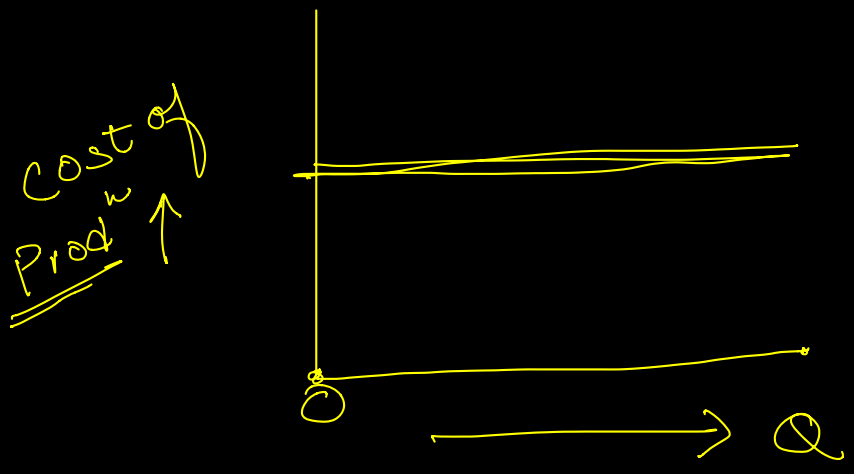
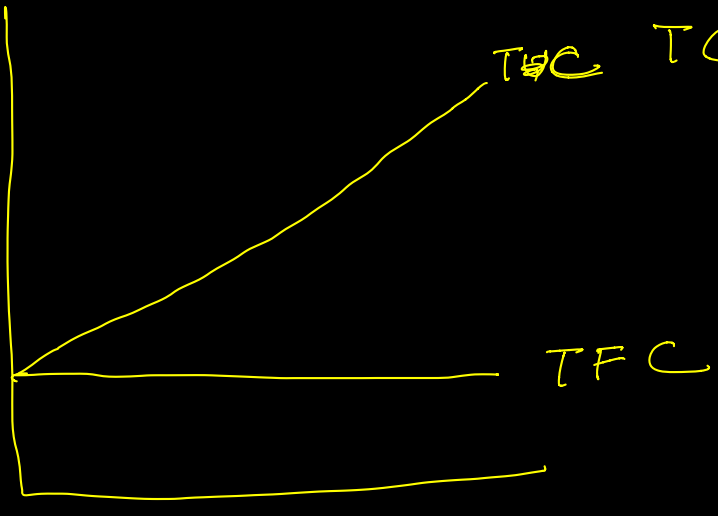
Short Run

1) TFC = Plant, Mach, Land, Equip



2) TVC

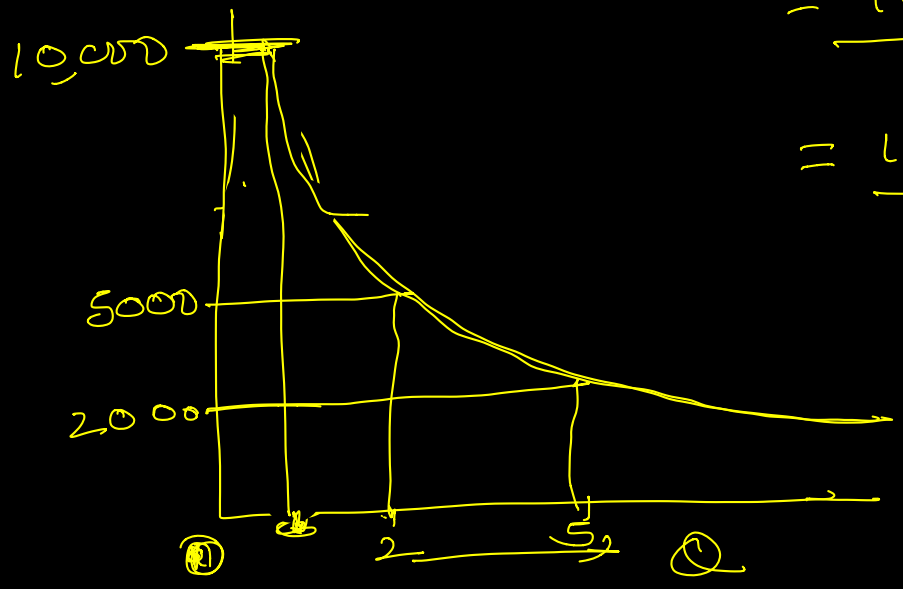
3)



