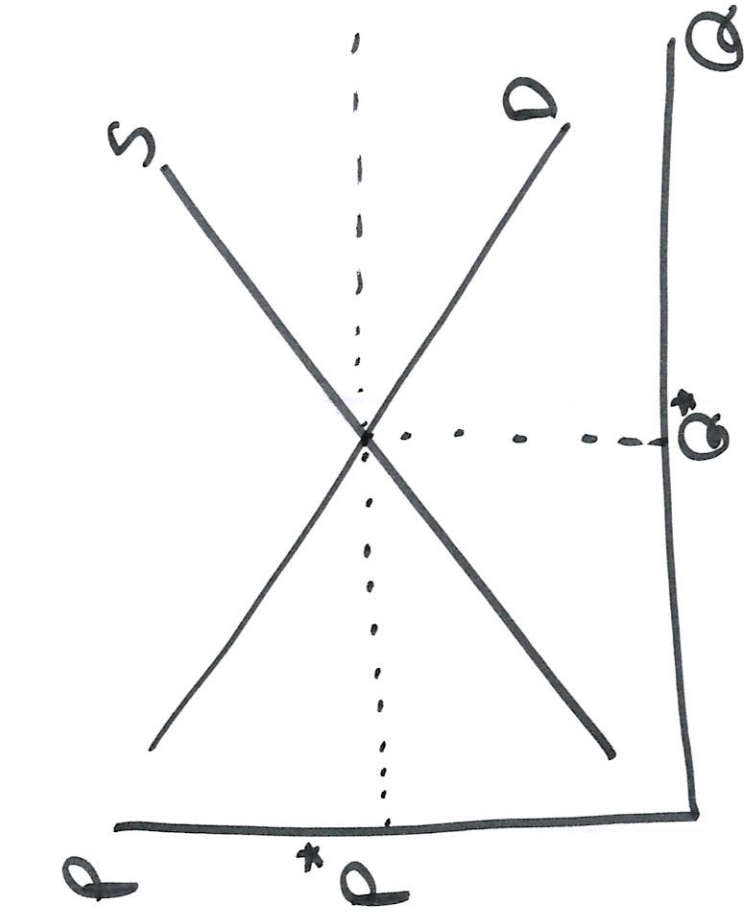


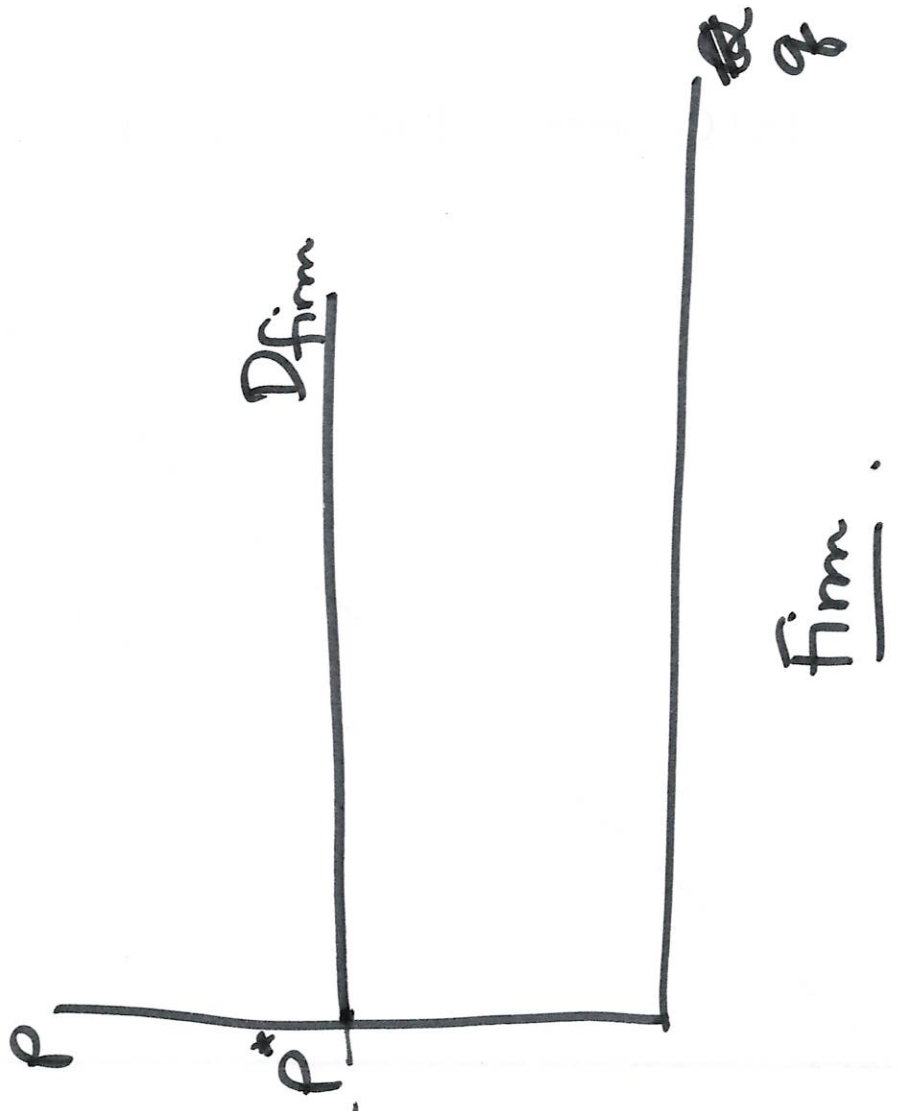
Review Last Time : Perfect Competition

Main assumption: Everyone is a price taker.

