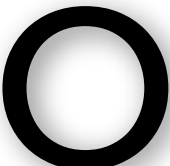

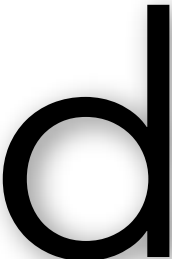

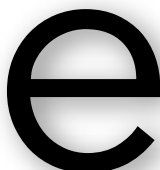

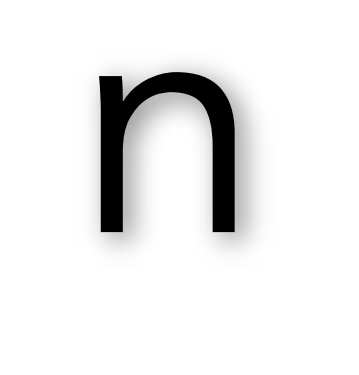
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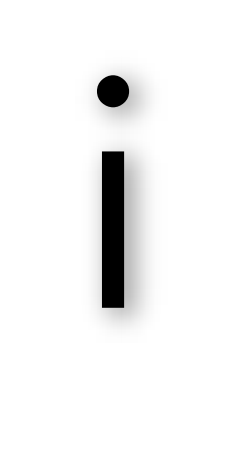

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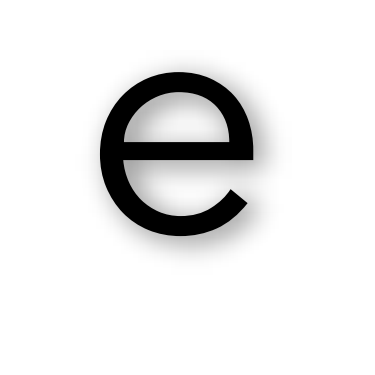
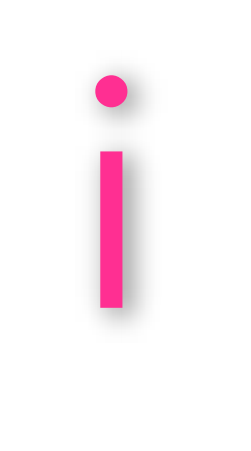
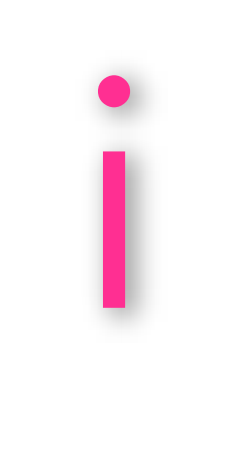


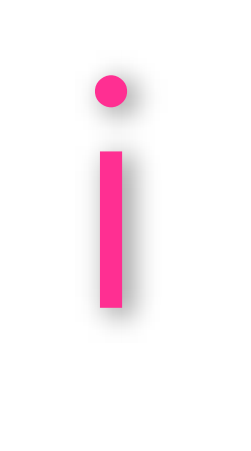
P

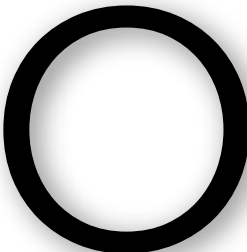


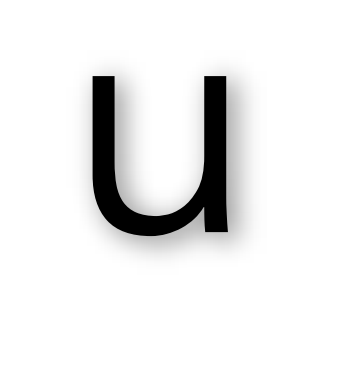

M

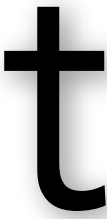

a

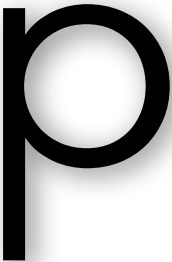












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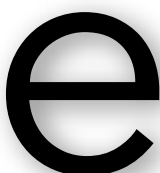
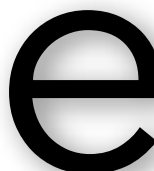