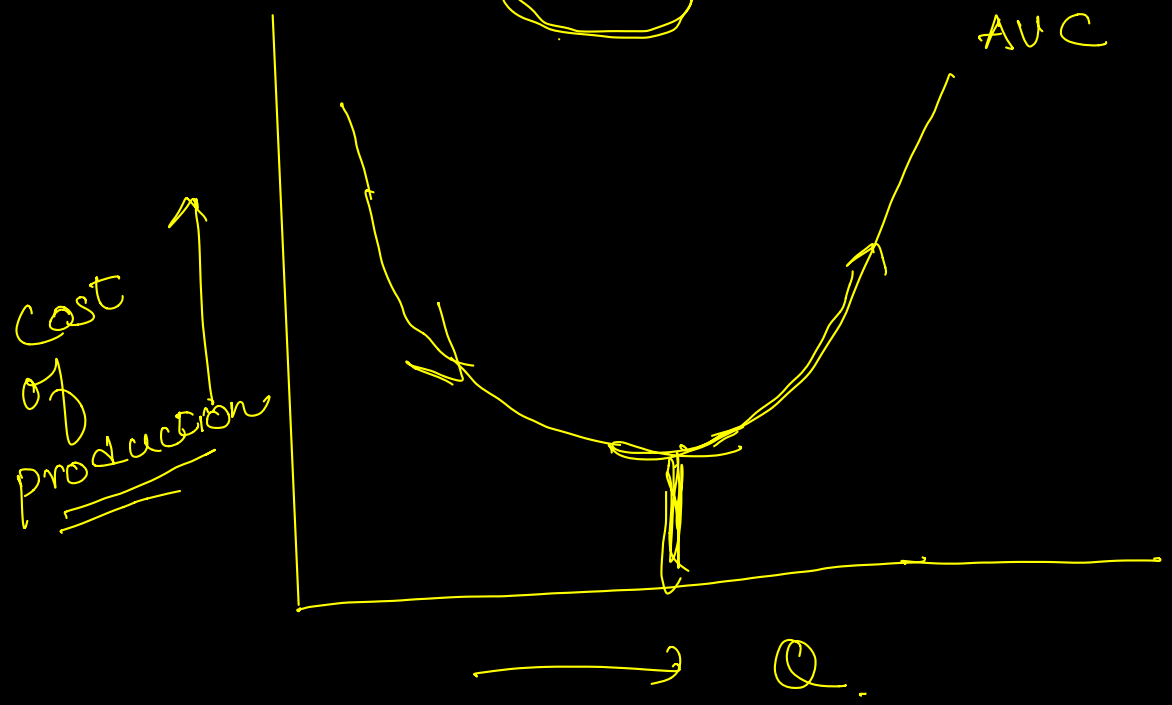
4) $AFC = \frac{TFC}{Q\ (units)} = \frac{10\,000}{1} = 10\,000$