→ take "P" as given.



"Market"



Firm

②

Firm's Objective: $\text{Max}_Q \pi(Q) = \text{TR} - \text{TC}$.

$$\pi(Q) = \bar{P} \times Q - C(Q)$$

I. Find π -max Q .

(MR-MC approach).

II. Find the amount of max π .

Steps.

① Given \bar{P} (know TR), TC, Find $\pi(Q)$.

② Determine MR and MC.

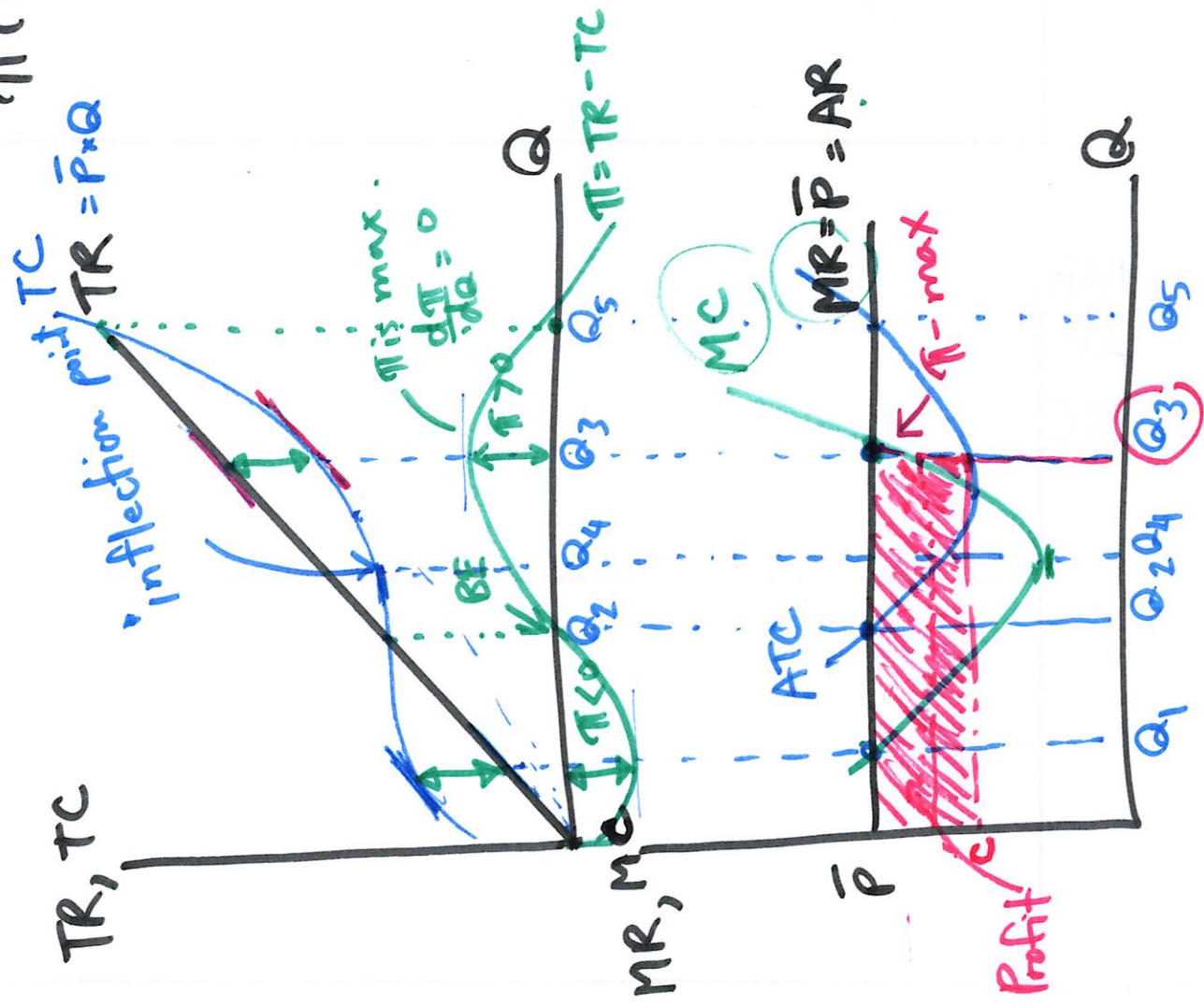
$$MR = \frac{\Delta TR}{\Delta Q} = \bar{P}; \quad MC = \frac{\Delta(TC)}{\Delta Q}$$

③ π -max is at $MC = MR$.

$\rightarrow Q_3$ is π -max quantity.

④ Determine ATC. \rightarrow Find $ATC(Q_3)$

$$\rightarrow \text{Derive } \text{max } \pi = (\bar{P} - ATC) \times Q_3$$



3

Derive SR - Supply Curve

Firm's Supply Curve.

