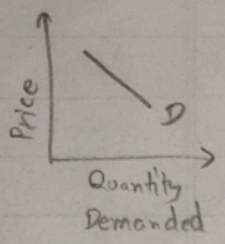
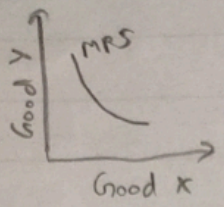
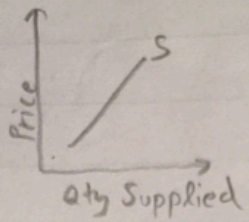
Demand



IC

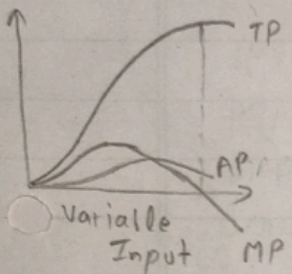


Supply

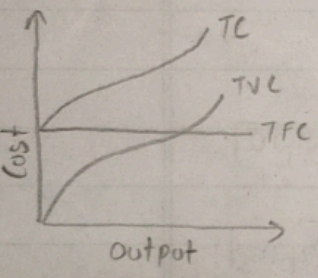


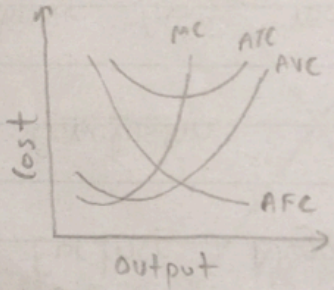
TP/AP/MP (Law of Variable Proportion in short Run only) / Diminishing Returns ← Labour | TP/AP/MP | Long Run Return to Scale

- Just little theory

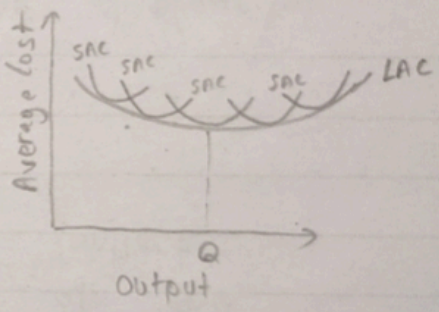


(Short Run) AC & MC Curve



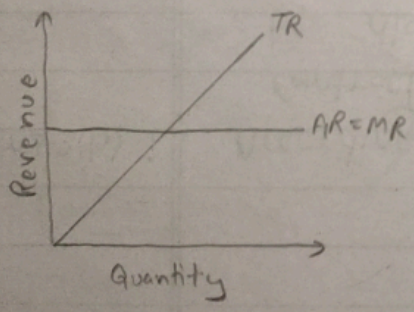


(Long run) AC & MC Curve

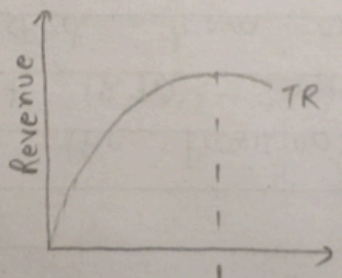


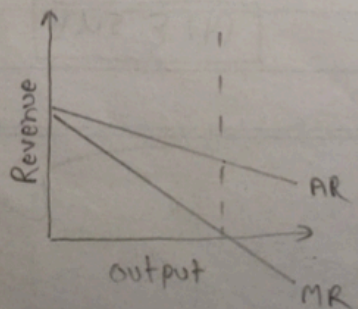
TR/AR/MR (Firm)

Perfect Competition



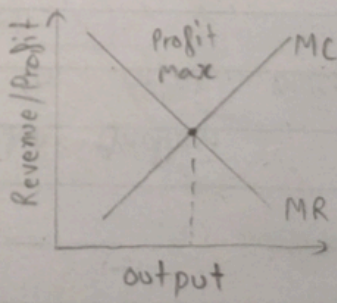
Imperfect Competition





(MR = MC)

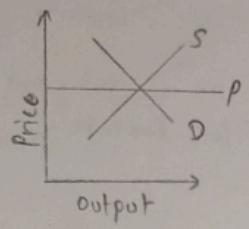
Maximisation of Profit

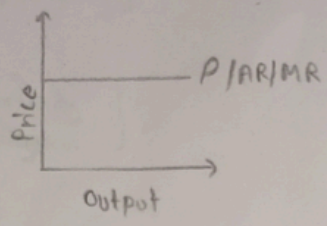


Perfect Competition

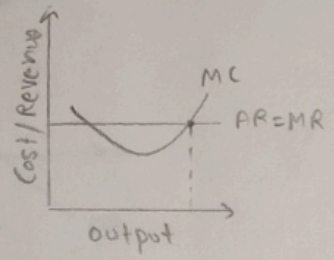
Price Determination

- Equilibrium of Industry
- Equilibrium of Firm





- Short Run Profit Maximisation by Competitive Firm (Equilibrium)

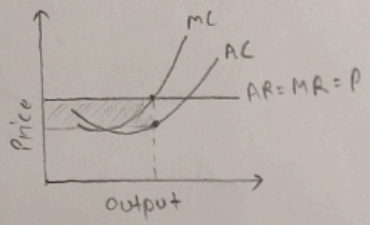


Normal Profit max - MR = MC [Equilibrium]

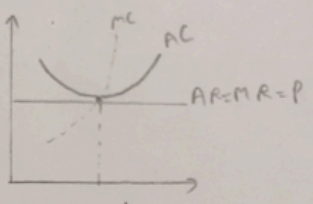
Perfect Competetive market - MR = MC = AR

- Short Run Profit Situations

1) Super Normal

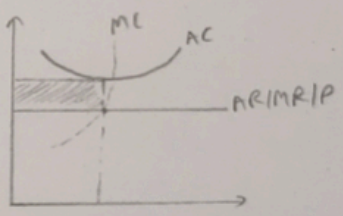


2) Normal Profit (AC=AR)



AC = MC = MR = AR = P

3) Loss

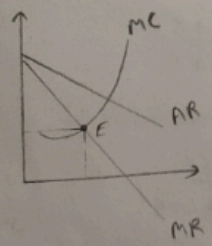


- Long Run Profit

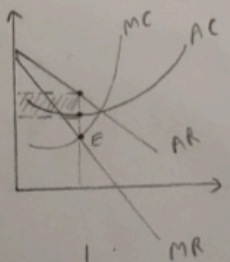
(Normal Profit)

Monopoly

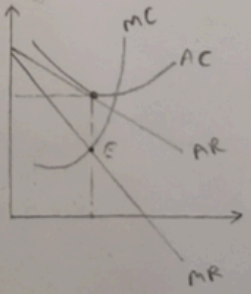
- Equilibrium



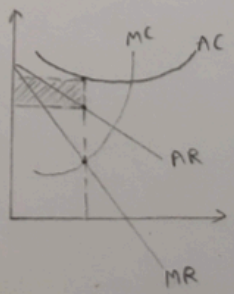
- Super Normal



- Normal



- Loss



Long Run

(Super Normal) Profit

* MR & MC is only used to Determine Equilibrium

* AR & AC is used to Determine Profit

Exception * Max Profit of a Firm is MR = MC

Monopolistic

- Short Run Profit
  - Super Normal
  - Loss

[Diagram as monopoly]

- Long Run
  - Normal Profit

[Monopoly Diagram]