$= \frac{10\,000}{2} = 5000$

$= \frac{10\,000}{5} = 2000$



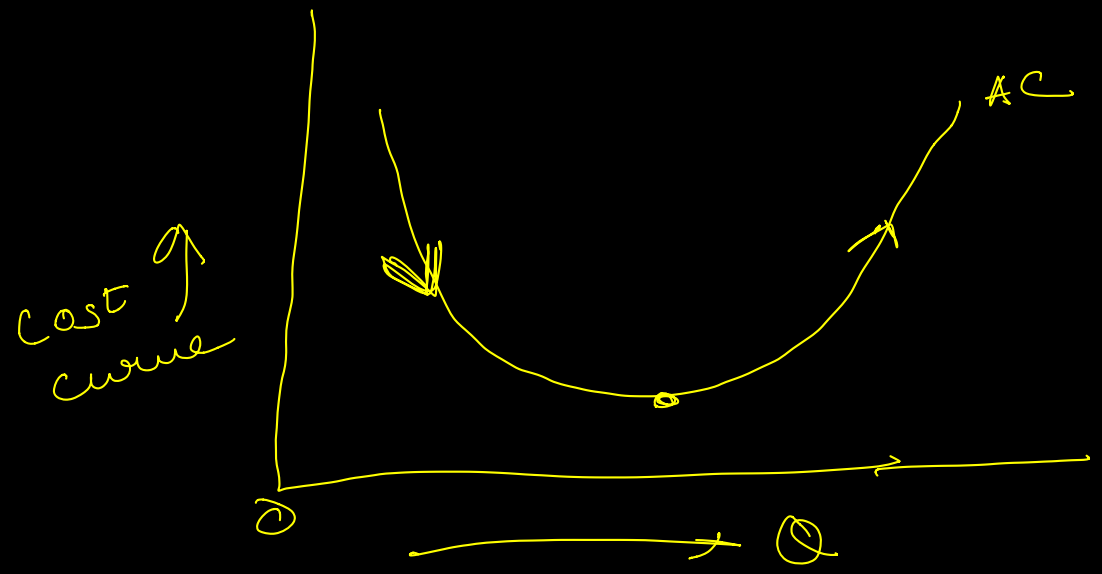
5) $AVC = \frac{TVC}{Q} =$



6) Average cost = AC

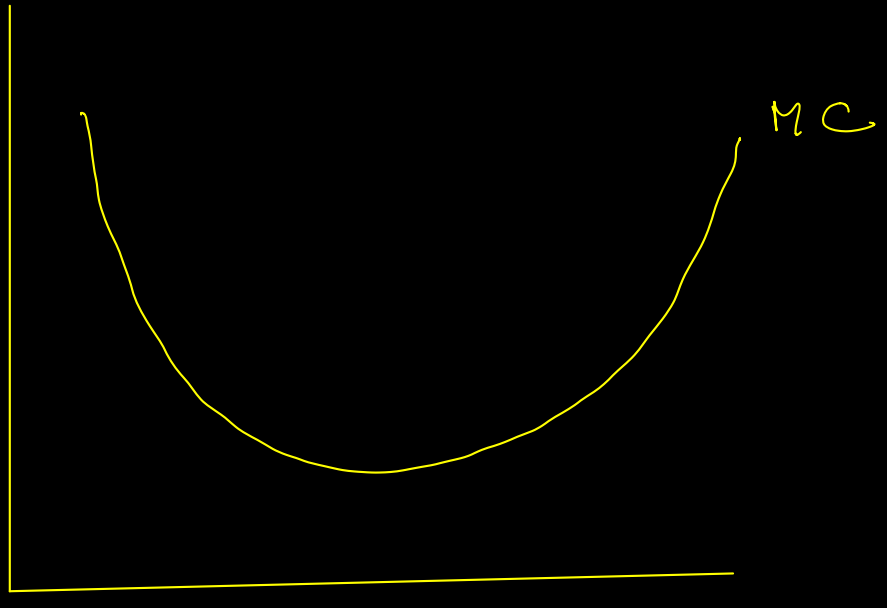
ATC = AFC + AVC

AC =



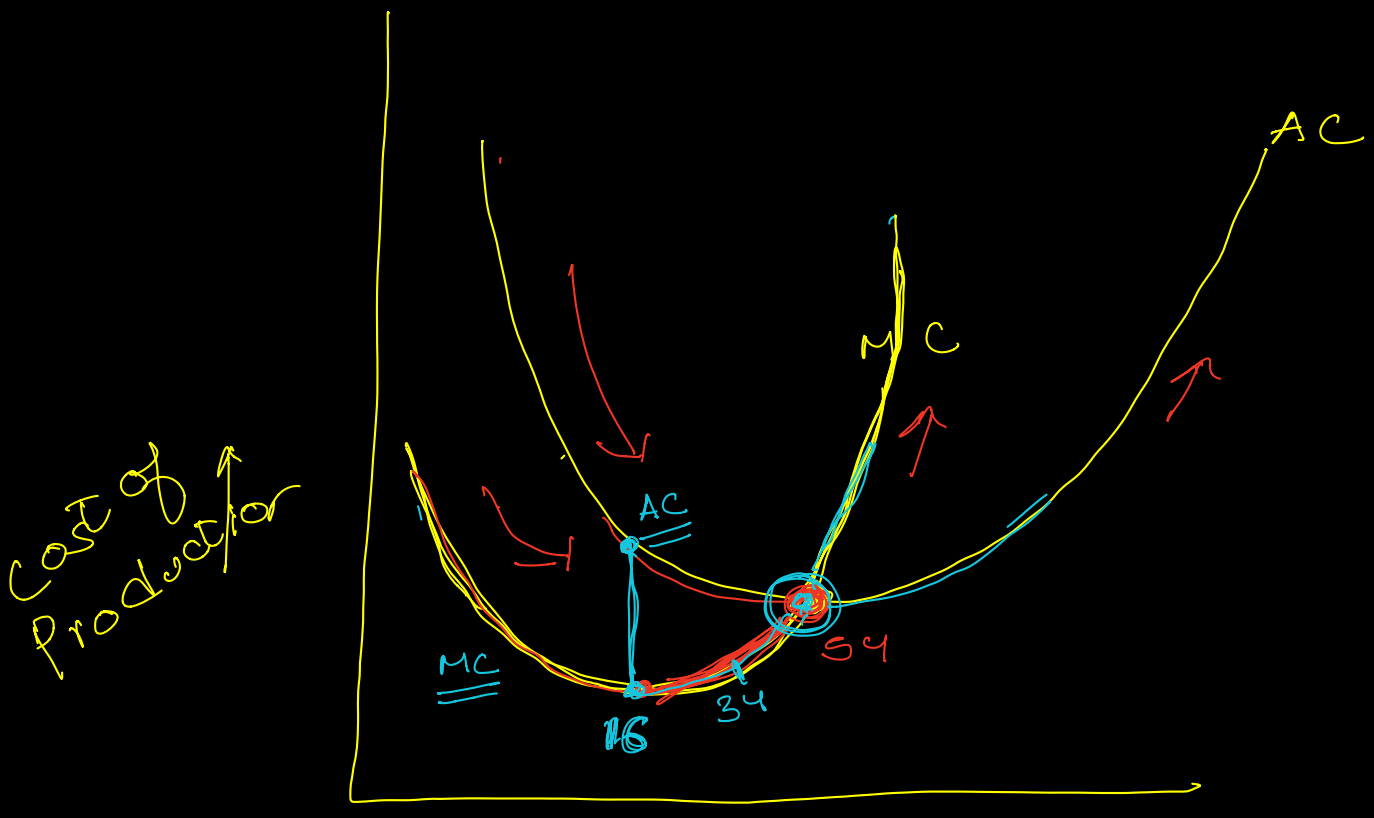
7) MC

$= \frac{\Delta TC}{\Delta Q}$

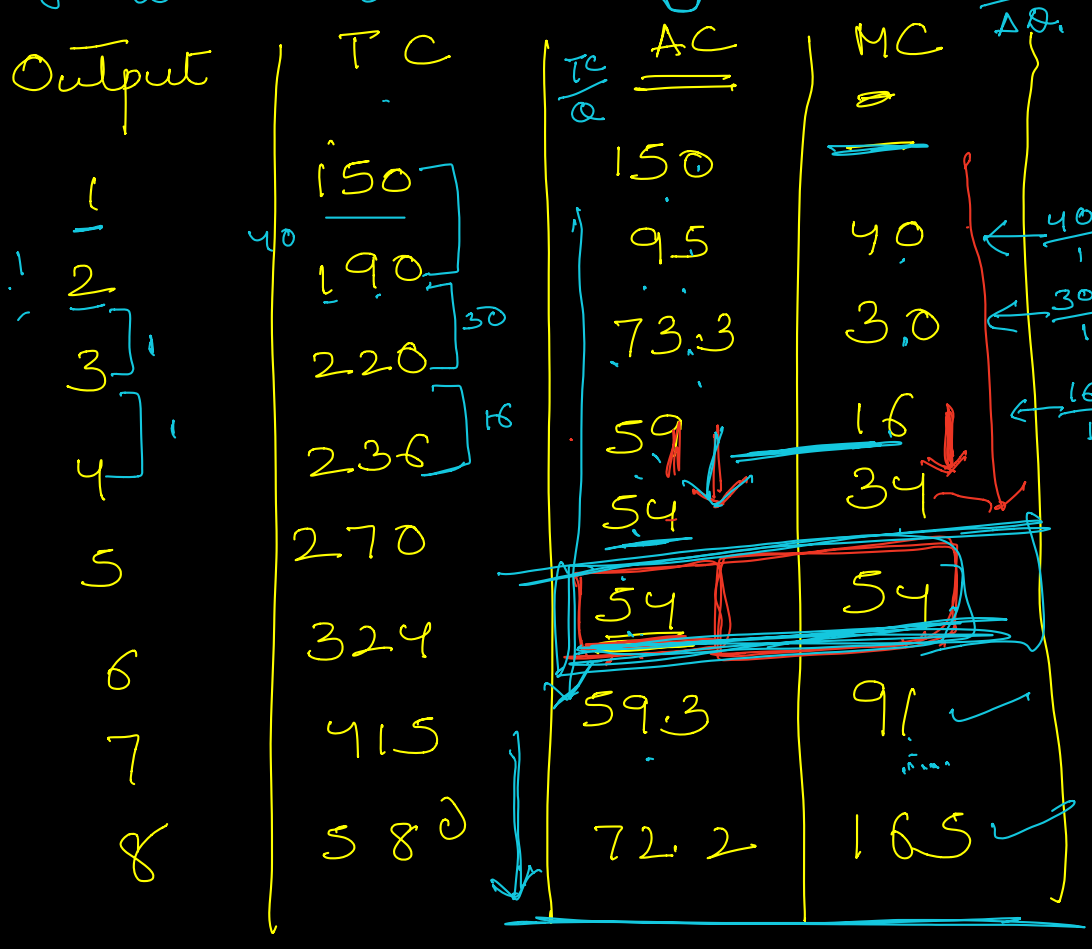


$= \frac{TFC}{}$

Output	TFC	TVC	TC	AFC	AVC	AC	MC
0	360	—	360	—	—	—	—
							180
1	360	180	540	360	180	540	
							60
2	360	240	600	180	120	300	
							30
3	360	270	630	120	90	210	
							45
4	360	315	675	90	78.75	168.75	
							105
5	360	420	780	72	84	156	
							210
6	360	630	990	60	105	165	



1) Both AC & AFC fall at certain range & rise afterwards.
2) When AC falls, MC also falls but at certain range of output MC tends to rise even though AC continues to fall
3) So long as AC is falling, MC is less than AC Hence MC curve lies below AC curve



Cost Functions

4) When AC is rising, after the point of intersection, MC will be greater than AC

5) MC curve cuts the AC curve at its minimum.