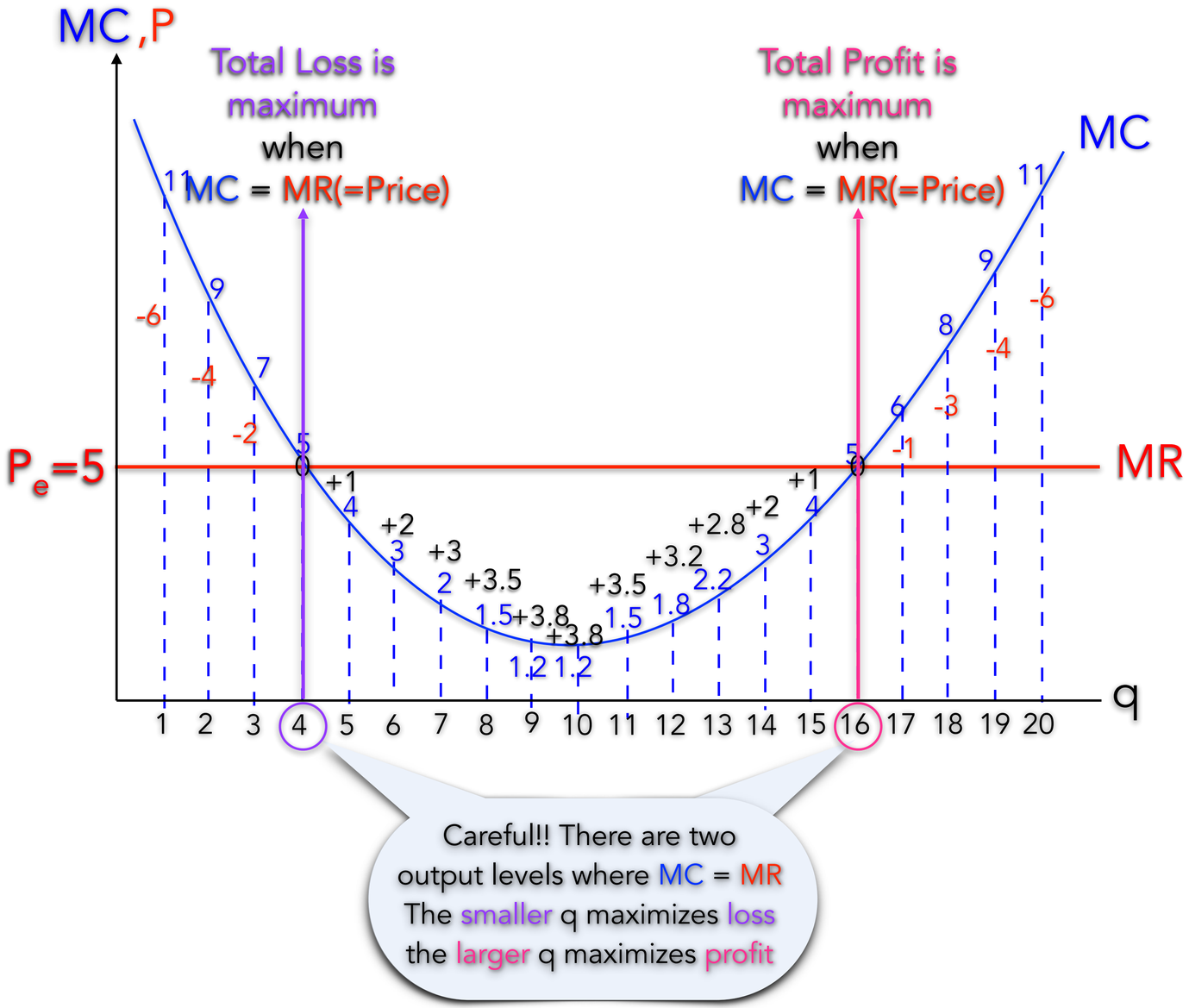


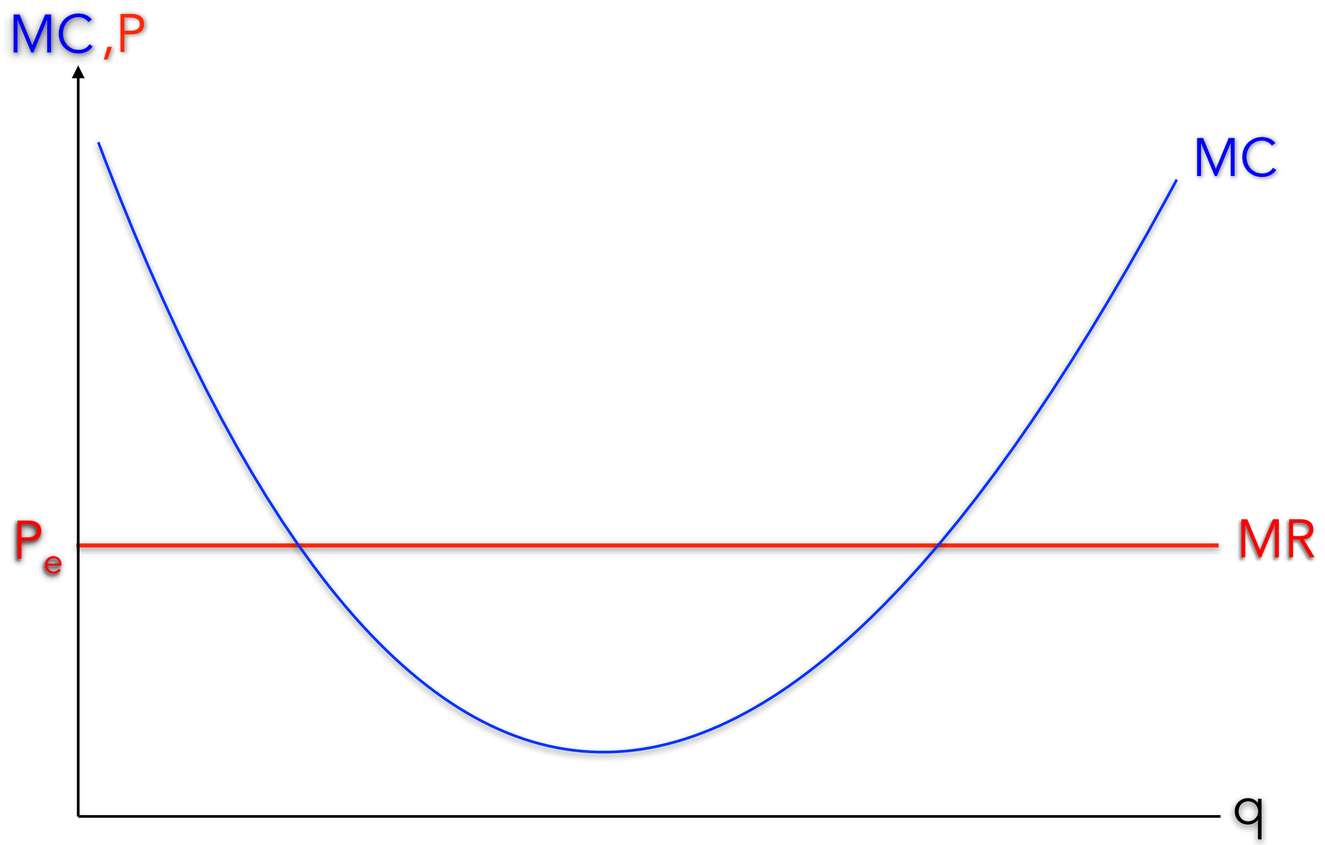
Total Loss is maximum when MC = MR(=Price)

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




MC ,P
MC
P_e
MR
q