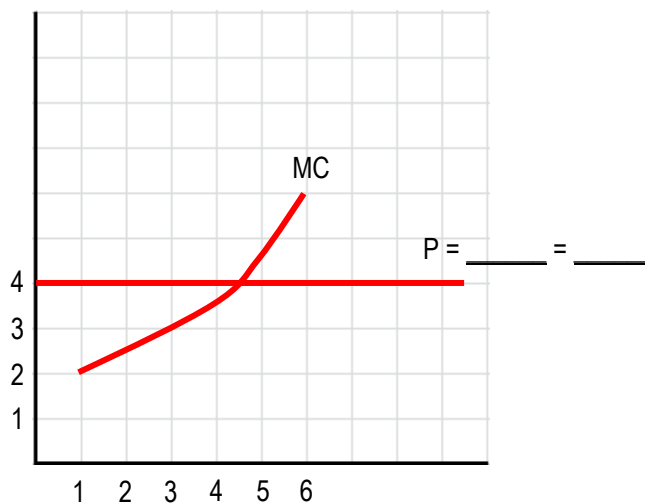


CONCEPT: PROFIT ON THE GRAPH

- The **profit-maximizing quantity** will always occur where _____

□ Profit-maximizing could also mean _____

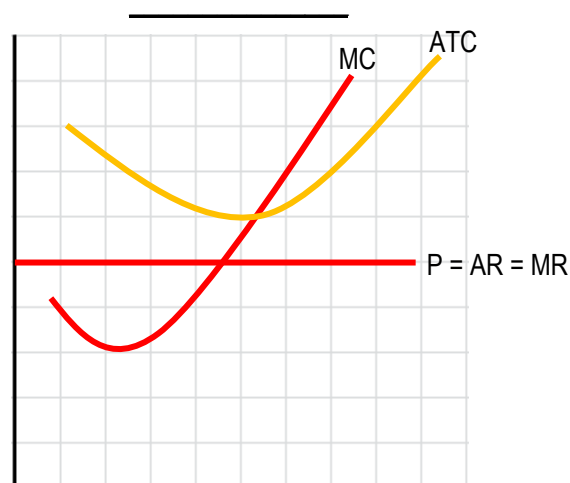
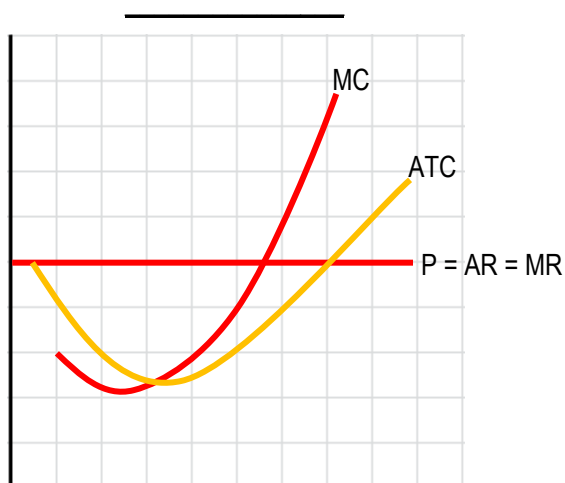


- The **profit or loss** is defined by the following formula:

$$\text{Profit} = (\text{Price} - \text{ATC}) * \text{Quantity}$$

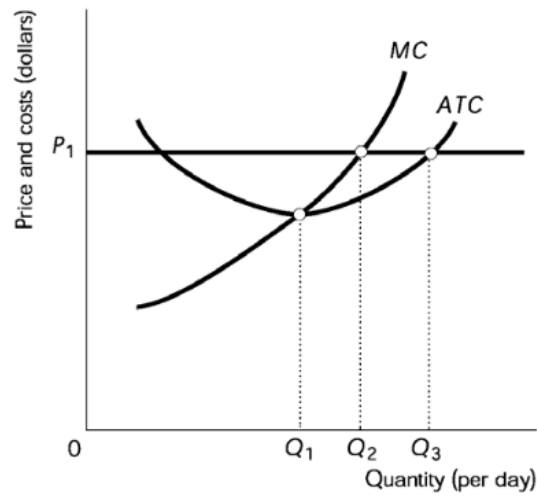
Step 1: Find profit-maximizing quantity where $MR = MC$

Step 2: Find Price (on Demand Curve) and ATC at that quantity



□ If $P > ATC \rightarrow$ _____ □ If $P = ATC \rightarrow$ _____ □ If $P < ATC \rightarrow$ _____

PRACTICE: Use this graph to answer the following questions:



If the firm decreases its production from Q_2 to Q_1 , it will

- a) Increase its profit
- b) Decrease its profit
- c) Reduce its marginal revenue
- d) Increase its marginal revenue

If the price is P_1 , the firm maximizes profit by producing

- a) Q_1
- b) Q_2
- c) Q_3
- d) Nothing

If the price is P_1 , the firm is

- a) Suffering an economic loss
- b) Earning an economic profit
- c) Breaking even
- d) None of the above